



**Annual Consolidated
Financial Report
of the Bank Millennium S.A.
Capital Group
for the 12-month period
ending 31st December 2024**

This document is not the official version of the Annual Consolidated Financial Report of the Bank Millennium S.A. Capital Group for the 12-month period ending 31st December 2024.

Official Annual Consolidated Financial Report of the Bank Millennium S.A. Capital Group for the 12-month period ending 31st December 2024 was prepared in accordance with the ESEF requirements.

This document is a translation from the original Polish version. In case of any discrepancies between the Polish and English versions, the Polish version shall prevail.

FINANCIAL HIGHLIGHTS

	Amount '000 PLN		Amount '000 EUR	
	1.01.2024 - 31.12.2024	1.01.2023 - 31.12.2023	1.01.2024 - 31.12.2024	1.01.2023 - 31.12.2023
Interest income and other of similar nature	8 823 127	8 435 773	2 049 888	1 862 860
Fee and commission income	1 058 319	1 037 135	245 881	229 029
Profit (loss) before income tax	875 024	1 312 487	203 295	289 835
Profit (loss) after taxes	719 209	575 717	167 095	127 135
Total comprehensive income of the period	876 737	1 400 489	203 693	309 268
Net cash flows from operating activities	12 411 879	14 395 773	2 883 667	3 178 998
Net cash flows from investing activities	(19 179 868)	(12 187 857)	(4 456 082)	(2 691 427)
Net cash flows from financing activities	2 433 392	2 060 342	565 353	454 982
Net cash flows, total	(4 334 597)	4 268 258	(1 007 062)	942 553
Earnings (losses) per ordinary share (in PLN/EUR)	0.59	0.47	0.14	0.10
Diluted earnings (losses) per ordinary share	0.59	0.47	0.14	0.10
	31.12.2024	31.12.2023	31.12.2024	31.12.2023
Total Assets	139 151 532	125 520 004	32 565 301	28 868 446
Liabilities to banks and other monetary institutions	316 824	563 512	74 146	129 603
Liabilities to customers	117 257 213	107 246 427	27 441 426	24 665 692
Equity	7 771 634	6 894 895	1 818 777	1 585 762
Share capital	1 213 117	1 213 117	283 903	279 006
Number of shares (pcs.)	1 213 116 777	1 213 116 777	1 213 116 777	1 213 116 777
Book value per share (in PLN/EUR)	6.41	5.68	1.50	1.31
Diluted book value per share (in PLN/EUR)	6.41	5.68	1.50	1.31
Total Capital Ratio (TCR)	17.24%	18.06%	17.24%	18.06%
Pledged or paid dividend per share (in PLN/EUR)	-	-	-	-

Exchange rates accepted to convert selected financial data into EUR

for items as at the balance sheet date	-	-	4.2730	4.3480
for items for the period covered by the report (exchange rate calculated as the average of exchange rates at the end of individual months of the period)	-	-	4.3042	4.5284

QUARTERLY FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

<i>Amount '000 PLN</i>	1.01.2024 - 31.12.2024	1.10.2024 - 31.12.2024*	1.01.2023 - 31.12.2023	1.10.2023 - 31.12.2023*
Net interest income	5 529 944	1 505 045	5 253 489	1 283 778
Interest income and other of similar nature	8 823 127	2 335 332	8 435 773	2 119 668
Income calculated using the effective interest method	8 721 740	2 314 355	8 326 843	2 085 837
Interest income from Financial assets at amortised cost, including:	7 370 740	1 958 801	7 446 886	1 854 565
- the impact of the adjustment to the gross carrying amount of loans due to credit holiday	(112 709)	44 597	(9 228)	(9 228)
Interest income from Financial assets at fair value through other comprehensive income	1 351 000	355 554	879 957	231 272
Income of similar nature to interest from Financial assets at fair value through profit or loss	101 387	20 977	108 930	33 831
Interest expenses	(3 293 183)	(830 287)	(3 182 284)	(835 890)
Net fee and commission income	776 698	187 943	782 385	190 475
Fee and commission income	1 058 319	259 077	1 037 135	256 754
Fee and commission expenses	(281 621)	(71 134)	(254 750)	(66 279)
Dividend income	3 626	87	3 431	153
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(1 982)	(849)	538 922	(859)
Results on financial assets and liabilities held for trading	(7 206)	(2 439)	48 420	50 736
Result on non-trading financial assets mandatorily at fair value through profit or loss	19 134	9 263	12 359	761
Result on hedge accounting	1 544	1 343	1 160	(357)
Result on exchange differences	(178 868)	(59 626)	(75 968)	(29 013)
Other operating income	374 196	98 238	458 982	143 208
Other operating expenses	(520 325)	(146 252)	(301 614)	(72 882)
Administrative expenses	(2 026 444)	(537 051)	(1 781 439)	(476 336)
Impairment losses on financial assets	(271 082)	7 105	(262 475)	(58 591)
Impairment losses on non-financial assets	(4 274)	79	(84)	(31)
Provisions for legal risk connected with FX mortgage loans	(2 179 070)	(522 680)	(3 065 380)	(701 580)
Result on modification	(182 257)	(70 833)	(88 184)	(20 323)
Depreciation	(226 191)	(59 190)	(211 517)	(52 833)
Share of the profit of investments in subsidiaries	0	0	0	0
Banking tax	(232 419)	(98 907)	0	0
Profit before income taxes	875 024	311 276	1 312 487	256 306
Corporate income tax	(155 815)	(138 763)	(736 770)	(141 207)
Profit after taxes	719 209	172 513	575 717	115 099
Attributable to:				
Owners of the parent	719 209	172 513	575 717	115 099
Non-controlling interests	0	0	0	0
Weighted average number of outstanding ordinary shares (pcs.)	1 213 116 777	1 213 116 777	1 213 116 777	1 213 116 777
Profit (loss) per ordinary share (in PLN)	0.59	0.14	0.47	0.09

* quarterly financial information has not been audited by an independent auditor

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

<i>Amount '000 PLN</i>	1.01.2024 - 31.12.2024	1.10.2024 - 31.12.2024*	1.01.2023 - 31.12.2023	1.10.2023 - 31.12.2023*
Result after taxes	719 209	172 513	575 717	115 099
Other comprehensive income items that may be (or were) reclassified to profit or loss	184 704	(66 589)	1 024 886	171 284
Result on debt securities at fair value through other comprehensive income	155 271	(70 298)	673 019	93 091
Hedge accounting	29 433	3 709	351 867	78 193
Other comprehensive income items that will not be reclassified to profit or loss	9 775	9 775	(6 649)	(6 565)
Actuarial gains (losses)	1 928	1 928	(11 071)	(10 987)
Result on equity instruments at fair value through other comprehensive income	7 847	7 847	4 422	4 422
Total comprehensive income items before taxes	194 479	(56 814)	1 018 237	164 719
Corporate income tax on other comprehensive income items that may be (or were) reclassified to profit or loss	(35 094)	12 652	(194 728)	(32 544)
Corporate income tax on other comprehensive income items that will not be reclassified to profit or loss	(1 857)	(1 857)	1 263	1 247
Total comprehensive income items after taxes	157 528	(46 019)	824 772	133 422
Total comprehensive income for the period	876 737	126 494	1 400 489	248 521
Attributable to:				
Owners of the parent	876 737	126 494	1 400 489	248 521
Non-controlling interests	0	0	0	0

* quarterly financial information has not been audited by an independent auditor

**ANNUAL CONSOLIDATED FINANCIAL STATEMENTS
OF THE BANK MILLENNIUM S.A. CAPITAL GROUP
FOR THE 12-MONTH PERIOD ENDING 31ST DECEMBER 2024**

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1. Consolidated Statement of Profit and Loss

Amount '000 PLN	Note	1.01.2024 - 31.12.2024	1.01.2023 - 31.12.2023
Net interest income		5 529 944	5 253 489
Interest income and other of similar nature	1	8 823 127	8 435 773
Income calculated using the effective interest method		8 721 740	8 326 843
Interest income from Financial assets at amortised cost, including:		7 370 740	7 446 886
- the impact of the adjustment to the gross carrying amount of loans due to credit holidays		(112 709)	(9 228)
Interest income from Financial assets at fair value through other comprehensive income		1 351 000	879 957
Income of similar nature to interest from Financial assets at fair value through profit or loss		101 387	108 930
Interest expenses	2	(3 293 183)	(3 182 284)
Net fee and commission income		776 698	782 385
Fee and commission income	3	1 058 319	1 037 135
Fee and commission expenses	3	(281 621)	(254 750)
Dividend income	4	3 626	3 431
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	5	(1 982)	538 922
Results on financial assets and liabilities held for trading	6	(7 206)	48 420
Result on non-trading financial assets mandatorily at fair value through profit or loss	7	19 134	12 359
Result on hedge accounting	8	1 544	1 160
Result on exchange differences, including:		(178 868)	(75 968)
- costs of settlements on foreign currency mortgage loans		(403 405)	(273 791)
Other operating income	9	374 196	458 982
Other operating expenses	10	(520 325)	(301 614)
Administrative expenses	11	(2 026 444)	(1 781 439)
Impairment losses on financial assets	12	(271 082)	(262 475)
Impairment losses on non-financial assets	13	(4 274)	(84)
Provisions for legal risk connected with FX mortgage loans	14	(2 179 070)	(3 065 380)
Result on modification, including:		(182 257)	(88 184)
- costs of settlements on foreign currency mortgage loans		(146 599)	(52 227)
Depreciation	15	(226 191)	(211 517)
Share of the profit of investments in subsidiaries		0	0
Banking tax		(232 419)	0
Profit before income taxes		875 024	1 312 487
Corporate income tax	16	(155 815)	(736 770)
Profit after taxes		719 209	575 717
Attributable to:			
Owners of the parent		719 209	575 717
Non-controlling interests		0	0
Weighted average number of outstanding ordinary shares		1 213 116 777	1 213 116 777
Profit (loss) per ordinary share (in PLN)	17	0.59	0.47

Notes on pages 14-188 are integral part of these consolidated financial statements.

2. Consolidated Statement of Total Comprehensive Income

Amount '000 PLN	1.01.2024 - 31.12.2024	1.01.2023 - 31.12.2023
Profit after taxes	719 209	575 717
Other comprehensive income items that may be (or were) reclassified to profit or loss	184 704	1 024 886
Result on debt securities at fair value through other comprehensive income	155 271	673 019
Hedge accounting	29 433	351 867
Other comprehensive income items that will not be reclassified to profit or loss	9 775	(6 649)
Actuarial gains (losses)	1 928	(11 071)
Result on equity instruments at fair value through other comprehensive income	7 847	4 422
Other comprehensive income items before taxes	194 479	1 018 237
Corporate income tax on other comprehensive income items that may be (or were) reclassified to profit or loss	(35 094)	(194 728)
Corporate income tax on other comprehensive income items that will not be reclassified to profit or loss	(1 857)	1 263
Other comprehensive income items after taxes	157 528	824 772
Total comprehensive income for the period	876 737	1 400 489
Attributable to:		
Owners of the parent	876 737	1 400 489
Non-controlling interests	0	0

Notes on pages 14-188 are integral part of these consolidated financial statements.

3. Consolidated Statement of Financial Position

ASSETS

<i>Amount '000 PLN</i>	<i>Note</i>	<i>31.12.2024</i>	<i>31.12.2023</i>
Cash, cash balances at central banks	18	5 178 984	5 094 984
Financial assets held for trading	19	811 324	608 924
Derivatives		255 845	498 249
Equity instruments		115	121
Debt securities		555 364	110 554
Non-trading financial assets mandatorily at fair value through profit or loss, other than Loans and advances to customers	20	118 399	147 623
Equity instruments		66 609	66 609
Debt securities		51 790	81 014
Financial assets at fair value through other comprehensive income	21	29 255 449	22 096 200
Equity instruments		36 712	28 793
Debt securities		29 218 737	22 067 407
Loans and advances to customers	22	74 981 215	73 643 060
Mandatorily at fair value through profit or loss		1 825	19 349
Valued at amortised cost		74 979 390	73 623 711
Financial assets at amortised cost other than Loans and advances to customers	23	25 010 220	20 706 585
Debt securities		24 381 485	18 749 907
Deposits, loans and advances to banks and other monetary institutions		434 517	793 436
Reverse sale and repurchase agreements		194 218	1 163 242
Derivatives - Hedge accounting	24	112 365	74 213
Investments in subsidiaries, joint ventures and associates	25	44 012	52 509
Tangible fixed assets	26	588 741	565 630
Intangible fixed assets	27	557 309	481 631
Income tax assets		713 777	486 803
Current income tax assets		343	1 810
Deferred income tax assets	28	713 434	484 993
Other assets	29	1 765 188	1 544 328
Non-current assets and disposal groups classified as held for sale	30	14 549	17 514
Total assets		139 151 532	125 520 004

LIABILITIES AND EQUITY

Amount '000 PLN	Note	31.12.2024	31.12.2023
LIABILITIES			
Financial liabilities held for trading	31	417 073	579 553
Derivatives		226 304	576 833
Liabilities from short sale of securities		190 769	2 720
Financial liabilities measured at amortised cost		125 455 365	112 692 833
Liabilities to banks and other monetary institutions	32	316 824	563 512
Liabilities to customers	33	117 257 213	107 246 427
Sale and repurchase agreements	34	194 223	0
Debt securities issued	35	6 124 775	3 317 849
Subordinated debt	36	1 562 330	1 565 045
Derivatives - Hedge accounting	24	107 439	193 664
Provisions	37	2 900 586	1 445 472
Pending legal issues		2 847 003	1 403 105
Commitments and guarantees given		53 583	42 367
Income tax liabilities		223 767	461 457
Current income tax liabilities		220 659	461 217
Deferred income tax liabilities		3 108	240
Other liabilities	38	2 275 668	3 252 130
Total Liabilities		131 379 898	118 625 109
EQUITY			
Share capital	39	1 213 117	1 213 117
Own shares		(21)	(21)
Share premium		1 147 502	1 147 502
Accumulated other comprehensive income	39	(59 984)	(217 512)
Retained earnings, including:	39	5 471 020	4 751 809
- current profit /loss		719 209	575 717
- other		4 751 811	4 176 092
Total equity		7 771 634	6 894 895
Total equity and total liabilities		139 151 532	125 520 004
		31.12.2024	31.12.2023
Book value of net assets		7 771 634	6 894 895
Number of shares (pcs.)		1 213 116 777	1 213 116 777
Book value per share (in PLN)		6.41	5.68

Notes on pages 14-188 are integral part of these financial statements.

4. Consolidated Statement of Changes in Equity

Amount '000 PLN	Total consolidated equity	Share capital	Own shares	Share premium	Accumulated other comprehensive income	Retained earnings	
						Unappropriated result	Other reserves
01.01.2024 - 31.12.2024							
Equity at the beginning of the period	6 894 895	1 213 117	(21)	1 147 502	(217 512)	792 276	3 959 533
Total comprehensive income for 2024 (net)	876 737	0	0	0	157 528	719 209	0
current profit /loss	719 209	0	0	0	0	719 209	0
other comprehensive income items after taxes	157 528	0	0	0	157 528	0	0
Purchase and transfer of own shares to employees	0	0	0	0	0	0	0
Transfer between items of reserves	2	0	0	0	0	(557 590)	557 592
Equity at the end of the period	7 771 634	1 213 117	(21)	1 147 502	(59 984)	953 895	4 517 125

Amount '000 PLN	Total consolidated equity	Share capital	Own shares	Share premium	Accumulated other comprehensive income	Retained earnings	
						Unappropriated result	Other reserves
01.01.2023 - 31.12.2023							
Equity at the beginning of the period	5 494 406	1 213 117	(21)	1 147 502	(1 042 284)	(824 873)	5 000 965
Total comprehensive income for 2023 (net)	1 400 489	0	0	0	824 772	575 717	0
current profit /loss	575 717	0	0	0	0	575 717	0
other comprehensive income items after taxes	824 772	0	0	0	824 772	0	0
Purchase and transfer of own shares to employees	0	0	0	0	0	0	0
Transfer between items of reserves	0	0	0	0	0	1 041 432	(1 041 432)
Equity at the end of the period	6 894 895	1 213 117	(21)	1 147 502	(217 512)	792 276	3 959 533

Detailed information concerning changes in different equity items are presented in the **note (39)**.

5. Consolidated Statement of Cash Flow

A. CASH FLOWS FROM OPERATING ACTIVITIES

<i>Amount '000 PLN</i>	1.01.2024 - 31.12.2024	1.01.2023 - 31.12.2023
Profit (loss) after taxes	719 209	575 717
Total adjustments:	11 692 670	13 820 056
Interest received	8 403 056	7 920 157
Interest paid	(2 761 412)	(2 775 090)
Depreciation and amortization	226 191	211 517
Foreign exchange (gains)/ losses	0	0
Dividends	(3 626)	(3 431)
Changes in provisions	1 455 115	429 302
Result on sale and liquidation of assets	(21 685)	(659 934)
Change in financial assets held for trading	(265 138)	142 273
Change in loans and advances to banks	7 341	228 676
Change in loans and advances to customers	(7 335 779)	(3 588 055)
Change in receivables from securities bought with sell-back clause (loans and advances)	924 661	(1 226 207)
Change in financial liabilities valued at fair value through profit and loss (held for trading)	(248 705)	(166 389)
Change in deposits from banks	(231 194)	(31 544)
Change in deposits from customers	12 719 191	11 940 652
Change in liabilities from securities sold with buy-back clause	231 736	(35 178)
Change in debt securities	273 901	814 042
Change in income tax settlements	(245 215)	756 524
Income tax paid	(256 400)	(207 088)
Change in other assets and liabilities	(1 278 212)	(60 642)
Other	98 844	130 471
Net cash flows from operating activities	12 411 879	14 395 773

B. CASH FLOWS FROM INVESTING ACTIVITIES

<i>Amount '000 PLN</i>	1.01.2024 - 31.12.2024	1.01.2023 - 31.12.2023
Inflows:	562 020 923	477 677 349
Proceeds from sale of property, plant and equipment and intangible assets	35 067	27 724
Proceeds from sale of shares in related entities	0	599 912
Proceeds from sale of investment financial assets	561 982 230	477 046 282
Other	3 626	3 431
Outflows:	(581 200 791)	(489 865 206)
Acquisition of property, plant and equipment and intangible assets	(249 115)	(187 888)
Acquisition of shares in related entities	0	0
Acquisition of investment financial assets	(580 951 676)	(489 677 318)
Other	0	0
Net cash flows from investing activities	(19 179 868)	(12 187 857)

C. CASH FLOWS FROM FINANCING ACTIVITIES

<i>Amount '000 PLN</i>	1.01.2024 - 31.12.2024	1.01.2023 - 31.12.2023
Inflows from financing activities:	2 931 700	2 316 276
Long-term bank loans	0	0
Issue of debt securities	2 931 700	2 316 276
Increase in subordinated debt	0	0
Net proceeds from issues of shares and additional capital paid-in	0	0
Other inflows from financing activities	0	0
Outflows from financing activities:	(498 308)	(255 934)
Repayment of long-term bank loans	0	(105 000)
Redemption of debt securities	0	0
Decrease in subordinated debt	0	0
Issue of shares expenses	0	0
Redemption of shares	0	0
Dividends paid and other payments to owners	0	0
Other outflows from financing activities	(498 308)	(150 934)
Net cash flows from financing activities	2 433 392	2 060 342

D. Net cash flows. Total (A + B + C)	(4 334 597)	4 268 258
- including change resulting from FX differences	(343)	(21 705)
E. Cash and cash equivalents at the beginning of the reporting period	18 499 347	14 231 089
F. Cash and cash equivalents at the end of the reporting period (D + E)	14 164 750	18 499 347

Additional information regarding cash flows statement is presented in point 5) of chapter 15. "Supplementary information". Information on liabilities classified as financing activities is presented in points 32), 35), 36) of chapter 14. "Notes to the Consolidated Financial Statements".

6. General Information about Issuer and the Issuer's Capital Group

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

The Bank, entered under the number KRS 0000010186 in the National Court Register kept by the Local Court for the Capital City of Warsaw (Poland), 13th Business Department of the National Court Register, with its registered office in Warsaw, ul. Stanisława Żaryna 2A, 02-593 Warsaw, Poland.

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

The Bank is a parent company of a Bank Millennium Capital Group (the Group) with over 6,700 employees with core business comprising banking, leasing, factoring, brokerage, capital operations, investment fund management, web portals activity and insurance activity.

Supervisory Board and Management Board of Bank Millennium S.A. as at 31 December 2024

Composition of the Supervisory Board as at 31 December 2024 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,
- Jose Miguel Bensliman Schorcht da Silva Pessanha - Member of the Supervisory Board
- Miguel Maya Dias Pinheiro - Member of the Supervisory Board,
- Beata Stelmach - Member of the Supervisory Board
- Lingjiang Xu - Member of the Supervisory Board.

On January 22, 2025 Ms. Beata Stelmach, Member of the Bank's Supervisory Board, in connection with her appointment to the position of the President of the Management Board of another entity, resigned from the position of a Member of the Bank's Supervisory Board with effect from 31 January 2025

Composition of the Management Board as at 31 December 2024 was as follows:

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

Capital Group of Bank Millennium S.A.

The Group's parent entity is Bank Millennium S.A. while the ultimate parent entity of the Bank Millennium S.A. is the Banco Comercial Portugues - company listed on the stock exchange in Lisbon. The companies that belong to the Capital Group as at 31 December 2024, are presented by the table below:

Company	Activity domain	Head office	% of the Group's capital share	% of the Group's voting share	Recognition in financial statements
MILLENNIUM BANK HIPOTECZNY S.A.	mortgage bank	Warsaw	100	100	full consolidation
MILLENNIUM LEASING Sp. z o.o.	leasing services	Warsaw	100	100	full consolidation
MILLENNIUM CONSULTING S.A.	advisory services	Warsaw	100	100	full consolidation
MILLENNIUM TFI S.A.	investment funds management	Warsaw	100	100	full consolidation
MILLENNIUM SERVICE Sp. z o.o.	rental and management of real estate, insurance and brokers activity	Warsaw	100	100	full consolidation
MILLENNIUM GOODIE Sp. z o.o.	web portals activity	Warsaw	100	100	full consolidation
MILLENNIUM TELECOMMUNICATION SERVICES Sp. z o.o.	financial operations - equity markets, advisory services	Warsaw	100	100	full consolidation
EUROPA MILLENNIUM FINANCIAL SERVICES Sp. z o.o.*	activities of insurance agents and brokers	Wrocław	20	20	equity method valuation
Piast Expert Sp. z o.o. in liquidation	marketing services	Warsaw	100	100	full consolidation
LUBUSKIE FABRYKI MEBLI S.A. in liquidation**	furniture manufacturer	Świebodzin	50 (+1 share)	50 (+1 share)	equity method valuation

* On March 29, 2023, 80% of shares in Millennium Financial Services sp. z o.o. (currently Europa Millennium Financial Services sp. z o.o.) were transferred from the Bank to Towarzystwo Ubezpieczeń na Życie Europa S.A., which acquired 72% of the Company's shares, and Towarzystwo Ubezpieczeń Europa S.A., which acquired 8% of the Company's shares, respectively, which is described in more details in note 5 "Result on derecognition of financial assets and liabilities not measured at value fair through profit or loss" in Chapter 14 "Notes to Consolidated Financial Data".

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

7. Accounting Policy

7.1. STATEMENT OF COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

These financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ('IFRS'), as adopted by the European Union and with respect to matters not regulated by the above standards, in accordance with the accounting principles as set out in the Accounting Act dated 29 September 1994 (unified text - Official Journal from 2023, item 120) and the respective bylaws and regulations and the requirements for issuers of securities admitted or sought to be admitted to trading on an official stock-exchange listing market. These financial statements meet the reporting requirements described in the Regulation of the Minister of Finance of March 29, 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757).

This financial report was approved for publication by the Management Board on 24 February 2025.

Following the signing by the President of the Republic of Poland and announcement in the Journal of Laws of the Republic of Poland on the same day of the Act of 7 July 2022 on crowdfunding for business ventures and assistance to borrowers ('the Act'), introducing, among others, a possibility of up to 8 months of Credit Holidays in 2022-2023 for PLN mortgage borrowers, the Group recorded in 2022 a pre-tax cost of PLN 1,324.2 million (PLN 1,072.6 million after tax), of which PLN 1,291.6 million related to the Bank, and PLN 32.6 million related to Millennium Bank Hipoteczny S.A.

Due to costs generated as a result of the above mentioned Act, it could be reasonably assumed that the Bank would record a negative net result for the 3rd quarter of 2022 and as a result its capital ratios could 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 15th 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 also 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 and communicated this fact to the Bank on 14th November 2022.

In May 2024, the Management Board of the Bank concluded that the objectives of the Capital Protection Plan have been achieved and decided on the completion of its realization. Subsequently, In June 2024, the Management Board decided to exit the state of implementation of the Recovery Plan and to complete its realization.

All key assumptions of both plans were achieved, including all defined indicators reached safe levels, and the Group's profitability and financial results were clearly improved. In the area of capital management, capital ratios have been restored to levels exceeding minimum regulatory requirements and the Bank and the Group meet MREL requirements, including the combined buffer requirements. The Bank's Management Board does not identify future circumstances that would support further continuation of the plans.

As of 31 December 2024, the Tier 1 ratio was 546 bps (Bank) and 497 bps (Group) above the minimum requirement, and the Total Capital Ratio (TCR) was 574 bps (Bank) and 503 bps (Group) above the minimum requirement.

In terms of MRELTrea and MRELtem requirements, the Group presents a surplus compared to the minimum required levels (including the Combined Buffer Requirement) as of 31 December 2024 (MRELTrea surplus was 7.28 p.p. and MRELtem surplus 2.8 p.p.). Assuming no extraordinary factors, the Group plans to maintain both MREL ratios above the minimum required levels with a safe surplus. Profitability of the Bank and the Group was improved despite the recording one-off costs (recognized in these financial statements as a reduction in interest income) related to the so-called credit holidays which in the final settlement burdened the Bank's financial result for 2024 with the amount of PLN 106.8 million (respectively for the Group, these costs amounted to PLN 112.7 million). This adjustment resulted from the signing by the President of the Republic of Poland and the announcement in the Journal of Laws of the Republic of Poland of the Act of April 12, 2024 amending the Act on support for borrowers who have taken out a housing loan and are in a difficult financial situation and the Act on crowdfunding for business ventures and assistance to borrowers which, among other things, extended the possibility for borrowers to suspend the repayment of a mortgage loan granted in Polish currency by an additional four months in 2024 (credit holidays).

The Bank monitors, on the current basis, the financial situation in particular, the Bank is aware of the risks associated with further negative developments regarding the legal risk of FX mortgage loans that could imply the need to increase the level of provisions for such risk beyond the provisions that were recognised as at the balance sheet date and whose amount results from previous trends. In the Bank's view, these events, if materialized, would adversely affect the results of the Bank/Group in future, and would reduce the organic generation of capital that is envisaged, but would not prevent the Bank/Group from continuing to implement its strategy and the generation of results that would mitigate the impact of such events.

The liquidity position of Bank Millennium Group remained strong in 4Q 2024. LCR ratio reached the level of 371% at the of December 2024, well above the supervisory minimum of 100%. Loan-to-deposit ratio remained low at 64% and the share of liquid debt securities (mainly bonds and bills issued by Poland government, other EU countries, European Union, multilateral development banks and NBP bills) in the Group's total assets remains significant at 39%.

At same time the Bank achieved good operational and business results, while actively managing and mitigating the different risks related to the banking activity. Taking into account the above circumstances and identified uncertainties, in particular, the Bank's capacity to meet capital solvency ratios and MREL requirements in subsequent reporting periods - the Bank's Management Board based on the analysis of all aspects of the Bank's operations and its current and forecast financial position, concluded that the application of the going concern assumption in the preparation of these financial statements is appropriate.

In 2024, the Group did not change its accounting principles or the method of financial data presentation.

7.2. STANDARDS AND INTERPRETATIONS APPLIED IN 2024 AND THOSE NOT BINDING AT THE BALANCE SHEET DATE

STANDARDS INITIALLY APPLIED IN CONSOLIDATED FINANCIAL STATEMENTS 2024

The following amendments to existing standards issued by the International Accounting Standards Board (IASB) and approved for use in the EU were first applied in the Group's financial statements for 2024:

Standard	Title
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback

The adoption of mentioned above amendments to the existing standards has not led to any material changes in the Group's financial statements 2024.

INFORMATION REGARDING ISSUED STANDARDS AND AMENDMENTS TO THE EXISTING STANDARDS ISSUED BY IASB AND ADOPTED BY THE EU BUT NOT YET EFFECTIVE

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective:

Standard	Title	Effective date
Amendments to IAS 21	Lack of Exchangeability	1 January 2025

The Group anticipates that the adoption of the aforementioned amendments to existing standards will have no material impact on the financial statements of the Group.

NEW STANDARDS AND AMENDMENTS TO THE EXISTING STANDARDS ISSUED BY IASB BUT NOT YET ADOPTED BY THE EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU:

Standard	Title	EU adoption status
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments (IASB effective date: 1 January 2026)	Not yet adopted by EU
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity (IASB effective date: 1 January 2026)	Not yet adopted by EU
Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7	Annual Improvements to IFRS Accounting Standards - Volume 11 (IASB effective date: 1 January 2026)	Not yet adopted by EU
IFRS 18	Presentation and Disclosures in Financial Statements (IASB effective date: 1 January 2027)	Not yet adopted by EU
IFRS 19	Subsidiaries without Public Accountability: Disclosures (IASB effective date: 1 January 2027)	Not yet adopted by EU
IFRS 14	Regulatory Deferral Accounts (IASB effective date: 1 January 2016)	European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred by IASB indefinitely but earlier application permitted)	Endorsement process postponed indefinitely until the research project on the equity method has been concluded

The Group anticipates that the adoption of the aforementioned standard and amendments to existing standards will have no material impact on the financial statements of the Group.

7.3. ADOPTED ACCOUNTING PRINCIPLES

Basis of Financial Statements Preparation

Consolidated financial statements of the Group prepared for the financial year from 1 January 2024 to 31 December 2024 include financial data of the Bank and its subsidiaries forming the Group.

These financial statements are prepared on the basis of the going concern assumption of the Group, namely scale of business is not to be reduced substantially in a period of not less than one year from the balance sheet date.

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

The financial statements have been prepared based on the fair value principle for financial assets and liabilities recognised at FVTPL including derivative instruments, and financial assets classified as FVTOCI. Other items of financial assets and liabilities (including loans and advances) are presented at amortized cost with effective interest rate applied less impairment charges (except loans which failed SPPI test), or at their purchase price less impairment charges.

The preparation of financial statements in accordance with IFRS, as adopted by the EU, requires from the management the use of estimates and assumptions that affect applied accounting principles and the amounts (assets, liabilities, incomes and costs) reported in the financial statements and notes thereto. The respective unit of the Group is responsible for selection, application, development, and verification of adopted estimations; the assumptions are then subject to approval by the Group's management.

Estimations and assumptions applied to the presentation of value of assets, liabilities, revenues and costs, are made on basis of historical data available and other factors considered to be relevant in given circumstances. Applied assumptions related to the future and available data sources are the base for making estimations regarding carrying value of assets and liabilities, which cannot be determined explicitly on basis of other sources. The actual results may differ from those estimates.

The conformity between actual results and adopted estimations and assumptions is verified on regular basis. Adjustments to estimates are recognized in the period when the estimation was changed, provided that the adjustment applies to this period alone, or in the period when the estimation was changed and in the following periods, should the adjustment impact both the current and future periods.

The below-presented accounting principles have been applied to all reporting periods presented in the consolidated financial statements.

All the entities subject to consolidation prepare their financial statements in accordance with the same accounting standards applied by the whole Capital Group which is IFRS as adopted by the EU, at the same balance sheet date.

Basis of Consolidation

Merger method

The merger method is used to account for business combination in which the Group acts as an acquirer. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange excluding acquisition related costs such as advisory, legal, valuation and similar professional services.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of combination is lower than the Group's interest in net fair value of identifiable assets, liabilities, contingent liabilities of the acquired subsidiary, the Group reassesses identification and measures again the identifiable assets, liabilities and contingent liabilities of the entity being acquired as well as measurement of the cost of the combination. Any surplus remaining after the reassessment is immediately recognised in the Profit and Loss Account.

Subsidiaries

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made.

Subsidiaries are subject to consolidation from the date of taking over control by the Group until the date on which the parent ceases to control the subsidiary.

Transactions, settlements and unrealized profits resulting from transactions among Group's entities are eliminated. The unrealised losses are also subject to elimination, as long as the transaction does not provide evidence that the transferred asset is impaired.

Associates

Associates are any entities over which the Group has significant influence but do not control them, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are initially accounted at purchase price and then accounted for by using the equity method. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The share of the Group in the profits (losses) of associates since the date of acquisition is recognised in the profit and loss, whereas its share in changes in other reserves since the date of acquisition - in other reserves. The carrying amount of the investment is adjusted by the total changes of different items of equity after the date of their acquisition. When the share of the Group in the losses of an associate becomes equal or greater than the share of the Group in that associate, the Group discontinues the recognition of any further losses or creates provision only to such amount, it has assumed obligations or has settled payments on behalf of the respective associate.

Any unrealised profits on transactions between the Group and its associates shall be eliminated in proportion to the Group's shareholding in the associates. Also unrealised losses are subject to elimination, as long as the transaction does not deliver evidence that the transferred asset is impaired.

Functional currency and presentation currency

Functional currency and presentation currency

The items contained in the consolidated financial statements of the Group are presented in the currency of their basic economic environment, in which a given entity operates ('the functional currency'). The consolidated financial statements are presented in Polish zlotys, being the functional currency and the presentation currency for the Bank - a parent company of the Group and for other companies of the Group.

Transactions and balances

Transactions expressed in foreign currency are translated into the functional currency by applying the exchange rate at the date of the transaction. Exchange rate profits and losses due to settlements of these transactions and to the balance sheet valuation of assets and monetary commitments expressed in foreign currency are accounted for in the profit and loss account.

Exchange rate differences on monetary items, both those valued at fair value through the profit and loss account or valued at fair value through other comprehensive income are disclosed in the profit and loss account.

Exchange rate differences on non-monetary items valued at fair value through the profit and loss, are accounted in the profit and loss account. Exchange rate differences due to items, such as equity instruments valued at fair value through other comprehensive income, are included in Other comprehensive income.

Application of estimates in connection with Accounting Policies

The preparation of financial statements in accordance with IFRS requires from the Group the use of estimates and assumptions that affect the amounts reported in the financial statements.

The estimates and assumptions, revised by the Group management on a regular basis, are made on basis of historical experience and other factors, including expectations concerning future events, considered being relevant in given circumstances.

Despite the fact, that such estimates are based on best knowledge about current conditions and activities undertaken by the Group, the actual results may differ from the estimates. The major areas for which the Group makes estimates are presented below:

- Impairment of loans and advances

Impairment estimation model within the Group has been based on the concept of "expected credit loss", (hereinafter: ECL). In result impairment charges are calculated based on expected credit losses and forecasts of expected future economic conditions have to be taken into account when conducting evaluation of credit risk of an exposure.

The methodology and assumptions adopted for determining credit impairments are regularly reviewed in order to reduce discrepancies between the estimated and actual losses. In order to assess the adequacy of the impairment determined both in individual analysis and collective analysis a historical verification (backtesting) is conducted from time to time (at least once a year), which results will be taken into account in order to improve the quality of the process.

Further details are presented in **Chapter 8. "Financial Risk Management"**.

▪ Fair value of financial instruments

Fair value of financial instruments not quoted on active markets is determined with use of measurement techniques consistent with the Group's accounting policy. With respect to non-option derivatives and debt securities use is made of models based on discounted cash flows. Option pricing models are applied to option instruments. All models are approved prior to use and also calibrated to ensure that attained results reflect the actual fair value of the measured instruments. If possible, only observable data from the active market are used in the models.

In case of lack of measurement parameters coming from the active market, fair value is determined on the basis of application of measurement techniques using estimated input parameters.

The Group measures financial instruments using the measurement methods below in the following hierarchical order:

- Prices quoted on the active market for identical instruments for following financial instruments:
Treasury fixed-coupon, zero-coupon debt securities and floating interest debt securities;
- Techniques of measurement based on parameters coming from the market for following financial instruments:
Treasury floating interest debt securities,
Derivatives:
 - FRA, IRS, CIRS,
 - FX Swap, FX Forward,
 - Embedded derivatives,*Bills issued by the Central Bank;*
- Techniques of measurement with use of significant parameters not coming from the market:
Debt securities of other issuers (e.g. municipalities),
Shares of VISA Incorporation,
Loans and advances mandatorily at fair value through profit or loss,
Derivatives:
 - FX Options acquired by the Group,
 - Indexes options acquired/placed by the Group.

In order to determine the fair value of VISA preferred shares, the time value of money and the time line for conversion of preferred stock in common stock of VISA were taken into account.

To estimate the fair value of loans, due to the lack of availability of the market value, an internal valuation model was used, taking into account the assumption that at the time of granting the loan the fair value is equal to transaction price.

The fair value of loans without recognized impairment is equal to the sum of future expected cash flows discounted at the balance sheet date. The discounting rate is the sum of: the cost of risk, the cost of financing, the value of the expected return.

The fair value of impaired loans is equal to the sum of future expected recoveries discounted using the effective interest rate, recognizing that the average expected recoveries fully take into account the element of credit risk.

For derivative financial instruments valuation the Group applies the component of credit risk taking into account both: counterparty risk (credit value adjustment - CVA) and own Group's risk (debit value adjustment - DVA). The Group assesses that unobservable inputs related to applying this component used for fair value measurement are not significant.

- Impairment of other non-current assets

The Group assesses the existence of any indications that a non-current asset may be impaired at each balance sheet date. If such indications exist, the Group performs an estimation of recoverable amount. Estimation of value-in-use of a non-current asset (or cash generating units) requires assumptions to be adopted, regarding, among others, amounts and timing of future cash flows, which the Group may obtain from the given non-current asset (or cash generating unit). The Group performs an estimation of the fair value less costs to sell on the basis of available market data regarding this subject or estimations made by external parties.

- Impact of legal risk connected with FX mortgage loans

The Bank estimated the impact of legal risk on the recoverability of the expected cash flows resulting from concluded contracts for the active portfolio of mortgage loans in CHF, adjusting, in accordance with point B5.4.6 of IFRS 9, the gross carrying amount of the portfolio by reducing the expected cash flows from mortgage loan contracts denominated or indexed to CHF, and recognized a provision in accordance with International Accounting Standard 37 Provisions, Contingent Liabilities and Contingent Assets ("IAS 37") for fully repaid loans, statutory interest costs and in a situation where the gross carrying amount of the loan was lower than the value of the assessed risk.

A detailed description of the adopted valuation methodology is presented in **Chapter 13 "Legal risk related to foreign currency mortgage loans"**.

- Adjustment due to Credit Holidays

The way the impact of credit holidays has been recognised is presented later in this Chapter.

- Provisions for potential returns of costs associated with loans in case of early repayment

Taking into consideration The Court of Justice of the European Union verdict, in which it stated that consumer has rights to demand the reduction of the total loan cost corresponding to interest and costs for the remaining term of the agreement in case of early repayment of loan, Bank creates a provision for potential returns to the clients. The provision is estimated based on the maximum amount of potential returns and the probability of payment being made.

- Other Estimate Values

Retirement provision is calculated using an actuarial method by an independent actuary as the present value of future liabilities of the Group due to employees based on headcount and remuneration as of the date of the update. The estimation of the provision is made on the basis of several assumptions, regarding macroeconomic conditions and employee turnover, mortality risk and other.

With regard to employee benefits, such as bonuses granted to directors and key management personnel, bonuses for employees, the Management Board makes assumptions and estimates regarding the amount of benefits as at the balance sheet date. The final amount of bonuses granted is established by Personnel Committee of the Management Board or Personnel Committee of the Supervisory Board.

Financial assets and liabilities

Classification

In accordance with the IFRS 9 requirements financial assets are classified at the moment of their initial recognition (and the date of IFRS implementation) into one of three categories:

- 1) Financial assets valued at amortised cost (herein from „AC” - Amortised Cost),
- 2) Financial assets valued at fair value through profit & loss (herein from „FVTPL),
- 3) Financial assets valued at fair value through other comprehensive income (herein from „FVTOCI”).

The classification of financial instruments into one of the above categories is performed based on:

1) The business model of managing financial assets,

The assessment of the business model is aimed at determining whether the financial asset is held:

- to collect contractual cash flows resulting from the contract,
- both in order to collect contractual cash flows arising from the contract and the sale of a financial asset or
- for other business purposes.

2) Test of contractual cash flow characteristics connected with financial assets (herein from „SPPI test”).

The purpose of the SPPI test (Solely Payment of Principal and Interest) is to assess the characteristics of contract cash flows in order to verify if:

- The contractual terms trigger, at specific dates, certain cash flows which constitute solely a payment of principal and interest on such principal,
- The principal constitutes the fair value of a loan at the moment of its recognition,
- The interest reflects the value of money over time and credit risk, liquidity risk, the Group’s margin and other administrative costs connected with the value of the principal outstanding at any given moment.

Financial instruments are classified at the moment of recognition or significant modification of the instrument. A change in the classification of financial assets is caused by a change in the business model. Reclassification is made prospectively, i.e. it does not affect fair value measurements, write-downs or accrued interests recorded to the date of reclassification.

Business Models of the Group

In accordance with IFRS 9 the manner of assets management may be assigned to the following models:

- 1) Held To Collect (herein from „HTC”),
- 2) Both Held to Collect and for Sale (herein from “HTC&FS”),
- 3) Other models, e.g. trading activity, management of assets based on fair value fluctuations, maximising cash flows through sales.

Held To Collect Model (HTC)

Model characteristics:

- 1) The objective of the model is to hold financial assets in order to collect their contractual cash flows,
- 2) Sales are infrequent,
- 3) In principle, lower levels of sales compared to other models (in terms of frequency and volume).

Conditions allowing sale in the HTC model:

- 1) Low frequency,
- 2) Low volume,
- 3) Sale connected with credit risk (sale caused by the deterioration of the credit quality of a given financial asset to a level at which it no longer meets the investment policy requirements).

A sale having at least one of the above features does not preclude qualifying a group of assets in the HTC module.

Impact on classification and valuation:

Instruments assigned to the HTC model are classified as valued at amortised cost (AC) on condition that the criteria of the SPPI Test are met. The value of instruments is calculated based on effective interest rate which is applied to determine interest income and then adjusted for impairment allowances reflecting expected credit losses. Consequently, subject to valuation at amortised cost is the Group’s credit portfolio (except loans not meeting the SPPI test) and debt securities issued by local government units (municipal bonds portfolio), because these instruments in principle are held by the Group in order to collect contract cash flows, while sales transactions occur infrequently.

Both Held to Collect and for Sale Model (HTC&FS)

Model characteristics:

- 1) The integral objectives of the business model are both to collect contractual cash flows and sell assets (in particular the model meets the assumptions of HTC&FS, if its objective is to manage everyday liquidity needs, maintain an adopted interest yield profile and/or match the duration of the financial assets and liabilities),
- 2) The levels of sales are usually higher than in the HTC model.

Impact on classification and valuation:

In accordance with IFRS 9 instruments assigned to the HTC&FS model are classified as valued at fair value through other comprehensive income (FVTOCI) on condition that the contractual terms of these instruments trigger at particular moments cash flows constituting solely a payment of principal and interest on such principal (the SPPI test is met). These instruments are measured at fair value net of impairment allowances, the fair value result is recognised in other comprehensive income until financial assets is derecognised.

The HTC&FS model is applied mainly to the portfolio of debt government securities and money bills of the National Bank of Poland in particular the liquidity and investment portfolio.

Equity instruments (with the exception of related entities) are classified as valued at fair value through profit & loss (FVTPL), provided that entities which manage them do not intend to hold them as a strategic investment, or at fair value through other comprehensive income (FVTOCI) for instruments which are not held for trading purposes. The decision to use the option to value capital instruments at fair value through other comprehensive income is taken by the Group on the day of the initial recognition of the instrument and constitute an irrevocable designation (even at the moment of selling, the profit/loss on the transaction shall not be recognised in the Profit and Loss Account).

Other models

Model characteristics:

- 1) The business model does not meet the assumptions of the HTC and HTC&FS models.
- 2) The collecting of cash flows on interest and principal is not the main objective of the business model (the SPPI test is not satisfied),

This category should include in particular:

- 1) Portfolios managed in order to collect cash flows from the sale of assets, in particular „held for trading”,
- 2) Portfolios whose management results are evaluated at fair value.

A financial asset should be considered as held for trading, if:

- 1) It was purchased mainly for the purpose of selling in a very short term,
- 2) At the moment of initial recognition it is part of a portfolio of financial instruments managed jointly for which there is evidence confirming a regularity that they have recently actually generated short-term profits, or
- 3) Is a derivative instrument, with the exclusion of derivative instruments included in hedge accounting and being effective hedging instruments.

The term „trading” means active and frequent purchases and sales of instruments. However, these features do not constitute a necessary condition in order to classify a financial instrument as held for trading.

Impact on classification and valuation:

Financial assets kept under models other than HTC or HTC&FS are valued at fair value through profit & loss (FVTPL).

A business model other than HTC or HTC&FS shall apply to portfolios of the following financial assets:

- 1) Derivative instruments,
- 2) Debt securities held for trading,
- 3) Capital instruments not appointed to be a strategic investment
- 4) Financial assets irrevocably designated at initial recognition to be valued at fair value through profit & loss (even in case the asset does not meet criteria to be FVTPL) in order to eliminate or significantly mitigate accounting mismatch if would appear in case such designation is not made.

Test of characteristics of contractual cash flows (SPPI test)

The evaluation of the fulfilment of the SPPI Test is carried out in the following cases:

- granting a debt instrument;
- purchase of debt instrument;
- renegotiation of contractual terms.

The subject of the SPPI Test are the contractual terms of debt instruments recognised in the balance sheet, whereas the off-balance sheet products are not analysed.

The SPPI test is carried out at the design stage of the product/loan agreement, which allows making approvals with taking into account the future method of exposure valuation.

As part of the SPPI Test, the impact of the modified element on the cash flows resulting from the concluded contract is assessed. Contract characteristics introducing volatility or cash flow risk not directly related to interest and capital interest payments may be assessed as having no impact on the classification (fulfilment of SPPI criteria) if they are defined as having negligible classification impact (existence of a "de minimis" characteristic) or such impact is not negligible (no "de minimis" character) but can only occur in extremely rare cases (existence of the "not genuine" attribute).

In cases where there is a modification of the time value of money, e.g. in case where a period of interest rate mismatch with the base rate tenor, in order to verify the fulfilment of the SPPI Test, the Group performs an assessment based on the Benchmark Test, i.e. a comparison of the instrument resulting from the contract with the base instrument (which has the same contractual features as the instrument under analysis, with the exception of the time value of money element).

Non-recourse assets (products for which the Group's claim is limited to certain debtor's assets or cash flows from specific assets), in particular "project finance" and "object finance" products (products in which the borrower, most often a special purpose vehicle is characterized by the minimum level of equity, and the only component of its assets is the credited asset), are assessed by comparing the value of the collateral in relation to the principal amount of the loan. Identification of the appropriate buffer to cover the risk of changes in the value of the collateral satisfies the SPPI Test conditions.

The negative result of the SPPI Test implies the valuation of the debt instrument at FVTPL, causing a departure from the valuation at amortized cost or FVTOCI.

Modifications to the terms of the loan agreement

Modifications to the terms of the loan agreement during the loan period include:

- changing the dates of repayment of all or part of the receivables,
- changes in the amount of the repayment instalments,
- changing the interest or stop charging interest,
- capitalization of arrears or current interest,
- currency conversion (unless such a possibility results from the original contract),
- establishing, amending or abolishing the existing security for receivables.

Any mentioned above modification may result in the need to exclude from the balance sheet and re-classify the financial asset taking into account the SPPI test.

If the contractual terms of the loan are modified, the Group performs a qualitative and quantitative assessment to determine whether a given modification should be considered significant and, consequently, derecognize the original financial asset from the balance sheet and recognize it as a new (modified) asset at fair value. A significant modification takes place if the following conditions are met:

- quantitative criteria:
 - increase in the debtor's exposure, understood as an increase in the capital of each single credit exposure above 10% compared to the capital before the increase. If the quantitative criterion exceeds 10%, the modification is considered significant, while the occurrence of the quantitative criterion up to 10% results in the modification being considered insignificant.
 - extending the financing period, understood as extending the maturity date of the current agreement. The modification is considered significant if the financing period is extended by: 8 years for mortgage loans, 5 years for other credit exposures in the retail segment, 3 years for exposures in the corporate segment.
- qualitative criteria: conversion of the exposure to another currency (unless the possibility of conversion was included in the original agreement), change of SPPI test result, change of debtor, change of legal form or type of financial instrument. The occurrence of a qualitative criterion results in recognizing the modification as significant.

If the cash flows resulting from the agreement are subject to modification, which does not lead to derecognition of a given asset (so called "insignificant modification"), the Group adjusts the gross carrying amount of the financial asset and recognizes the profit or loss due to insignificant modification in the financial result (in a separate item of the Loss Profit Statement - "result on modification"). The adjustment of the gross carrying amount of a financial asset is the difference between the discounted cash flows before and after the contract modification. All costs and fees incurred adjust the carrying amount of the modified financial asset and are depreciated in the period remaining until the maturity date of the modified financial asset.

Credit Holidays

Following the signing by the President of the Republic of Poland and announcement in the Journal of Laws of the Republic of Poland on the same day of the Act of 7 July 2022 on crowdfunding for business ventures and assistance to borrowers ("the Act"), introducing, among others, a possibility of up to 8 months of credit holidays (suspension of instalment payments up to 8 monthly instalments) in 2022-2023 ("credit holidays") for PLN mortgage borrowers, the Group recognized in 2023 an adjustment in the amount of PLN 9.2 million as the final settlement of the impact of credit holidays in 2022-2023.

Whereas following the signing by the President of the Republic of Poland and the announcement in the Journal of Laws of the Republic of Poland of the Act of April 12, 2024 amending the Act on support for borrowers who have taken out a mortgage loan and are in a difficult financial situation and the Act on crowdfunding for business ventures and aid borrowers which, among other things, extends the possibility for borrowers to suspend the repayment of a mortgage loan granted in Polish currency for a period of up to four months (suspension of repayments up to 4 monthly installments), during the year, the Group recognized an adjustment due to credit holidays, which in the final settlement (the program is already over) charged the Group's financial result for 2024 by PLN 112.7 million. The credit holidays in 2024 were used by customers holding a total of around 16% of the balance of the PLN mortgage loan portfolio concluded before June 30, 2022 with an original loan amount not exceeding PLN 1.2 million, measured based on the capital balance as at May 31, 2024.

The adjustment was calculated and recognized in accordance with IFRS 9, as a reduction of interest income on assets measured at amortized cost and, on the other hand, reducing the gross value of mortgage loans in PLN.

POCI assets

POCI assets ("purchased or originated credit-impaired") are financial assets that, upon initial recognition, have an identified impairment. Financial assets that were classified as POCI at the time of initial recognition are treated by the Group as POCI in all subsequent periods until they are derecognized from balance sheet, and expected credit loss is estimated based on ECL covering remaining life time of the financial asset, regardless of future changes in estimates of cash flows generated by them (possible improvement of assets quality).

POCI assets can be created in 3 different ways, i.e.:

- 1) through the acquisition of a contract that meets the definition of POCI (e.g. as a result of the purchase of the "bad credit" portfolio),
- 2) by entering into a contract that is POCI at the time of original granting (e.g. granting a loan to a client in bad financial condition with the hope of improving it in the future),
- 3) through a significant modification of the contract included in stage 3 leading to derecognition of the contract from the balance sheet, and then to its further recognition in the balance sheet as a contract meeting the definition of POCI.

Receivables and liabilities from lease contracts

The Group is a party to lease contracts, on the basis of which it grants for paid use or benefit of non-current assets or intangible assets for an agreed period of time.

In the case of lease contracts, which result in transferring substantially all risks and rewards incidental to ownership of the asset under lease, the subject of the lease is derecognized. A receivable amount is recognized instead, however, in an amount equal to the present value of minimum lease payments. Lease payments are accounted for (apportioned between the financial income and the reduction of the balance of receivables) to reach constant periodic rate of return from the outstanding receivables.

Lease payments for contracts, which do not fulfil qualifications of a finance lease, are recognized as income in the profit and loss, using the straight-line method, throughout the period of the lease.

The Group is also a party to lease contracts, under which it takes for paid use or drawing benefits another party's non-current assets or intangible assets for an agreed period. These are mainly rental agreements. In case of these contracts the financial report shows, both assets under the right of use and liabilities under the lease, in separate items of the explanatory notes to the lines "Tangible fixed assets" and "Other liabilities" respectively. On the start date of the lease, lease payments contained in the valuation of the lease liability shall comprise following payments for the right to use the underlying asset during the lease period, which remain due on that date:

- fixed lease payments less any and all due lease incentives,
- variable lease payments, which depend on the index or rate, initially valued with use of this index or this rate in accordance with their value on start date,
- amounts expected to be paid by the lessee under the guaranteed final value,
- the buy option strike price if it can be assumed with sufficient certainty that the lessee will exercise this option,
- monetary penalties for lease termination if the lease terms and conditions stipulated that the lessee may exercise the lease termination option.

A right to use asset comprises:

- amount of initial valuation of the lease liability,
- any and all lease payments paid on the start date or before it, less any and all lease incentives received.

Financial result reflects following items:

- depreciation of right to use,
- interest on lease liabilities,
- VAT on rent invoices reported in cost of rent.

The Group has adopted the following assumptions, based on which lease agreements are carried in financial statements:

- calculation of liabilities and assets will use net values (VAT is excluded) of future cash flows,
- in case of agreements denominated in currency the liabilities will be carried in the original currency of the contract while assets in Polish zloty converted at the rate from date of signing the contract or an annex to the contract, which is also the day when the leasing starts,
- the right to use the asset will be depreciated according to the lease period,
- the Group uses the option of not recognizing leasing in the case of short-term contracts for space lease,
- the Group also uses the option of not recognizing leasing in the case of leasing assets with a low initial value, such as renting small areas, e.g. for garbage arbors, ramps, ATMs and devices such as coffee machines, water dispensers, audiomarketing and aromamatamarketing devices,
- new contracts will be discounted according to the SWAP rate on the day of signing the contract / annex to the contract appropriate for the duration of the contract and applicable for the currency, increased by the margin determined and updated in relation to the risk premium for the financial liabilities incurred by the Group.

Financial liabilities

Upon initial recognition a financial liability shall be classified as:

- 1) a financial liability measured at fair value through profit loss, or
- 2) other financial liability (measured at AC).

Additionally, financial liabilities shall not be reclassified subsequent to their initial recognition.

Recognition of financial instruments in the balance sheet

The Group recognizes financial assets or liabilities on the balance sheet, when it becomes a party to the contractual provisions of the instrument. Standardized purchase and sale transactions of financial assets are recognized at the trade date.

All financial instruments at their initial recognition are valued at fair value adjusted, in the case of a financial instrument not valued at fair value through profit or loss, by transaction costs that are directly attributable to the acquisition or issue of the financial asset/liability.

De-recognition of financial instruments from the balance sheet

The Group derecognizes a financial asset when: the contractual rights to the cash flows from the financial asset expire, or the Group transfers the financial asset to third party. The transfer takes place when the Group:

- transfers the contractual right to receive the cash flows from the financial asset, or
- retains the contractual rights to receive the cash flows from the financial asset, but assumes a contractual obligation to pay those cash flows to an entity from outside the Group.

On transferring a financial asset, the Group evaluates the extent to which it retains the risks and rewards of ownership of the financial asset. Accordingly, where the Group:

- transfers substantially all the risks and rewards of ownership of the financial asset, it derecognises the financial asset from the balance sheet,
- retains substantially all the risks and rewards of ownership of the financial asset, it continues to recognise the financial asset in the balance sheet,
- neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it determines whether it has retained control of the financial asset. In this case if the Group has retained control, it continues to recognise the financial asset in the balance sheet to the extent of its continuing involvement in the financial asset, and if the Group has not retained control, it derecognises the financial asset accordingly.

The Group removes a financial liability (or a part of a financial liability) from its balance sheet when the obligation specified in the contract is discharged or cancelled or expired.

Hedge Accounting and Derivatives

Valuation at fair value

Derivative instruments are reported at fair value starting from the day of conclusion of the transaction. Fair value is determined on the basis of quotations of instruments on active markets, including pricing of recently concluded transactions. A market is considered as active when the quoted instrument prices are regularly available and result from actual transactions on the market and represent a level, at which the Group could conclude such transactions. If the market for the instruments is not active the Group determines fair value with use of measurement techniques, including models based on discounted cash flows and options measurement models. The measurement techniques used by the Group are based on maximum use of input data coming from the active market, such as interest rates, FX rates and implied volatilities. In case of lack of input data from the active market the Group makes use in the measurement techniques of proprietary estimates of measurement parameters, based on best knowledge and experience.

An additional element of the valuation of derivatives is a component of credit risk including both the risk of the counterparty (credit value adjustment - CVA) and own Group's risk (debit value adjustment - DVA).

Recognition of derivative instruments embedded in liabilities

The Group distinguishes and records in the balance sheet the derivatives which are a component of hybrid instruments. A hybrid agreement contains an underlying (host) contract (not being a derivative) and an embedded derivative which on the basis of a specific interest rate, price of financial instrument, price of a commodity, rate of a currency, index of prices or rates or another variable modifies part or the total of the cash flows resulting from the underlying contract.

Embedded derivative instruments are treated as stand-alone derivative instruments provided they meet conditions presented below. Embedded derivative instruments are valued at fair value, and their changes are recognized in the profit and loss. Embedded derivative instruments are recognized and valued separately from the host contract if, and only if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract,
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid (combined) financial instrument is not measured at fair value with changes in fair value recognized in profit or loss.

The method of recognizing the resulting fair value gain or loss depends on whether the given derivative instrument is designated as a hedging instrument, and if it is, it also depends on the nature of the hedging relationship and the hedged item.

Derivative instruments designated as hedging instruments - hedge accounting

The Group uses derivative instruments in order to hedge against interest rate risk and FX risk arising from operating, financing and investing activities of the Group. Some derivative instruments are designated as a hedging instrument of:

- cash flows hedges of recognized asset or liability or highly probable forecasted transaction (cash flow hedges), or
- fair value hedges of recognized asset or liability or firm commitment (fair value hedges).

Hedge accounting criteria

The Group uses hedge accounting, based on IAS 39, if the following conditions are met:

- At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. That documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged. It documents also, at the inception of the hedge and through the period of hedge relationship, the assessment of the hedging instrument's effectiveness in offsetting the exposure to changes in fair value or cash flows of the hedged item.
- The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship (prospective effectiveness test);
- For cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss (high probability test);
- The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured;
- The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated (backward-looking effectiveness test).

Cash flow hedge

Cash flow hedge: a hedge of the exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction and (ii) could affect profit or loss.

A cash flow hedge is accounted for as follows: the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in equity through the other comprehensive income; and the ineffective portion of the gain or loss on the hedging instrument is recognised in Result on financial instruments valued at fair value through profit and loss.

The associated gains or losses that were recognised in other comprehensive income (effective hedge), at the moment of recognition of a financial asset and liability being a result of planned hedged future transaction, are transferred into profit or loss in the same period or periods during which the asset acquired or liability assumed affects the profit or loss.

In case of a hedge of non-financial asset or a non-financial liability, the associated gains and losses recognised in other comprehensive income as an effective hedge, are transferred successively into the profit or loss account in the same period or periods during which the asset acquired or liability assumed affects the profit or loss account directly from equity or are transferred from equity to initial purchase price in the balance sheet and recognized successfully in the periods, in which non - financial asset or liability has impact on profit and loss account.

Fair value hedge

Fair value hedge: a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the profit or loss.

Changes in the fair value of derivative instruments classified and eligible as fair value hedges are recognised in the Profit and Loss along with their corresponding changes of the hedged asset or liability relating to the risk hedged by the Group.

It means that any gains or losses resulting from re-measuring the hedging instrument at fair value (for a derivative hedging instrument) are recognised in profit or loss and the gains or losses on the hedged item attributable to the hedged risk adjust the carrying amount of the hedged item and are recognised in profit or loss. This applies if the hedged item is otherwise measured at cost. Recognition of the gain or loss attributable to the hedged risk in profit or loss applies if the hedged item is an FVOCI asset. The valuation of hedged financial assets classified as FVOCI, resulting from factors other than risk hedged, is recognized in other comprehensive income till the date of sale or maturity of this financial asset.

Termination of hedge accounting

If the fair value hedge no longer meets the criteria for applying hedge accounting, the carrying value adjustment of the hedged instrument valued at amortized cost and effective interest rate, is linearly amortized through profit and loss account over the period ending on the maturity date. The value of hedged financial assets classified as FVOCI resulting from factors other than hedged risks is recognized in the revaluation reserve till the date of sale or maturity of this financial asset.

If the cash flow hedge no longer meets the criteria for hedge accounting, the valuation of hedging instrument recognized in other comprehensive income at the date of the last effectiveness test remains in equity until the realization of cash flow resulting from the hedged item. Then the amount is transferred into profit and loss account in the periods, in which the hedged transaction influences the profit and loss account.

Derivative instruments not qualifying as hedging instruments

Derivative instruments that are not subject to hedge accounting principles are classified as instruments held for trading, and valued at fair value. The changes in fair value of derivative instruments held for trading are recognized in the profit and loss in item 'Results on financial assets and liabilities held for trading'/'Result on exchange differences', which was described below.

The Group uses the following principles of recognition of gains and losses resulting from the valuation of derivative instruments:

- FX forward

Forward transactions are valued at fair value on discounted future cash flows basis, taking into account the credit risk of the counterparty (and the Group) as long as there is non-performance risk of the transaction parties with respect to future settlement of the deal. Any changes in fair value of FX forward transactions are recorded in 'Result on exchange differences' of the Profit and Loss Account.

Moreover the Group designated selected FX forward transactions as hedging instruments. The method of capturing and valuating hedging financial instruments was described in the part on hedge accounting.

- FX SWAP

FX SWAP transactions are measured at fair value based on the discounted future cash-flow method with use of interest rate curves based on spread reflecting current market conditions and with taking into account the credit risk of the counterparty (and the Group) as long as there is non-performance risk of the transaction parties with respect to future settlement of the deal. Changes of fair value of FX SWAP transactions are reported in 'Results on financial assets and liabilities held for trading' in the Profit and Loss Account.

- Interest Rate SWAP (IRS)

IRS transactions are valued at fair value on discounted future cash flows basis, taking into account the credit risk of the counterparty (and the Group) as long as there is non-performance risk of the transaction parties with respect to future settlement of the deal. Any changes in fair value of IRS transactions are recorded in 'Results on financial assets and liabilities held for trading' of the Profit and Loss Account.

Moreover the Group designated selected IRS transactions as hedging instruments. The method of capturing and valuating hedging financial instruments was described in the part on hedge accounting.

- Cross - Currency Swap (CCS)

CCS transactions are measured at fair value based on the discounted future cash-flows method with use of interest rate curves adjusted with market spread reflecting its term structure and with taking into account the credit risk of the counterparty (and the Group) as long as there is non-performance risk of the transaction parties with respect to future settlement of the deal. Changes of fair value of CCS transactions are reported in 'Results on financial assets and liabilities held for trading'.

Moreover the Group designated selected CCS transactions as hedging instruments. The method of recognition and measurement of hedging instruments was described in the part devoted to hedge accounting.

- IRS transactions with embedded options

The transactions are valued at fair value: the swap component is valued with use of the future cash flows discounting method taking into account the credit risk of the counterparty (and the Group) as long as there is non-performance risk of the transaction parties with respect to future settlement of the deal, while the option component is valued with use of the option valuation models. Any changes in fair value of the above transactions are recorded in 'Results on financial assets and liabilities held for trading' of the Profit and Loss Account. The option component hedges options embedded in securities or deposits offered by the Group.

- FX and Index options

Option transactions are measured at fair value with use of option measurement models. In case of options issued by the Group's counterparties, the model measurement is supplemented with impact on fair value of the estimated credit risk parameter. Changes of fair value of options are reported in 'Results on financial assets and liabilities held for trading' line of the Profit and Loss Account.

- Forward Rate Agreement (FRA)

FRA transactions are valued at fair value on discounted future cash flows basis and with taking into account the credit risk of the counterparty (and the Group) as long as there is non-performance risk of the transaction parties with respect to future settlement of the deal. Any changes in fair value of FRA transactions are recorded in "Results on financial assets and liabilities held for trading" of the Profit and Loss Account.

- Commodity futures

Commodity futures are measured at fair value based on the discounted future cash flow methodology, using reference prices set at the LME reference market (London Metal Exchange), whereas the Group does not keep own positions on the commodity market. Changes of fair value are reported in "Results on financial assets and liabilities held for trading" of the Profit and Loss Account.

- Commodity options

Commodity options are measured at fair value with use of option valuation models as well as reference prices set at the LME reference market (London Metal Exchange), whereas the Group does not keep own positions on the commodity market. Changes of fair value are reported in "Results on financial assets and liabilities held for trading" of the Profit and Loss Account.

Impairment of financial assets

General assumptions of the model

Impairment estimation model has been based on the concept of "expected credit loss", (hereinafter: ECL). Impairment charges now have to be calculated based on expected credit losses and forecasts and expected future economic conditions have to be taken into account when conducting evaluation of credit risk of an exposure.

The implemented impairment model applies to financial assets classified in accordance with IFRS 9 as financial assets measured at amortized cost or at fair value through other comprehensive income, (except for equity instruments) and for off balance liabilities.

According to IFRS 9, credit exposures are classified in the following categories:

- Stage 1 - non-impaired exposures, for which expected credit loss is estimated for the 12-month period,
- Stage 2 - non-impaired exposures, for which a significant increase in risk has been identified and for which expected credit loss is estimated for the remaining life time of the financial asset,
- Stage 3 - exposures with identified signs of impairment, for which expected credit loss is estimated for the remaining life time of the financial asset.

In the case of exposures classified as POCL (purchased or originated credit impaired) which, upon their initial recognition in the balance sheet, are recognized as impaired, expected credit loss is estimated based on ECL covering the remaining life time of the financial asset.

Identification of a significant increase in credit risk

Assets, for which there has been identified a significant increase in credit risk compared to the initial recognition in the balance sheet, are classified in Stage 2. The significant increase in credit risk is recognized based on qualitative and quantitative criteria. The qualitative criteria include:

- repayment delays of more than 30 days,
- forbore exposures in non-default status,
- using the support of the Borrower Support Fund,
- occurrence of seizures on current accounts resulting from enforcement orders,
- procedural rating, which is reflecting early delays in payments,
- taking a risk-mitigating decision for corporate clients, triggered by the early warning system,
- events related to an increase in credit risk, the so called “soft signs” of impairment, identified as part of an individual analysis involving individually significant customers.

The quantitative criterion involves a comparison of the lifetime PD value determined on initial recognition of an exposure in the balance sheet, with the lifetime PD value determined at the current reporting date. If an empirically determined threshold of the relative change in the lifetime PD value is exceeded then an exposure is automatically transferred to Stage 2. The quantitative assessment does not cover exposures analyzed individually.

Incorporation of forward looking information on economic conditions (FLI)

In the process of calculation of expected credit losses, the Group uses forward looking information about macroeconomic events. The Macroeconomic Analysis Office prepares three macroeconomic scenarios (base, optimistic and pessimistic) and determines the probability of their occurrence. The forecasts translate directly or indirectly into the values of estimated parameters and exposures.

Unification of the default definition across the Group

The Group has adopted an uniform definition of default, both for the purpose of calculation of capital requirements and for the estimation of impairment. Starting from 2020, for the retail portfolio, the Group uses the definition of default, which is in line with the EBA Guidelines (EBA/GL/2016/07), the so-called New Definition of Default. Unified Default definition includes following triggers:

- DPD>90 days considering materiality thresholds for due amount: absolute PLN 400 for retail and PLN 2000 for corporates and relative threshold of 1% in relation to total exposure,
- Restructured loans (forborne),
- Loans in vindication process,
- Other triggers defined in EBA Guidelines,
- Qualitative triggers identified in the individual analysis.

Bank is using cross-default approach for all segments.

PD Model

The PD model, created for the calculation of expected credit losses, is based on empirical data concerning 12-month default rates, which are then used to estimate lifetime PD values (including FLI) using appropriate statistical and econometric methods. The segmentation adopted for this purpose at the customer level is consistent with the segmentation used for capital requirement calculation purposes. Additionally, the Bank has been using rating information from internal rating models to calculate PDs.

LGD Models

The main components of LGD models are the probability of cure and the recovery rate estimated on the basis of discounted cash flows. Models reflect the current economic situation and utilize forward looking information on macroeconomic events (FLI).

For the corporate portfolio, LGD model is based on a component determining parameterized recovery for the key types of collateral and a component determining the recovery rate for the unsecured part. All the parameters were calculated on the basis of historical data, including discounted cash flows achieved by the corporate debt recovery unit.

EaD Model

The EaD model used in the Group includes calculation of parameters such as: average limit utilization (LU), credit conversion factor (CCF), prepayment ratio, behavioural life expectancy. Segmentation is based on the type of customer (retail, corporate, leasing) and product (products with/without a schedule). Forecasts of foreign exchange rates are used as FLI adjustment.

Write-offs

The Group directly reduces the gross carrying amount of a financial asset if there are no reasonable grounds to recover a given financial asset in whole or partially. As a result of write-off, a financial asset component ceases, in whole or partially, to be recognized in the financial statements.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Transactions with sell/buy-back clauses

Repo and sell-buy back transactions as well as reverse-repo and buy-sell back transactions, are transactions of sale and purchase of securities for which a commitment has been made to repurchase or resell them at a contractual date and for specified contractual price.

The Group presents financial assets sold with the repurchase clauses (repo, sell buy-back) in its balance sheet, by simultaneously recognizing a financial liability resulting from the repurchase clause, provided that risks and rewards relating to this asset are retained by the Group after the transfer.

When the Group purchases securities with a sell back clause (reverse repo, buy-sell-back), the financial assets are presented as receivables arising from sell back clause.

Transactions with repurchase/resell agreement are measured at amortized cost. Securities, which are the subjects of transactions with repurchase clause, are not removed from the balance sheet and are measured in accordance with principles applicable for particular securities portfolio. The difference between sale and repurchase price is treated as interest cost/income, and is accrued over the period of the agreement by application of an effective interest rate.

Property, plant and equipment and Intangible Fixed Assets*Own property, plant and equipment*

Tangible fixed assets are the controlled fixed assets and outlays made to build such assets. Tangible fixed assets include fixed assets with an expected period of use above one year, maintained to be used to serve the Group's needs or to be transferred to other entities, based on the lease contract or for administrative purposes.

Tangible fixed assets are reported at historical cost less depreciation and impairment.

Fixed assets under construction are disclosed at purchase price or production costs and are not subject to depreciation.

The Group recognizes as a part of the asset's carrying value, the replacement costs as incurred, only when it is probable that future economic benefits associated with these items will flow to the Group, and the cost of the item can be reliably measured. Other outlays are recognised in profit and loss when incurred.

Costs of repairs and maintenance of property, plant and equipment are charged to the profit and loss in the reporting period in which they were incurred.

Intangible Fixed Assets

An intangible asset is an identifiable non-pecuniary asset which does not have physical form and will generate economic benefits for the Group in the future.

The main components of intangible assets are licenses for computer software.

Purchased computer software licences are capitalised in the amount of costs incurred for the purchase and adaptation for use of specific computer software. Expenses attached to the development or maintenance of computer software is expensed when incurred.

Other intangibles purchased by the Group are recognized at cost less accumulated amortization and accumulated impairment allowances.

Subsequent costs incurred after initial recognition of acquired intangible assets are recognized only when it is probable that future economic benefits will flow to the Group. In the other cases, costs are charged to the profit and loss in the reporting period in which they were incurred.

All intangible assets are subject to periodic review in order to verify whether there were triggers indicating possible loss of values, which would require a test for the loss of values and an impairment recognition.

Depreciation and amortization charges

The depreciation charge of tangible and intangible assets is accounted for on a straight line basis with the use of defined depreciation rates throughout the period of their useful lives. The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value. The useful life, amortization/ depreciation rates and residual values of tangible and intangible assets are reviewed annually. Conclusions of the review may lead to a change of depreciation periods recognized prospectively from the date of application.

Land, an intangible asset with an unspecified useful life, outlays for tangible assets and intangible assets are not depreciated. At each balance sheet date intangible assets with indefinite useful life are regularly tested for impairment.

The following depreciation rates are applied to basic categories of tangible and intangible assets and for investment property:

Selected categories of property, plant and equipment:

- Bank buildings: 2.5%
- Lease holding improvements: usually for 10 years
- Computer hardware: 20%
- Network devices: 20%
- Vehicles as standard: 25%
- Telecommunication equipment: in the range 10% - 20%
- Intangibles (software): expected useful life
- Main applications (systems): expected useful life

Depreciation and amortization charges are recognized as operating expenses in the profit and loss account.

Non-current assets held for sale

The Group classifies a non-current asset as held for sale, if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale is highly probable. The sale is highly probable if the appropriate level of management is committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan has been initiated. Further, the asset is actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale is expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of: its carrying amount or fair value less cost to sell. Assets classified in this category are not depreciated.

When criteria for classification to non-current assets held for sale are not met, the Group ceases to classify the assets as held for sale and makes reclassification to other assets category. The Group measures a non-current asset that ceases to be classified as held for sale at the lower of:

- its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale, and
- its recoverable amount at the date of the subsequent decision not to sell.

Impairment of non-financial non-current assets

The Group assesses the existence of any indications that a non-current asset may be impaired at each balance sheet date. If such indications exist, the Group estimates the recoverable amount of the asset and if the recoverable amount of an asset is less than its carrying amount, the Group recognizes impairment charge in the profit and loss.

The impairment loss is the difference between the carrying amount and the recoverable amount of the asset. Recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. Value in use is established for particular assets, if a given asset generates cash flows substantially independent of those generated by other assets or groups of assets. If such indications exist, the Group performs an estimation of recoverable value. If, and only if, the recoverable value of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable value. If pursuant to IAS 36, paragraph 21 there is no reason to believe that an asset's value in use materially exceeds its fair value less costs to sell, the asset's fair value less costs to sell may be used as its recoverable amount. This will be particularly the case of an asset that is held for disposal.

An impairment loss can be reversed only to the amount, where the book value of impaired asset does not exceed its book value, which decreased by depreciation charge, would be established, if any impairment loss would not be recognized.

Other Assets

Other assets are presented at nominal value, taking into account impairment losses, except for receivables due from Société Générale S.A. under an “CHF Portfolio Indemnity and Guarantee Agreement”, which are recorded in the amount of the legal risk reserve, taking into account the credit risk component of Société Générale S.A. (apart from settlements resulting from the realization of the reserve, which correspond to the costs incurred). The methodology for creating provisions for legal risk related to the mortgage loan portfolio, including, among others, the former Euro Bank denominated in CHF or denominated in PLN but indexed to CHF, is described in Chapter 12 “Legal risk related to foreign currency mortgage loans”, while information on the genesis of these receivables is included under Note 29 Other Assets in Chapter 13 “Notes to the Financial Statements”.

Deferred costs (assets) refer to those expenses that will be charged to the profit and loss account over time in future reporting periods.

Accruals and Deferred Income

Accruals are liabilities for costs arising from services provided to the Group, which will be payable over future periods. The accruals are recognized in the caption „Other Liabilities” in the balance sheet. Deferred income comprises among others received amounts of future services and other types of income received in advance to be settled against in the profit and loss in future reporting periods. They are presented in the caption „Other Liabilities’ in the balance sheet.

Provisions

Provisions are established when (1) the Group has an obligation (legal or constructive) as a result of past events, and (2) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (3) a reliable estimate can be made of the amount of the obligation. If the effect is material, the amount of provision is measured by discounted, expected cash flows using pre-tax rate that reflects current market assessments of the time value of money and those risks specific to the liability.

A provision for restructuring costs is recognised only when the general criteria for provisions recognition as well as specific criteria for restructuring provision recognition specified in IAS 37 are met. In particular, the constructive obligation to restructure arises only when the Group has a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it would carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A detailed formal plan for the restructuring identifies at least: the business or part of a business concerned; the principal locations affected; the location, function, and approximate number of employees who will be compensated for terminating their services; the expenditures that will be undertaken; and when the plan will be implemented. A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both: (a) necessarily entailed by the restructuring; and (b) not associated with the ongoing activities of the entity. The restructuring provision does not cover future operating expenses.

Employee Benefits

Short-term employee benefits

Short-term employee benefits of the Group (other than termination benefits due wholly within 12 months after work is completed) comprises of wages, salaries, bonuses and paid annual leave and social security contributions.

The Group recognizes the anticipated, undiscounted value of short-term employee benefits as an expense of an accounting period when an employee has rendered service (regardless of payment date) in correspondence with other on-balance liabilities.

The amount of short-term employee benefits on the unused holidays to which Group employees are entitled is calculated as the sum of unused holidays to which particular Group employees are entitled.

Long-term employee benefits

The Group's liabilities on long-term employee benefits are equal to the amount of future benefits, which the employee will receive in return for providing his services in the current and earlier periods, which are not fully due within 12 months from carrying out the work. In accordance with the Employees Remuneration By-laws and the Labour Code employees having worked a specific number of years and attained the required age are entitled to receive a pension severance payment.

Retirement pension severance payments provision is calculated using an actuarial method by an independent actuary as the present value of the Group's future liabilities due to employees according to the headcount and wages as at the date of revaluation. Valuation is done using the projected unit credit method. Under this method, each period of service gives power to an additional unit of benefit entitlement and each unit of benefit is calculated separately. Computation takes into account that the base salary of each employee will vary over time according to certain assumptions. The provision is updated on an annual basis. The parameters that have a significant impact on the amount of current liabilities are: the rate of mobility (rotation), the discount rate, the rate of wage growth. The nominal discount rate for the calculation for 2024 has been set at 5.61%. The calculation of the commitments is made for employees currently employed and do not apply to persons who will start working in the future.

In 2012, the Group implemented a policy specifying the principles of remuneration for persons having a significant impact on the risk profile of the Group, as amended. In accordance with the policy, the Group's employees who have a significant impact on its risk profile receive variable remuneration, part of which is paid in the form of financial instruments. Until 2018, the financial instrument took the form of phantom shares. From 2019, the Group, by decision of the General Meeting of Shareholders of the Bank on August 27, 2019, introduced a 3-year incentive program to reward eligible persons previously identified as having a significant impact on the risk profile (Risk Taker). As part of it, the Own Shares purchased by the Bank were, in accordance with the applicable Risk Takers' remuneration policy, intended as a financial instrument for free acquisition in an appropriate number by designated Risk Takers during the Program Period. In bonus programs effective from January 1, 2020, financial instruments were awarded to Risk Takers I - Members of the Management Board of Bank Millennium SA. In 2023, the Personnel Committee of the Supervisory Board decided to convert own shares granted to Members of the Management Board in the 2019 and 2021 program in the form of own shares into phantom shares. Under the 2022 and 2023 program, phantom shares were granted as a financial instrument. Policy details are presented in **Chapter 15, point 7**).

Provisions for short-term and long-term employee benefits are recognized in the caption 'Other Liabilities' in balance sheet in correspondence with the 'staff costs' in the profit and loss.

The Group fulfils a programme of post - employment benefits called defined contribution plan. Under this plan the Group pays fixed contributions into the state pension fund. Post - employment benefits are paid to an employee from the proceeds of the fund including the return on the invested contributions. Consequently, the Group does not have a legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service.

Group's Equity

Equity consists of capital and funds established in compliance with the respective provisions of the law, i.e., the appropriate legislative acts, the Company by-laws, or the Articles of Association.

Equity is comprised of the share capital, share premium, revaluation reserve and retained earnings. All balances of capital and funds are presented at nominal value.

Share Capital

Share capital is presented at nominal value, in accordance with the Articles of Association and the entry in the Register of Companies.

If the entity acquires its own shares, then the paid amount together with the costs directly attributed to such purchase is treated as a change in the Equity. Acquired own shares are treated as own shares and disclosed as reduction of the Equity until the time they are cancelled.

Dividends for the financial year, which have been approved by the General Shareholders' Meeting, but not distributed as of the balance sheet day, are disclosed in the caption „Other Liabilities” in the balance sheet.

Share Premium

Share premium is formed from agio obtained from the issue of shares reduced by the attached direct costs incurred with that issue.

Accumulated other comprehensive income

Accumulated other comprehensive income consists of: the valuation of financial assets measured at fair value through other comprehensive income, the result of cash flow hedge valuation and actuarial gains (losses) regarding provisions for retirement benefits with deferred income tax effect applied. Accumulated other comprehensive income is not subject to distribution.

Retained Earnings

Retained earnings are created with charges against profit and are allocated for purposes specified in the Articles of Association or other legal regulations (the remaining part of supplementary capital, additional reserve capital, including general banking risk fund) or constitute previous years' profit/loss or year-to-date net financial result.

The General Banking Risk Fund at Bank Millennium S.A. is created from profit after tax in accordance with the Banking Act dated 29 August 1997 as later amended.

Net profit of the current year represents net profit adjusted by corporate income tax. Losses attributed to non-controlling interests and exceeding the value of equity attributed to them are charged to the Group's equity.

Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The financial guarantees granted are valued at the higher of the following values:

- amounts of write-offs for expected credit losses,
- the amount initially recognized less the cumulative amount of income recognized in accordance with IFRS 15.

Interest income and other of similar nature

Interest income includes interest on financial instruments measured at amortized cost and financial assets measured at fair value through other comprehensive income using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of a financial asset or financial liability and the allocation of interest cost or interest income and certain commissions (constituting an integral part of the interest rate) to the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash flows (in the period until the financial instrument expires) up to the gross carrying amount of the asset / amortised cost of the liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of a given financial instrument, without taking into account possible future losses due to unpaid loans. This calculation includes all fees paid or received between parties to the contract, which are an integral part of the effective interest rate, and transaction costs and all other differences due to the premium or discount.

Interest income includes interest and commissions (received or due) included in the calculation of the effective interest rate on: loans, interbank deposits and debt securities not classified into held for trading category. Interest income also includes costs directly related to the conclusion of a loan agreement borne by the Group (mainly commissions paid to external and own agents for concluding a mortgage agreement and related property valuation costs related to this type of contract) that are a component of the effective interest rate and are settled in time.

Upon recognizing the impairment of a financial instrument measured at amortized cost and financial assets measured at fair value through other comprehensive income, interest income is recognized in the Profit and Loss Account but is calculated on the newly established carrying amount of the financial instrument (that is, less impairment).

Interest income also includes net interest income on derivative instruments designated and being effective hedging instruments in hedge accounting (a detailed description of the existing hedging relationships is included in **note (24)**).

Interest income and costs on derivatives classified as held for trading as well as interest income and the settlement of a discount or premium on debt financial instruments classified as held for trading are recognized under the item "Result of similar nature to interest from financial assets at fair value through profit and loss" of the Profit and Loss Account. This item also includes interest income arising from assets that are measured at fair value through profit and loss.

Interest costs

Interest costs include in particular interest resulting from financial instruments measured at amortized cost using the effective interest rate method described above.

Fee and commission Income/ Fee and commission Costs

Fee and commission income and expenses received from banking operations on client accounts, from operations on payment cards and brokerage activity is recognized in the profit and loss at the time the service is rendered; other fees and commissions are deferred and recognized as revenue over time.

The basic types of commissions related to credit operations in the Group include among others: loan origination fees and commissions, and commitment fees.

Fees and commissions (both income and expense) directly attributable to initial recognition of financial assets with established repayment schedules are recognized in profit and loss account as effective interest rate component and are part of interest income. Other, attributed to initial recognition of financial assets without established repayment schedules are amortized on a straight-line basis through the expected life of the financial instrument. Fees and commissions on pledge to grant a loan, which is probable to be drawn, are deferred and since initial recognition of financial assets are amortized as component of effective interest rate or on a straight-line basis based on above mentioned criteria. In the case of loans and advances with undetermined instalment payments and changes in interest, e.g. overdraft facilities and credit cards commissions are settled over the duration of the card or overdraft limit by the straight-line method and included in commission income.

In connection with the Group's bancassurance activity (selling insurance services), based on the criterion how the income from aforementioned activity is recorded, two groups of products can be identified.

The first group consists of insurance products without direct links with the financial instrument - in this case the Group's remuneration is recognised as income after performance of a significant act, i.e. in a date of commencement or renewal of insurance policies, taking into account provisions for thinkable returns.

In the second group (where there is a direct link to a financial instrument, particularly when the insurance product is offered to the customer only with credit product, i.e. there is not possibility to buy from the bank separately, without a credit product, the same insurance product in terms of form, legal and economic conditions) two sub-groups can be identified:

- a) In the case of insurance for which the insurance premium is collected monthly, the remuneration is recognised in the profit and loss account at the time the remuneration is received.
- b) In insurance for which the insurance premium is charged once for an insurance period longer than one month, the Group allocate the total value of remuneration for combined transaction due to their respect for the individual elements of the transaction, after deducting by provision on the part of the remuneration to be reimbursed, for example as a result of the cancellation by the customer with insurance, prepayments or other titles. Provision estimate is based on an analysis of historical information about the real returns in the past and predictions as to the trend returns in the future.

Allocation of remuneration referred to above is based on the methodology of 'relative fair value' involving division of the total remuneration pro rata to, respectively, fair value of remuneration with respect to financial instrument and fair value of intermediation service. Determination of the above fair values is based on market data including, in particular, for:

- Intermediation services - upon market approach involving the use of prices and other market data for similar market transactions,
- Remuneration relative to financial instrument - upon income approach based on conversion of future amounts into present value using information on interest rates and other charges applicable to identical or similar financial instruments offered separately from the insurance product.

Individual, separated elements of a given transaction or several transactions considered jointly are subject to the following income recognition principles:

- Fees charged by insurance agencies - partially including fee for performance of a significant act, recognised in revenue on the day of commencement or renewal of insurance policy.
- Fees/charges constituting an integral part of effective interest rate accruing on financial instrument - treated as adjustment of effective interest rate and recognised under interest income.

Currently, the Bank's offer does not include any insurance for which the premium is charged once in advance for an insurance period longer than one month.

Remaining fees and commissions connected with financial services offered by the Group, such as:

- Asset management services;
- Services connected with cash management;
- Brokerage services;

are recognised in the Profit and Loss Account on an one-off basis.

Dividend Income

Dividend income is recognized in the profit and loss when the shareholders' right to receive payment is established.

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

The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss includes gains and losses arising from the sale of debt financial instruments classified to the portfolio measured at fair value through comprehensive income and other gains and losses resulting from investing activities.

In 2023, the Bank completed a bancassurance transaction, part of the result of which was recognized in "Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss", more information on this subject is presented in **Chapter 14., note (5)**.

Result on financial assets and liabilities held for trading

The result on financial assets and financial liabilities held for trading contains gains and losses on disposal of financial instruments classified as financial assets / liabilities measured held for trading and the effect of valuation of these instruments at fair value (incl. debt, equity and derivative instruments intended for trading).

Result on non-trading financial assets mandatorily at fair value through profit or loss

The result on non-trading financial assets mandatorily at fair value through profit or loss includes gains and losses on disposal and the effect of the measurement of financial instruments classified to this category of assets.

Result on hedge accounting

The result on hedge accounting includes in particular: changes in the fair value of the hedging instrument (including discontinuation), changes in the fair value of the hedged item resulting from the hedged risk and inefficiencies resulting from cash flow hedges recognized in profit or loss.

Result on exchange differences

Foreign exchange differences include: i) realized result and result from the valuation of FX spot and FX Forward transactions ii) positive and negative exchange rate differences, both realized and unrealized, resulting from the daily valuation of foreign currency assets and liabilities, valid as at the balance sheet day average NBP exchange rate and affecting income or expenses from the exchange position.

Other Operating Income and Expenses

Other operating income and expenses include expenses and incomes not associated directly with the Group's banking and brokerage activity. In particular, this is result on sale and liquidation of fixed assets, income from sale of other services, received and paid damages, penalties and fines and provisions for litigations issues.

Franchise fees

Franchise is a model of cooperation between the Bank and independent entrepreneurs who, based on concluded agreements of the nature of agency agreements, defined by law, perform agency activities in the sale of products and services from the Bank's offer to the Bank's clients and potential clients. The cooperating franchisees use the Bank's trademarks and know-how when performing the agreement, and franchise outlets are almost as functional for customers as Bank's own outlets (excluding investment products). For cooperation, the Bank charges a franchise fee for the use of trademarks and fees for renting IT equipment from the Bank necessary to perform activities in a given branch and pays franchisees commissions on banking products and services sold.

Banking tax

The tax on certain financial institutions ("banking tax") is the tax presented in the Consolidated Income Statement under "Banking tax" levied on bank's assets (it is not an income tax). In accordance with the Polish Act of January 15, 2016 on the tax on certain financial institutions (consolidated text - Journal of Laws 2023, item 623), domestic banks are the taxpayers and the tax base is defined as a surplus of the total value of the bank's assets resulting from the trial balance, determined as at the last day of the month, based on entries in the general ledger accounts, over the amount of PLN 4 billion. The banking tax is 0.0366% of the tax base per month. As a result of the implementation of the Recovery Plan from July 2022, Bank Millennium S.A. benefited from the exemption from the banking tax starting from that month until May 2024. In case of Millennium Bank Hipoteczny S.A. assets do not exceed PLN 4 billion.

Other taxes

The Bank and its subsidiaries are also taxpayers of the following taxes:

- 1) value added tax (VAT) performing activities both taxable (e.g. leasing, factoring services) and exempt from VAT (e.g. banking services, brokerage, insurance brokerage and investment fund distribution);
- 2) real estate tax;
- 3) tax on means of transport;
- 4) other taxes occasionally charged to them (e.g. tax on civil law transactions, excise duty, foreign withholding tax not subject to deduction).

In addition, the Bank and its subsidiaries are required to pay various fees (e.g. stamp duty, fees for perpetual usufruct of land). Costs related to these taxes and fees are presented in the Administrative Expenses Note under "Taxes and fees".

Revenues, costs and assets are recognized in the amount less VAT, tax on civil law transactions and other sales taxes, except when the sales tax paid on the purchase of goods and services is not recoverable from tax authorities; then VAT is recognized as an expense or as part of the cost of acquiring an asset, respectively. The amount of tax recoverable or payable to the tax authorities is presented in the financial statement as part of receivables or liabilities.

Income Tax

Corporate income tax comprises current and deferred tax.

Current income tax is calculated on profit before tax, established in accordance with appropriate accounting regulations adjusted by non-taxable income and non-tax deductible expenses, with usage of binding tax rate. Moreover, for tax purposes, the gross profit is adjusted by previous years' income and expenses realised for tax purposes in a given reporting period and deductions from income arising from e.g. donations.

Deferred income tax is recognized in profit and loss, except for when it is recognized in other comprehensive income or directly in equity because it relates to transactions that are also recognized in other comprehensive income or directly in equity.

Provision for deferred income tax is recognized in liabilities in the caption 'deferred income tax liabilities'. Deferred income tax asset is recognized in assets as 'deferred income tax assets'. The Group offsets deferred tax assets and deferred tax liabilities within each individual companies of the Group, because it has a legally enforceable right for such netting and the deferred tax assets and the deferred tax liabilities relate to income taxes (levied by the same taxation authority).

Deferred income tax provision is recognised using the balance sheet method for all positive temporary differences except when it arises from the amortization of goodwill or initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transactions affects neither accounting profit nor taxable profit (tax loss).

Deferred income tax assets are recognised using the balance sheet method with respect to tax loss carry forwards and all negative temporary differences as at the balance sheet date between carrying amount of an asset or liability in the balance sheet and its tax value only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax assets are not recognised for negative temporary differences arising from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transactions affects neither accounting profit nor taxable profit (tax loss).

An asset or a liability arising from temporary differences associated with investments in subsidiaries and associates are not included in calculation of deferred income tax assets or liabilities, unless the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will reverse in the foreseeable future.

The amount of calculated deferred tax is based on expected degree of realisation of balance-sheet values of assets and liabilities with use of tax rates, which are expected to be in force when the asset is realised or provision eliminated, assuming the tax rates (and tax legislation) legally or factually in force as of the balance sheet date.

8. Financial Risk Management

The management of risk is one of the key tasks of the Management Board in the process of effective management of the Group. It defines the framework for business development, profitability, and stability, by creating rules ensuring the Group's compliance with best internal control practices and legal requirements and coordination of the strategy for managing all risks.

8.1. RISK MANAGEMENT

The mission of risk management in the Bank Millennium Group is to ensure that all types of risks are managed, monitored, and controlled as required for the risk profile (risk 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 profitability 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 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:

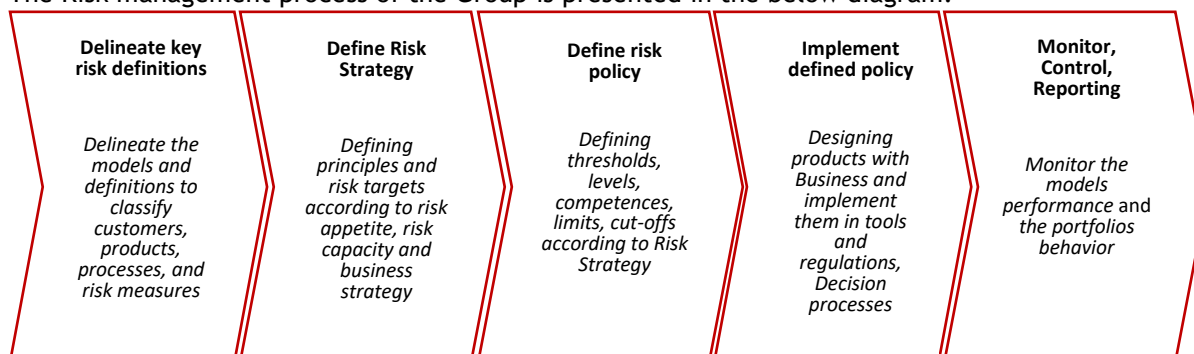
- Loan growth in specific products / segments
- Structure of the loan portfolio
- Asset quality indicators
- Cost of risk
- Capital requirements / Economic capital
- Amount and structure of liquidity needed.

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 distinct 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, compliance and litigation risks 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 Products Committee reviews proposals for the implementation and withdrawal of products and services from the bank's offering;
- The AML Committee is responsible for supervision of anti-money laundering and terrorism financing in the Bank and cooperation in 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 1 mln PLN or as result of multiple cases with the same nature, excluding 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 Sub-Committee for Court Cases is also competent for disputes in the portfolio of the Retail Restructuring and Debt Collection Department, which the nature of the dispute corresponds to the nature of court disputes supervised by the Court Cases Risk Sub-committee referred to in the first sentence above and matters relating to the determination of terms of settlement as to the effects of legal relationships at the pre-trial stage or in circumstances indicating a significant likelihood of litigation (such as in the process of FX mortgage negotiations and amicable settlements with borrowers), and if materialized, would fall within the competence of the Court Cases Risk Sub-committee, excluding cases managed by Corporate Recovery Department;

- The Risk Department is responsible for risk management, including identifying, measuring, analysing, monitoring, and reporting on risk within the Group. 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 Underwriting Department, are responsible 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 purpose of the Sustainability Department is to supervise and coordinate 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, and in anti-money laundering process;
- 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 2025-2027". 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 profile in amount or type of risk the Group is currently exposed. The Group should also have a forward-looking view how their risk profile may change under both expected and stress economic scenarios in accordance with risk appetite,
2. Risk appetite - the maximum amount or type of risk the Group is prepared to accept/tolerate to achieve its financial and strategic objective. Three zones are defined in accordance with warning / action required level.

Risk 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,
- Operational activity and reputation.

The Group has a clear risk strategy, covering retail credit, corporate credit, markets activity and liquidity, operational and capital management, legal and ICT risks. For each risk type and overall, the Group clearly define 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:

- Capital Management and Planning Framework
- Credit Principles and Guidelines
- Rules on Concentration Risk Management
- Principles and Rules of Liquidity Risk Management
- Principles and Guidelines on Market Risk Management on Financial Markets
- Principles and Guidelines for Market Risk Management in Banking Book
- Investment Policy
- Principles and Guidelines for Management of Operational Risk
- Policy, Rules, and Principles of the Model Risk Management
- Stress tests policy
- Sustainability Policy
- Regulations of Bank Millennium S.A. - 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.

8.2. CAPITAL MANAGEMENT

Capital management and planning

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

The goal of capital adequacy management is: (a) meeting the requirements specified in external regulations (regulatory capital adequacy) and (b) ensuring the solvency in normal and stressed conditions (economic capital adequacy/internal capital). Completing that goal, the Group 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 tolerance.

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

Regulatory capital adequacy

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:

- Pillar II FX mortgage loans buffer (P2R buffer) - Polish Financial Supervision Authority (PFSA) 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 PFSA every year because of Supervisory Review and Evaluation Process (SREP) and relates to risk that is in PFSA's opinion - inadequately covered by minimum own funds requirements, set in CRR art. 92. At 31 December 2024, the buffer was set by PFSA in the decisions issued in the end of 2023 in the level of 1.47 p.p. (Bank) and 1.46 pp (Group) as for Total Capital Ratio (TCR), which corresponds to capital requirements over Tier 1 ratio of 1.10 pp (Bank and Group), and which corresponds to capital requirements over CET 1 ratio of 0.82 pp (Bank and Group);

On 23 January 2025 and 4 February 2025, the Bank received decisions of the Polish Financial Supervision Authority ("PFSA") regarding the expiry of the PFSA decisions of 13 and 21 December 2023, respectively, ordering compliance with the Bank's additional capital requirement to secure the risk arising from mortgage-secured foreign currency loans and advances to households ("P2R buffer") at the individual and consolidated level, respectively. Therefore, from the date of the decision, the P2R buffer is 0.0%.

- 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 PFSA each year¹;
 - 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. According to Regulation of the Minister of Finance, the countercyclical capital requirement will be introduced from 25 September, 2025 at 1% and raised to 2% on 25 September 2026

In accordance with binding legal requirements and recommendations of PFSA, the Bank defined regulatory minimum levels of capital ratios, being at the same time the base of defining capital limits.

¹ In November 2020 PFSA issued the decision on identification the Bank as other systemically important institution and imposing OSII Buffer of 0.25%

The below table presents these levels as of 31 December 2024. The Bank will inform on each change of required capital levels in accordance with regulations.

Capital ratio	31.12.2024	
CET1 ratio	Bank	Group
Minimum	4.50%	4.50%
P2R Buffer	0.82%	0.82%
TSCR CET1 (Total SREP Capital Requirements)	5.32%	5.32%
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)	8.07%	8.07%
T1 ratio	Bank	Group
Minimum	6.00%	6.00%
P2R Buffer	1.10%	1.10%
TSCR T1 (Total SREP Capital Requirements)	7.10%	7.10%
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)	9.85%	9.85%
TCR ratio	Bank	Group
Minimum	8.00%	8.00%
P2R Buffer	1.47%	1.46%
TSCR TCR (Total SREP Capital Requirements)	9.47%	9.46%
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 TCR (Overall Capital Requirements TCR)	12.22%	12.21%

Considering of mentioned before decision on expiration of P2R, the minimum regulatory capital ratios are presented in the table below.

Capital ratio	From 23.01.2025	From 04.02.2025
CET1 ratio	Bank	Group
Minimum	4.50%	4.50%
P2R Buffer	0.00%	0.00%
TSCR CET1 (Total SREP Capital Requirements)	4.50%	4.50%
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)	7.25%	7.25%
T1 ratio	Bank	Group
Minimum	6.00%	6.00%
P2R Buffer	0.00%	0.00%
TSCR T1 (Total SREP Capital Requirements)	6.00%	6.00%
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)	8.75%	8.75%
TCR ratio	Bank	Group
Minimum	8.00%	8.00%
P2R Buffer	0.00%	0.00%
TSCR TCR (Total SREP Capital Requirements)	8.00%	8.00%
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)	10.75%	10.75%

In December 2024, the Bank received a letter from PFSA about non-imposing of additional capital add-on (P2G). In the supervisory assessment process, the Bank's sensitivity to the possible materialisation of stress scenarios affecting the level of own funds and risk exposure was assessed as low. In particular, on the basis of the 2024 supervisory stress tests carried out by the PFSA, the PFSA set the P2G capital add-ons, before the offsetting of the capital conservation buffer, at 0.17 p.p. at the stand-alone level and 0.28 p.p. at the consolidated level. The total capital charges recommended under Pillar II offset by the capital buffer requirement are 0.00 p.p. at the stand-alone level and 0.00 p.p. at the consolidated level.

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 calculates its own funds requirements using standard methodologies and is implementing at the same time a project of an implementation of internal ratings-based method (IRB) for calculation of own funds requirements for credit risk and obtaining of approval decisions from Regulatory Authorities on that matter.

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

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

In July 2017, the Group received the decision of Competent Authorities (ECB cooperating with PFSA) on approval the material changes to IRB LGD models and revoking the "Regulatory floor".

Since 2018, the Group has been successively implementing a multi-stage process of implementing changes to the IRB method, related to the requirements regarding the new definition of default. In the first phase, in line with the "two-step approach" approved by Competent Authorities, the Group in 2020 successfully implemented solutions for the new definition of default in the production environment. The Group 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% 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 Group 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 2024, these models were recalibrated in connection with the modification of the default definition and an application for consent to their use was submitted to the Supervisory Authority.

Further work was also carried out on credit risk models for the remaining credit portfolios covered by the IRB implementation plan: other retail exposures and exposures to corporates.

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 2024, both above capital targets were met with a surplus.

At the same time internal capital is utilized 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 ratios and capital adequacy

Capital ratios of the Group over the last three years were as follows²:

	31.12.2024	31.12.2023	31.12.2022
Risk-weighted assets	45 116.2	41 354.50	48 497.30
Own Funds requirements, including:	3 609.3	3 308.40	3 879.80
- Credit risk and counterparty credit risk	3 086.6	2 841.20	3 380.60
- Market risk	19.8	15.4	18
- Operational risk	500.4	446.4	474.5
- Credit Valuation Adjustment CVA	2.5	5.4	6.7
Own Funds, including:	7 776.4	7 470.60	6 991.10
Common Equity Tier 1 Capital	6 688.4	6 089.70	5 469.90
Tier 2 Capital	1 087.90	1 380.90	1 521.20
Total Capital Ratio (TCR)	17.24%	18.06%	14.42%
Tier 1 Capital ratio (T1)	14.82%	14.73%	11.28%
Common Equity Tier 1 Capital ratio (CET1)	14.82%	14.73%	11.28%
Leverage ratio	4.64%	4.66%	4.72%

² Group uses transitional arrangements for IFRS 9 and considers a temporary treatment of unrealized gains and losses on bonds measured by fair value through other comprehensive income (FVOCI) in accordance with Art. 468 of the CRR. As at 31.12.2024, if IFRS 9 transitional arrangements and temporary treatment according to Art. 468 of the CRR had not been applied, capital ratios were as follows:

- TCR: 17.02%
- T1: 14,62%
- CET1: 14,62%
- Leverage ratio: 4.60%.

Capital adequacy showed as surpluses/deficits on required or recommended levels is presented in the below table.

Capital adequacy	31.12.2024	31.12.2023	31.12.2022
Total Capital Ratio (TCR)	17.24%	18.06%	14.42%
Minimum required level (OCR)	12.21%	12.21%	12.69%
Surplus (+) / Deficit (-) of TCR capital adequacy (p.p.)	5.03	5.85	1.73
Minimum recommended level TCR (OCR+P2G)	12.21%	13.81%	14.44%
Surplus (+) / Deficit (-) on recommended level (p.p.)	5.03	4.25	-0.02
Tier 1 Capital ratio (T1)	14.82%	14.73%	11.28%
Minimum required level (OCR)	9.85%	9.85%	10.21%
Surplus (+) / Deficit (-) of T1 capital adequacy (p.p.)	4.97	4.88	1.07
Minimum recommended level T1 (OCR+P2G)	9.85%	11.45%	11.96%
Surplus (+) / Deficit (-) on recommended level (p.p.)	4.97	3.28	-0.68
Common Equity Tier 1 Capital ratio (CET1)	14.82%	14.73%	11.28%
Minimum required level (OCR)	8.07%	8.07%	8.34%
Minimum recommended level CET1 (OCR+P2G)	8.07%	9.67%	10.09%
Surplus (+) / Deficit (-) on recommended level (p.p.)	6.75	5.06	1.19
Leverage ratio	4.64%	4.66%	4.72%
Minimum required level	3.00%	3.00%	3.00%
Surplus (+) / Deficit (-) of Leverage ratio (p.p.)	1.64	1.66	1.72

In December 2024, Bank carried out a synthetic securitization transaction of a portfolio of corporate and SME loans with the total value PLN of 2.1 billion with the option of increasing the nominal amount of the Transaction up to the maximum amount of PLN 4,1 billion (Ramp-up Option). As part of the Transaction, the Bank transferred to the investor (EBRD) a significant part of the credit risk from the selected portfolio subject to securitisation. The selected loan portfolio covered by the securitisation remains on the Bank's balance sheet. The transfer of the risk of the securitised portfolio is carried out through a credit protection instrument in the form of a financial guarantee issued by the EBRD.

The transaction meets the requirements for the transfer of a significant part of the risk specified in the CRR Regulation (Regulation of the European Parliament and of the Council No. 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms). The Bank is waiting for confirmation of regulatory non-objection to the use of the transaction in the calculation of risk-weighted assets.

Taking into account the impact of this transaction, capital ratios would increase in terms of the Common Equity Tier 1 ratio by 31 bps to 15.13% and in terms of the Total Capital Ratio by 35 bps to 17.59%.

Earlier, in 2024, the Bank renegotiated and extended the period of replenishment of two transactions concluded in 2023. The replenishment period for the securitisation transactions done by Bank's

subsidiary, Millennium Leasing, was extended till April 2025 and the replenishment period for Bank's transaction on the unsecured retail loans was extended till August 2025.

At the end of 2024, compared to the end of 2023, capital adequacy measured by the Common Equity Tier 1 capital ratio increased by 9 bps and the total capital ratio decreased 82 bps.

Risk-weighted assets (RWA) increased by PLN 3,762 million (9%) in 2024. The largest annual change concerned RWA for credit risk - an increase of PLN 3,068 million (9%). Changes in RWA for operational risk, market risk and CVA (due to the fair value adjustment for credit risk) were smaller - a total increase of PLN 694 million.

Own funds increased by PLN 306 million (4%) in 2024, with basic own funds increasing by PLN 599 million and Tier 2 capital decreasing by PLN 293 million (due to regular depreciation of the existing subordinated bond issues).

The minimum values of capital ratios required by the PFSA in terms of the combined buffer requirement (OCR) are achieved with a large surplus at the end of 2024. Also, in terms of the levels expected by the PFSA, they were achieved for all capital ratios with a clear surplus

Leverage ratio stood at the safe level of 4.64%, and it significantly exceeds the regulatory minimum (3%).

Entry into force starting from January 2025 onwards the Regulation (EU) 2024/1623 of the European Parliament amending Regulation (EU) No 575/2013 (CRR 3) will impact the Group's capital adequacy ratios.

Main changes according to CRR 3 will regard credit conversion factors (CCF) under standardized method, new approach to the determination of off-balance sheet exposures, risk weight for exposures secured by real estate property, deletion of 1.06 scaling factor from risk weight calculation under IRB method (credit risk) and change the way of operational risk capital requirements calculation.

According to current Bank's estimates, the impact on consolidated capital ratios due to the introduction of CRR3 would amount as at 31 December 2024 up to (non-audited data):

Potential impact of CRR 3 implementation (Group)	Lower Case	Higher Case
On Total Capital Ratio (TCR)	-0.95%	-1.81%
On Tier 1 Capital ratio (T1)	-0.81%	-1.55%
On Risk Weighted Assets	+5.6%	+11.4%

Bank is still waiting for some areas of CRR 3 interpretations to be closed, namely the calculation of the operational risk capital requirements, and is working on the revision of the approach for determination of off-balance-sheet exposures.

Minimum requirement for own funds and eligible liabilities (MREL)

The Bank manages the MREL requirement indicators in a manner analogous to capital adequacy indicators.

In June 2024, the Bank received a joint decision of the resolution authorities requiring it to meet the MREL requirements. The updated minimum requirements are 18.03% (consolidated MREL_{trea}) and 5.91% (consolidated MREL_{tem}). Additionally, in relation to the above decisions, the Bank should also meet the MREL requirement taking into account the Combined Buffer Requirement (currently 2.75%).

Taking into account the above, in September 2024, the Bank successfully completed the subscription of senior non-preferred green bonds with a total value of EUR 500 million under the EMTN Program (Current Reports No. 26/2024 and 27/2024).

MREL	31.12.2024	30.09.2024	30.06.2024	31.12.2023
MRELTrea ratio (consolidated)	28.06%	28.60%	22.92%	23.77%
Minimum required level MRELTrea	18.03%	18.03%	18.03%	18.89%
Surplus (+) / Deficit (-) of MRELTrea (p.p.)	10.03	10.57	4.89	4.88
Minimum required level including Combined Buffer requirement (CBR)	20.78%	20.78%	20.78%	21.64%
Surplus (+) / Deficit (-) of MRELTrea+CBR (p.p.)	7.28	7.82	2.14	2.13
MRELtem (consolidated)	8.71%	8.97%	7.05%	7.50%
Minimum required level of MRELtem	5.91%	5.91%	5.91%	5.91%
Surplus (+) / Deficit (-) of MRELtem (p.p.)	2.80	3.06	1.14	1.59

In terms of the MRELTrea and MRELtem requirements, the Group presents a surplus compared to the minimum required levels as of 31 December 2024 and also meets the MRELTrea Requirement after including the Combined Buffer Requirement.

8.3. CREDIT RISK

The credit risk is one of the most important risk types for the Group and therefore considerable attention is given to management of credit risk-bearing exposures. Credit risk relates to balance-sheet credit exposures as well as off-balance sheet financial instruments, such as granted and unutilized credit lines, guarantees and letters of credit, as well as limits for transactions in financial instruments.

The credit policy is subject to periodic reviews and verification process considering the prevailing market conditions and changes in the Group's regulatory environment.

The Group uses several rating systems to manage credit risk depending on the type of exposure and the customer segment involved. A rating system is a set of methods (models), processes, controls, data collection procedures and IT systems that identify and measure credit risk, sort levels of exposure by grades or pools (granting of credit rating) and quantify probability of default and expected loss estimates for specific types of exposure.

In 2024, 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 streamlining and accelerating credit processes, including decision-making. In the retail segment, the Bank focused on adapting its credit policy to the changing macroeconomic environment, in particular, development activities were continued to optimize and digitize the process, while adapting it to the changing market situation and the changing external regulatory environment.

(3a) Measurement of Credit Risk

Loans and advances

Measurement of credit risk, for the purpose of the credit portfolio management, on the level of individual customers and transactions, on account of granted loans is done with the consideration of three base parameters:

- (i) Probability of Default (PD) of a customer or counterparty as regards their liability;
 - (ii) amount of Exposure at Default (EAD) and
 - (iii) the ratio of Loss Given Default (LGD) regarding the customer's liability.
- (i) The Group assesses the probability of default (PD) of individual counterparties, using internal rating models adapted to various categories of customers and transactions. Models were developed in-house or at the level of the BCP Group, or with help of external providers, and combine statistical analysis with assessment by a credit professional. The Group's customers are divided into 15 rating classes, which for the purposes of this Report have been grouped into 6 main brackets. The Group's Master Ratings Scale, presented below, also contains the scale of probabilities of non-compliance with the liabilities specified for a given class/rating group. Rating models are subject to regular reviews and whenever necessary to relevant modification. Modifications of models are confirmed by Validation Committee.

The Group regularly analyses and assesses rating results and their predictive power with respect to cases of default. The process of assigning client risk assessments (for Corporates performed by Rating Department independently from credit decision process and transactions) is supported by IT systems, obtaining, and analysing information from internal and external databases.

The Group's internal rating scale

Master scale	Description of rating
1-3	Highest quality
4-6	Good quality
7-9	Medium quality
10-12	Low quality
13-14	Watched/Procedural
15	Default

- (ii) EAD - amount of exposure at default - concerns amount which according to the Group's predictions will be the Group's receivables at the time of default against liabilities. Liabilities are understood by the Group to mean every amount disbursed plus further amounts, which may be disbursed until default, if such occurs.
- (iii) LGD - loss given default is what the Group expects will be its losses resulting from actual cases of default, with the consideration of internal and external costs of recovery and the discount effect.

Unification of the default definition across the Group

Since the implementation of IFRS 9, the Group has adopted a uniform definition of default, both in the calculation of capital requirements and for the purposes of estimating impairment. The Group uses the definition of default in line with the EBA Guidelines, the so-called New Definition of Default. Unified Default definition includes following triggers:

- DPD>90 days considering materiality thresholds for due amount: absolute PLN 400 for retail and PLN 2000 for corporates and relative threshold of 1% in relation to total exposure,
- Restructured loans (forborne),
- Loans in vindication process,
- Other triggers defined in EBA Guidelines,
- Qualitative triggers identified in the individual analysis.

The Group is using cross-default approach for all segments.

Debt Securities

Debt securities from Polish State Treasury and from the Polish Central Bank are monitored based on Polish rating. Whereas the economic and financial situation of issuers of municipal debt securities is monitored on a quarterly basis based on their financial reporting. Debt securities from other European Union member states and supra national institutions are monitored based on their respective ratings.

The Group doesn't apply Low Credit Risk (LCR) exemption neither for State Treasury and Central Bank exposures nor for any other groups of exposures.

Derivatives

The Group maintains strict control over the limits of net open derivative positions both with respect to amounts and transaction maturities. Credit risk exposures resulting from derivatives are managed as part of total credit limits defined for individual customers calculated based on verification of natural exposure and analysis of customer's financial situation, and as part of counterparties' limits.

The Group offers Treasury products for FX risk or interest rate risk only for hedging purposes and under Treasury limits assigned to clients or secured by specific collateral (deposit).

Most of the Group's agreements include the possibility of calling the client to replenish the margin deposit (if the valuation of the client's open position exceeds treasury limit, the so-called *margin call*); and if the client does not supplement the deposit, the Group has the right to close the position.

Credit risk-based off-balance sheet liabilities

Credit risk-based off-balance sheet liabilities include granted guarantees and letters of credit, granted and unused limits (credit, factoring, guarantees and letters of credit and cards) as well as granted and unpaid tranches of non-renewable loans. The primary purpose of these instruments is to enable the customer to manage in a specific manner the funds allocated by the Group.

Granted guarantees and letters of credit granted are unconditional and irrevocable - after the receipt of a claim compliant with the terms of the guarantee or letter of credit, the Group must make a payment. Typically, guarantees and letters of credit are related to commercial transactions.

In the case of most of the granted and unused limits, the Group has the option of refusing to execute the client's instruction regarding the use of funds from these limits - either unconditionally or upon meeting the conditions set out in the documents and by-laws applicable to a given limit.

In the case of granted and undisbursed tranches of non-revolving loans, their disbursement depends on the fulfilment of the conditions set out in the documents and by-laws applicable to a given non-revolving loan.

(3b) Limits control and risk mitigation policy

The Group measures, monitors and controls large credit exposures and high credit risk concentrations, wherever they are identified. Concentration risk management process encompasses single-name exposures with respect to an individual borrower or group of connected borrowers (with material capital, organizational or significant economic relations) and sectoral concentration - to economic industries, geographical regions, countries, and the real estate financing portfolio (including FX loans), portfolio in foreign currencies and other. Above types of sectoral exposures are subject to internal limits system. Information about the utilization of limits is presented at the Supervisory Board, the Committee for Risk Matters, and the Risk Committee.

The internal (mentioned above) limits are monitored quarterly. Limits are subject to annual or more frequent review, when deemed appropriate. The limits are approved by the Supervisory Board or the Risk Committee.

Management of credit risk exposure is also performed through regular monitoring of customers' economic and financial situation and/or track record of their relationship with the Group from the point of view of punctual repayment of their principal and interest liabilities.

Collateral

The Group accepts collateral to mitigate its credit risk exposure; the key role of collateral is to minimize loss in the event of customers' default in repayment of credit transactions in contractual amounts and on contractual dates by ensuring an alternative source of repayment of due and payable amounts.

Collateral is accepted in accordance with the credit policy principles defined for each customer segment. The key principle is that collateral for credit transaction should correspond to the credit risk incurred by the Group, considering the specific nature of the transaction (i.e., its type, amount, repayment period and the customer's rating).

The credit policy defines the types, kinds and legal forms of collateral accepted in the Group as well as more detailed requirements that are to ensure the probability of selling collateral of respective types in the context of the Group's recovery experiences.

The Group pays special attention to the correct determination of collateral value. It defined the rules for preparing and verifying collateral valuation and does its utmost to ensure that such valuations are objective, conservative and reflect the true value of the collateral. To ensure effective establishment of collateral, the Group has developed appropriate forms of collateral agreements, applications, powers-of-attorney, and representations.

In the retail segment, accepted collateral consists mainly of residential real property (mortgage loans) and financial assets. In the case of the corporate segment, all types of real estate (residential, commercial, land) are accepted, as well as assignments of receivables under contracts.

Temporary collateral is also accepted in the period before the final collateral is established. Additionally, the Group uses various forms of instruments supplementing the collateral, which facilitate enforcement or increase probability of effective repayment of debt from a specific collateral. Those instruments include statement of submitting to enforcement in the form of a notarial deed, blank promissory note, power-of-attorney to a bank account, assignment of rights under an insurance agreement.

The Group monitors the collateral to ensure that it satisfies the terms of the agreement, i.e., that the final collateral of the transaction has been established in a legally effective manner or that the insurance policies are renewed. The value of the collateral is also monitored during the term of the credit transaction.

In accordance with credit policy adopted in the Group it is also allowed to grant a transaction without collateral, but this takes place according to principles, which are different depending on the client's segment. But in the case of the deterioration of the debtor's economic and financial situation, in documents signed with the client the Group stipulates the possibility of taking additional collateral for the transaction.

(3c) Policy with respect to impairment and creation of impairment charges

Organization of the Process

The process of impairment identification and measurement with respect to loan exposures is regulated in the internal instruction introduced with IFRS9 application. The documentary defines in detail the mode and principles of individual and collective analysis, including algorithms for calculating parameters.

The methodology and assumptions adopted for determining credit impairments are regularly reviewed to reduce discrepancies between the estimated and actual losses. To assess the adequacy of the impairment determined both in individual analysis and collective analysis a historical verification (back testing) is conducted periodically (at least once a quarter), which results will be considered to improve the quality of the process.

Supervision over the process of estimating impairment charges and provisions is exercised at the Group by the Risk Department (DMR), which also has direct responsibility for individual analysis in the business portfolio at the Bank, as well as collective analysis. In addition to DMR, the process also involves recovery and restructuring units. These are the Corporate Recovery Department - DNG (individual analysis for the recovery-restructuring portfolio for corporate customers) and the Retail Liabilities Restructuring and Recovery Department - DRW (individual analysis of individually significant retail impairments, mainly mortgages). DMR is a unit not connected with the process of lending; it is supervised by the Management Board Member responsible for risk management. Similarly organized is the impairment process at Millennium Leasing.

The Management Board of the Bank plays an active role in the process of determining impairment charges and provisions. The results of credit portfolio valuation are submitted to the Management Board for acceptance in a monthly cycle with a detailed explanation of the most significant changes with an impact on the overall level of impairment charges and provisions, in the period covered by the analysis. Methodological changes resulting from the validation process and methodological improvements are presented at the Validation Committee, and subsequently at the Risk Committee which includes all the Management Board Members.

In monthly periods detailed reports are prepared presenting information about the Group's retail portfolio in various cross-sections, including the level of impairment charges and provisions, their dynamics and structure. The recipients of these reports are Members of the Management Board, supervising the activity of the Group in finance, risk, and management information.

Expected credit loss measurement

Since implementation of IFRS9 in 2018, impairment estimation model within the Group has been based on the concept of “expected credit loss”, (hereinafter: ECL). As a direct result of using this approach, impairment charges now must be calculated based on expected credit losses and forecasts of expected future economic conditions must be considered when conducting evaluation of credit risk of an exposure.

The implemented impairment model applies to financial assets classified in accordance with IFRS 9 as financial assets measured at amortized cost or at fair value through other comprehensive income, except for equity instruments.

According to IFRS 9, credit exposures are classified in the following categories:

- Stage 1 - non-impaired exposures, for which expected credit loss is estimated for the 12-month period,
- Stage 2 - non-impaired exposures, for which a significant increase in risk has been identified (SICR) and for which expected credit loss is estimated for the remaining lifetime of the financial asset,
- Stage 3 - credit impaired exposures, for which expected credit loss is estimated for the remaining lifetime of the financial asset,
- POCI (purchased or originated credit impaired) - exposures which, upon their initial recognition in the balance sheet, are recognized as impaired, expected losses are estimated for the remaining life of the financial asset.

Identification of a significant increase in credit risk (SICR)

Assets, for which there has been identified a significant increase in credit risk compared to the initial recognition in the balance sheet, are classified in Stage 2. The significant increase in credit risk is recognized based on qualitative and quantitative criteria. The qualitative criteria include:

- repayment delays of more than 30 days,
- forbore exposures in non-default status,
- using the support from Banking Support Fund,
- occurrence of seizures on current accounts resulting from enforcement orders,
- procedural rating, which is reflecting early delays in payments,
- taking a risk-mitigating decision for corporate clients, triggered by the early warning system,
- events related to an increase in credit risk, the so called “soft signs of impairment,” identified as part of an individual analysis involving individually significant customers.

The quantitative criterion involves a comparison of the lifetime PD value determined on initial recognition of an exposure in the balance sheet, with the lifetime PD value determined at the current reporting date. If an empirically determined threshold of the relative change in the lifetime PD value is exceeded, then an exposure is automatically transferred to Stage 2. The quantitative assessment does not cover exposures analysed individually.

Individual analysis of impairment for credit receivables

Individual analysis contains customers identified as significantly important both for business portfolio and recovery portfolio. Credit exposures are selected for individual analysis based on materiality criteria which ensure that case-by case analysis covers at least 50% of the Group’s business corporate portfolio and 80% of the portfolio managed by entities responsible for the recovery and restructuring of corporate receivables.

Principal elements of the process of individual analysis:

- 1) Identification of soft signs of impairment being one of qualitative triggers of Significant Increase of Credit Risk (SICR).

This process covers biggest business corporate customers, for which financial-economic situation is analysed on a quarterly basis based on latest financial statement, events connected with company activities, information concerning related entities and economic environment, expectation about future changes, etc. There was defined catalogue of so called “soft signs of impairment”, identification of which means significant increase of credit risk (SICR) and causing classification of all exposures of such customer to Stage 2.

- 2) Identification of impairment triggers.

The Group defined impairment triggers for individual analysis and adjusted them to its operational profile. The catalogue of triggers contains among others following elements:

- The economic and financial situation pointing to the Customer’s considerable financial problems,
- Breach of the contract, e.g., significant delays in payments of principal or interest
- Stating the customer’s unreliability in communicating information about his economic and financial situation,
- Permanent lack of possibility of establishing contact with the customer in the case of violating the terms of the agreement,
- High probability of bankruptcy or a different type of reorganizing the Customer’s enterprise/business,
- Declaring bankruptcy or opening a recovery plan with respect to the Customer,
- Granting the Customer who has financial difficulties, facilities concerning financing conditions (restructuring).

Internal regulations allow discovering above-mentioned triggers by indicating specific cases and situations corresponding to them, with respect to triggers resulting from the Customer’s considerable financial problems, violating the critical terms of the agreement and high probability of a bankruptcy or different enterprise reorganization.

- 3) Scenario approach in calculation of impairment allowances for individually analysed customers.

If at least one of impairment triggers has been identified during the individual analysis, all exposures of given customer are classified in Stage 3 and then detailed analysis of forecasted cash-flows should be performed. Since introducing IFRS9 the Group is using scenario approach. It means that analyst should define at least two recovery scenarios which reflect described and approved recovery strategies: the main and alternative ones with assigned probabilities of realization. The Group has defined guidelines regarding the weights used for individual scenarios. Scenarios can be based on restructuring or vindication strategy; mixed solutions are also used. The entire process of individual analysis is supported by especially dedicated Case-By-Case IT Tool especially useful in terms of calculation impairment amount with usage of scenario approach.

Every scenario contains two general types of recoveries: direct cash-flows from customers and recovered amounts from collateral.

4) Estimating expected cash-flows.

One element of the impairment calculation process is the estimation of the probability of cash flows included in the timetable, pertaining to the following items: principal, interest, and other cash flows. The probability of realizing cash flows included in the timetable results from the conducted assessment of the customer's economic and financial situation (indication of the sources of potential repayments) must be justified and assessed based on current documentation and knowledge (universally understood) of his situation with the inclusion of financial projections. This information is gathered by an analyst prior to the actual analysis in accordance with the guidelines specified in appropriate Group regulations.

In the event of estimating the probability of cash flows for customers in the portfolio managed by restructuring-recovery departments analysts will consider the individual nature of each transaction pointing among others to the following elements which may have an impact on the value of potential cash flows:

- Operational strategy with respect to the Customer adopted by the Group,
- Results of negotiations with the customer and his attitude, i.e., willingness to settle his arrears,
- Improvement/deterioration of his economic and financial situation,

The Group also uses the formal terms of setting and justifying the amount of probability and amount of the payment by the Bank of funds under the extended off-balance sheet credit exposure such as guarantees and letters of credit.

5) Estimation of the fair value of collateral, specifying the expected date of sale and estimation of expected revenues from the sale after deduction of the costs of the recovery process.

The inclusion of cash flows from realization of collateral must be preceded by an analysis of how realistically it can be sold and estimation of its fair value after recovery costs.

To ensure the fairness of the principles of establishing collateral recoveries, the Group prepared guidelines for corporate segment with respect to the recommended parameters of the recovery rate and recovery period for selected collateral groups. Depending on the place of the exposure in the Bank's structure (business portfolio, restructuring-recovery portfolio) and type of exposure (credit, leasing) separate principles have been specified for portfolio types: business, restructuring-recovery, and leasing portfolio. The recommended recovery rates and period of collateral recovery are verified in annual periods.

Collective analysis of the credit portfolio

Subject to collective analysis are the following receivables from the group of credit exposures:

- Individually insignificant exposures;
- Individually significant exposures for which there has not been recognized impairment triggers because of an individual analysis.

For the purposes of collective analysis, the Group has defined homogenous portfolios consisting of exposures with a similar credit risk profile. These portfolios have been created based on segmentation into business lines, types of credit products, number of days of default, type of collateral etc. The division into homogenous portfolios is verified from time to time for their uniformity.

The expected credit loss in a collective analysis is calculated using Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD) parameters, which are the outcome of the following models:

- The PD model is based on empirical data concerning 12-month default rates, which are then used to estimate lifetime PD values using appropriate statistical and econometric methods. The segmentation adopted for this purpose at the customer level is consistent with the segmentation used for capital requirement calculation purposes. Additionally, the Bank has been using rating information from internal rating models to calculate PDs.
- The LGD models for the retail portfolio used by the Group in the capital calculation process were adjusted to IFRS 9 requirements in estimating impairment. The main components of these models are the probability of cure, and the recovery rate estimated based on discounted cash flows. The necessary adaptations to IFRS 9 include, among other things, exclusion of the conservatism buffer, indirect costs, and adjustments for economic slowdown. For the corporate portfolio LGD model is based on a component determining parameterized recovery for the key types of collateral and a component determining the recovery rate for the unsecured part. All the parameters were calculated based on historical data, including discounted cash flows achieved by the corporate debt recovery unit.
- The EAD model used in the Group includes calculation of parameters such as: average limit utilization (LU), credit conversion factor (CCF), prepayment ratio and behavioural lifetime. Segmentation is based on the type of customer (retail, corporate, leasing) and product (products with/without a schedule).

The results of models employed in collective analysis are subject to periodical verification. The parameters and models are also covered by the process of models' management governed by the document „Principles of Managing Credit Risk Models,” which specifies, among others, the principles of creating, approving, monitoring and validation, and historical verification of models.

Forward-looking information incorporated in the ECL models

In the process of calculation of expected credit losses, the Group uses forward-looking information (FLI) about future macroeconomic events. FLI is used in PD, LGD, and EAD as well as in the process of determination of SICR and allocation of exposures to Stage 2 (Transfer Logic). The Macroeconomic Analysis Office prepares three macroeconomic scenarios (baseline, optimistic and pessimistic) and determines the probability of their occurrence. Forecasts translate directly or indirectly into the values of estimated parameters and exposures and their impact vary by model, product type, rating-class etc. The Group uses macroeconomic forecasts prepared only internally. Forecasts are provided on a quarterly basis for a 3-year time horizon.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as of 31 December 2024 are set out below.

Macroeconomic variable	Scenario	2025	2026	2027
Gross Domestic Product (annual average)	Base	103,6	103,1	103,0
	Optimistic	104,6	104,3	103,9
	Mild recession	101,9	102,1	102,6
Retail Sales (annual average)	Base	104,7	104,5	104,3
	Optimistic	105,4	105,4	105,1
	Mild recession	103,2	103,3	103,9
Unemployment rate (at the end of given year)	Base	5,1	5,2	5,2
	Optimistic	4,7	4,7	4,8
	Mild recession	6,2	7,0	6,6

The weightings assigned to each economic scenario on 31 December 2024 were as follows:

	Base	Optimistic	Mild recession
Applied weighting	60%	10%	30%

ECL sensitivity to macroeconomic scenarios

For assessing the sensitivity of ECL for future macroeconomic conditions, the Group calculated unweighted ECL for each defined scenario separately. The impact for ECL of application of each of the scenario separately does not exceed 2.0%.

Reversal of impairment

Impairment Instruction, being core document of Internal regulations, provides a detailed definition of the principle of reversing impairment losses. In principle, reversing a loss and elimination of a revaluation charge is possible in the case of cessation of the impairment triggers, including the repayment of arrears or in the case of selling receivables. Reclassification to the Non-Impaired category is possible only when the customer has successfully passed the „quarantine” period, during which he will not show delay in the repayment of principal or interest above 30 days. The quarantine period only starts counting after any eventual grace period that may be granted on the restructuring.

Detailed rules regarding the applicable quarantine periods (at least 3 or 12 months for forced restructuring) and reclassification from default are in line with the EBA guidelines regarding the definition of default.

Sale of receivables

In 2024, the Group sold credit exposures classified as impaired, in the total balance sheet amount of PLN 286 million.

(3d) Maximum exposure to credit risk

	31.12.2024	31.12.2023
Exposures exposed to credit risk connected with balance sheet assets	131 740 784	118 407 061
Deposits, loans and advances to banks and other monetary institutions	434 517	793 436
Loans and advances to customers:	74 981 216	73 643 060
Mandatorily at fair value through profit or loss:	1 825	19 349
Loans to private individuals:	1 755	19 280
Receivables on account of payment cards	1 755	8 753
Credit in current account	0	10 527
Loans to companies and public sector	70	69
Valued at amortized cost:	74 979 391	73 623 711
Loans to private individuals:	56 933 656	56 366 565
Receivables on account of payment cards	1 177 820	1 148 162
Cash loans and other loans to private individuals	17 121 238	15 872 651
Mortgage loans	38 634 598	39 345 752
Loans to companies	18 000 413	17 205 706
Loans to public entities	45 322	51 440
Financial derivatives and Adjustment from fair value hedge	368 210	572 462
Debt instruments held for trading	555 364	110 554
Debt instruments mandatorily at fair value through profit or loss	51 790	81 014
Debt instruments at fair value through other comprehensive income	29 218 737	22 067 407
Debt instruments valued at amortised cost	24 381 485	18 749 907
Repurchase agreements	194 218	1 163 242
Other financial assets	1 555 247	1 225 979
Credit risk connected with off-balance sheet items	13 441 259	13 385 540
Financial guarantees	1 686 880	1 676 248
Credit commitments	11 754 379	11 709 292

The table above presents the structure of the Group's exposures to credit risk as of 31 December 2024 and 31 December 2023, not considering risk-mitigating instruments. As regards balance-sheet assets, the exposures presented above are based on net amounts presented in the balance sheet.

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

	31.12.2024	31.12.2023
Mandatorily at fair value through profit or loss *	1 825	19 345
Companies	70	65
Individuals	1 755	19 280
Public sector	0	0
* The above data includes the fair value adjustment, in the amount of:	(10 940)	(21 772)

The credit quality of financial assets

PLN'000, as of the end of 2024	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	POCI	Total
Balance exposures exposed to credit risk	122 905 228	6 221 408	3 366 015	82 228	132 574 879
Balance impairment	337 560	338 668	1 793 605	33 613	2 503 446
Loans and advances to banks (external rating Fitch: from BBB to AAA; Moody's: from B3 to Aaa; S&P: from B+ to AAA)	434 534				434 534
Loans and advances to private individuals (according to Master Scale):	51 673 077	4 747 957	2 441 024	69 669	58 931 727
▪ 1-3 Highest quality	31 904 718	399 680	0	2 875	32 307 273
▪ 4-6 Good quality	9 973 964	1 149 779	0	2 397	11 126 139
▪ 7-9 Medium quality	7 615 414	1 590 482	0	1 880	9 207 776
▪ 10-12 Low quality	2 065 029	1 109 851	0	1 993	3 176 873
▪ 13-14 Watched	424	498 044	0	113	498 581
▪ 15 Default	0	0	2 441 024	60 412	2 501 436
▪ Without rating *	113 528	121	0	0	113 648
Impairment	194 702	282 628	1 487 996	32 745	1 998 072
Loans and advances to companies (according to Master Scale):	7 397 389	789 547	499 331	12 559	8 698 826
▪ 1-3 Highest quality	403 094	391	0	0	403 485
▪ 4-6 Good quality	1 375 095	36 417	0	0	1 411 512
▪ 7-9 Medium quality	3 227 254	231 851	0	0	3 459 104
▪ 10-12 Low quality	1 549 874	474 979	0	0	2 024 853
▪ 13-14 Watched	0	45 893	0	0	45 893
▪ 15 Default	0	0	499 070	12 530	511 600
▪ Without rating *	842 072	18	261	29	842 380
Impairment	69 832	29 465	205 541	868	305 706
Loans and advances to public entities (according to Master Scale):	45 449	1	0	0	45 450
▪ 1-3 Highest quality	0	0	0	0	0
▪ 4-6 Good quality	352	0	0	0	352
▪ 7-9 Medium quality	392	0	0	0	392
▪ 10-12 Low quality	0	0	0	0	0
▪ 13-14 Watched	0	0	0	0	0
▪ 15 Default	0	0	0	0	0
▪ Without rating *	44 705	1	0	0	44 706
Impairment	129	0	0	0	129
Factoring (according to Master Scale):	2 536 369	94 377	80 970	0	2 711 716
▪ 1-3 Highest quality	46 004	0	0	0	46 004
▪ 4-6 Good quality	805 613	455	0	0	806 069
▪ 7-9 Medium quality	900 426	696	0	0	901 122
▪ 10-12 Low quality	716 568	93 211	0	0	809 779
▪ 13-14 Watched	0	0	0	0	0
▪ 15 Default	0	0	80 970	0	80 970
▪ Without rating *	67 758	15	0	0	67 772
Impairment	26 942	2 577	23 049	0	52 568
Leasing (according to Master Scale):	6 160 971	589 526	344 690	0	7 095 187
▪ 1-3 Highest quality	250 961	1 112	31	0	252 105
▪ 4-6 Good quality	440 761	7 395	0	0	448 156
▪ 7-9 Medium quality	1 191 820	57 727	0	0	1 249 547
▪ 10-12 Low quality	409 721	60 700	228	0	470 649
▪ 13-14 Watched	0	3 270	0	0	3 270
▪ 15 Default	0	0	322 009	0	322 009
▪ Without rating *	3 867 707	459 322	22 422	0	4 349 451
Impairment	45 955	23 998	77 019	0	146 972

PLN'000, as of the end of 2024	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	POCI	Total
Derivatives and adjustment from fair value hedge (according to Master Scale):	255 845	0	0	0	255 845
▪ 1-3 Highest quality	198 253				198 253
▪ 4-6 Good quality	18 597				18 597
▪ 7-9 Medium quality	5 403				5 403
▪ 10-12 Low quality	989				989
▪ 13-14 Watched	0				0
▪ 15 Default	0				0
▪ Without rating	32 603				32 603
▪ fair value adjustment due to hedge accounting	0				0
▪ Valuation of future FX payments	0				0
▪ Hedging derivative	0				0
Trading debt securities (State Treasury** bonds)	555 364				555 364
Debt securities mandatorily at fair value through profit or loss	51 790				51 790
Investment debt securities (State Treasury **, Central Bank **, Local Government, EIB) at fair value through other comprehensive income	29 218 737				29 218 737
Receivables from securities bought with sell-back clause	194 218				194 218
Debt securities valued at amortised cost	24 381 485				24 381 485

* The group of clients without an internal rating includes, among others, exposures related to loans to local government units as well as investment projects and some leasing clients;

** rating for Poland in 2024 A- (S&P), A2 (Moody's), A- (Fitch)

PLN'000, as of the end of 2023	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	POCI	Total
Balance exposures exposed to credit risk	110 089 678	6 039 402	3 353 498	116 789	119 599 367
Balance impairment	427 170	364 404	1 681 057	23 924	2 496 554
Loans and advances to banks (external rating Fitch: from BBB to AAA; Moody's: from B3 to Aaa; S&P: from B+ to AAA)	793 596				793 596
Loans and advances to private individuals (according to Master Scale):	50 994 828	4 736 343	2 645 443	93 690	58 470 304
▪ 1-3 Highest quality	32 156 310	195 568	0	2 941	32 354 819
▪ 4-6 Good quality	9 639 229	1 206 623	0	3 332	10 849 184
▪ 7-9 Medium quality	6 991 636	1 401 125	0	3 021	8 395 782
▪ 10-12 Low quality	2 103 155	1 328 358	0	1 154	3 432 667
▪ 13-14 Watched	1 428	604 659	0	741	606 827
▪ 15 Default	0	0	2 645 443	82 501	2 727 944
▪ Without rating *	103 071	10	0	0	103 081
Impairment	322 765	321 598	1 434 253	25 124	2 103 739

PLN'000, as of the end of 2023	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	POCI	Total
Loans and advances to companies (according to Master Scale):	7 313 399	636 401	362 465	23 099	8 335 364
▪ 1-3 Highest quality	218 968	1 732	0	0	220 700
▪ 4-6 Good quality	1 548 483	43 490	0	0	1 591 973
▪ 7-9 Medium quality	3 454 666	186 005	0	0	3 640 671
▪ 10-12 Low quality	1 141 101	330 044	0	0	1 471 144
▪ 13-14 Watched	0	37 072	0	0	37 072
▪ 15 Default	0	0	362 204	23 099	385 303
▪ Without rating *	950 181	38 059	261	0	988 501
Impairment	53 744	24 425	145 862	(1 200)	222 831
Loans and advances to public entities (according to Master Scale):	51 748	1	0	0	51 749
▪ 1-3 Highest quality	0	0	0	0	0
▪ 4-6 Good quality	558	0	0	0	558
▪ 7-9 Medium quality	0	0	0	0	0
▪ 10-12 Low quality	0	0	0	0	0
▪ 13-14 Watched	0	0	0	0	0
▪ 15 Default	0	0	0	0	0
▪ Without rating *	51 190	1	0	0	51 191
Impairment	120	0	0	0	120
Factoring (according to Master Scale):	2 402 318	83 896	38 319	0	2 524 533
▪ 1-3 Highest quality	28 385	1 360	0	0	29 745
▪ 4-6 Good quality	918 089	0	0	0	918 089
▪ 7-9 Medium quality	1 103 218	28 638	0	0	1 131 856
▪ 10-12 Low quality	302 794	53 877	0	0	356 671
▪ 13-14 Watched	0	0	0	0	0
▪ 15 Default	0	0	38 319	0	38 319
▪ Without rating *	49 831	21	0	0	49 852
Impairment	16 240	2 107	12 251	0	30 598
Leasing (according to Master Scale):	5 848 348	582 761	307 271	0	6 738 380
▪ 1-3 Highest quality	164 952	3 518	31	0	168 501
▪ 4-6 Good quality	494 918	8 228	0	0	503 147
▪ 7-9 Medium quality	1 229 146	54 963	26	0	1 284 135
▪ 10-12 Low quality	323 370	33 812	105	0	357 287
▪ 13-14 Watched	0	4 870	0	0	4 870
▪ 15 Default	0	0	297 032	0	297 032
▪ Without rating *	3 635 962	477 370	10 077	0	4 123 409
Impairment	34 301	16 274	88 691	0	139 266
Derivatives and adjustment from fair value hedge (according to Master Scale):	513 317	0	0	0	513 317
▪ 1-3 Highest quality	317 785				317 785
▪ 4-6 Good quality	58 323				58 323
▪ 7-9 Medium quality	23 339				23 339
▪ 10-12 Low quality	1 330				1 330
▪ 13-14 Watched	2				2
▪ 15 Default	0				0
▪ Without rating	97 469				97 469
▪ fair value adjustment due to hedge accounting	0				0
▪ Valuation of future FX payments	0				0
▪ Hedging derivative	15 069				15 069

PLN'000, as of the end of 2023	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	POCI	Total
Trading debt securities (State Treasury ** bonds)	110 554				110 554
Debt securities mandatorily at fair value through profit or loss	81 014				81 014
Investment debt securities (State Treasury **, Central Bank **, Local Government, EIB) at fair value through other comprehensive income	22 067 407				22 067 407
Receivables from securities bought with sell-back clause	1 163 242				1 163 242
Debt securities valued at amortised cost	18 749 907				18 749 907

* The group of clients without an internal rating includes, among others, exposures related to loans to local government units as well as investment projects and some leasing clients;

** rating for Poland in 2023 A- (S&P), A2 (Moody's), A- (Fitch)

(3e) Loans

Impaired loans and advances

The gross amount of impaired loans and advances broken down into customer segments is as follows:

Gross exposure in '000 PLN	31.12.2024				Total
	Loans and advances to customers			Loans and advances to banks	
	Companies	Mortgages	Other retail		
By type of analysis					
Case by case analysis	532 864	106 815	2 802	0	642 481
Collective analysis	404 396	791 382	1 600 438	0	2 796 216
Total	937 260	898 197	1 603 240	0	3 438 697

Gross exposure in '000 PLN	31.12.2023				Total
	Loans and advances to customers			Loans and advances to banks	
	Companies	Mortgages	Other retail		
By type of analysis					
Case by case analysis	370 293	119 988	2 881	0	493 162
Collective analysis	360 600	829 592	1 775 483	0	2 965 675
Total	730 893	949 580	1 778 364	0	3 458 837

Loans and advances covered by case-by-case analysis

The quantification of the value of the portfolio subjected to case-by-case analysis as well as of the value of created charges, split between impaired receivables (and respectively charges) is presented in financial notes.

The tables below present the structure of the impaired portfolio subjected to case-by-case analysis.

Case by Case loans and advances to customers - by currency

	31.12.2024			31.12.2023		
	Amount in '000 PLN	Share %	Coverage by impairment provisions	Amount in '000 PLN	Share %	Coverage by impairment provisions
PLN	386 137	60.1%	28.1%	348 322	70.6%	30.2%
CHF	16 738	2.6%	14.1%*	36 341	7.4%	19.2%*
EUR	239 602	37.3%	42.6%	108 500	22.0%	35.4%
USD	4	0.0%	60.1%	0	0.0%	
SEK	0	0.0%		0	0.0%	
Total (Case by Case impaired)	642 481	100.0%	33.1%	493 162	100.0%	30.6%

*) coverage excluding legal risk provisions, if included the coverage would be 56.4% (2024) and 53.6% (2023)

Case by Case loans and advances to customers - by coverage ratio

	31.12.2024		31.12.2023	
	Amount in '000 PLN	Share %	Amount in '000 PLN	Share %
Up to 20%	226 387	35.2%	230 051	46.6%
20% - 40%	211 958	33.0%	126 752	25.7%
40% - 60%	87 198	13.6%	47 733	9.7%
60% - 80%	73 199	11.4%	27 574	5.6%
Above 80%	43 740	6.8%	61 052	12.4%
Total (Case by Case impaired)	642 481	100.0%	493 162	100.0%

At the end of 2024, the financial impact from the established collaterals securing the Group's receivables with impairment recognized under individual analysis (Case by Case) amounted to PLN 320.2 million (at the end of 2023 respectively PLN 230.0 million). It is the amount, by which the level of required provisions assigned to relevant portfolio would be higher if flows from collaterals were not to be considered in individual analysis.

Restructured loans and advances

The restructuring of receivables is done by dedicated units (separately for corporate and retail receivables).

The restructuring of both corporate and retail receivables allows the Group to take effective action towards the customers, the purpose of which is to minimize losses and mitigate, as quickly as possible, any risks to which the Group is exposed in connection with client transactions giving rise to the Group's off-balance sheet receivables or liabilities.

The restructuring process applies to the receivables which, based on the principles in place in the Group, are transferred to restructuring and recovery portfolios and includes setting new terms of transactions which are acceptable for the Group (including the terms of their repayment and their collateral and possibly obtaining additional collateral).

Recovery of retail receivables is a fully centralized process implemented in two stages:

- monitoring and amicable debt collection proceedings - conducted by Retail Liabilities Monitoring and Collection Department,
- restructuring and execution proceedings - implemented by Retail Liabilities Restructuring and Recovery Department.

Process performed by Retail Liabilities Monitoring and Collection Department involves direct telephone contacts with Customers and obtaining repayment of receivables due to the Group. In case of failure to receive repayment or in case the Customer applies for debt restructuring, the case is taken over by the Retail Liabilities Restructuring and Recovery Department and involves all restructuring and execution activities.

Recovery process is supported by specialized IT system covering the entire Customer portfolio, fully automated at the stage of portfolio monitoring and supporting actions undertaken in later restructuring and recovery phases. The behavioural scoring model constitutes an integral component of the system, used at the warning stage. The system is used for retail liabilities collection process applicable to all retail Customer segments.

The scoring model is based on internal calculations including, inter alia, Customer's business segment type of credit risk-based product (applicable, primarily, to mortgage products) and history of cooperation with the Customer relative to previous restructuring and execution activities. Late receivables from retail customers are sent to the IT system automatically no later than 4 days after the date of the receivable becoming due and payable.

The restructuring and recovery process applicable to corporate receivables (i.e., balance and off-balance receivables due from corporate and SME customers) is centralized and performed by the Corporate Recovery Department. Recovery of corporate receivables aims to maximize the recovery amounts and to mitigate risk incurred by the Group in the shortest possible periods of time by carrying out the accepted restructuring and recovery strategies towards:

- the customer,
- corporate receivables,
- collateral ensuring their repayment.

The actions performed as part of those strategies include, among others: setting the terms and conditions of Customer financing, terms and conditions of restructuring corporate receivables (also within court restructuring proceedings), including the terms on which they will be repaid and secured, obtaining valuable and liquid collateral, achieving amicable repayment, recovery of due and payable receivables (also by court executive officer), also from collateral, actions performed within debtors' bankruptcy proceedings, conducting required legal actions.

Corporate Recovery Department manages the corporate receivable restructuring and recovery process by using IT applications supporting the decision-making process and monitoring. They provide instantaneous information on receivables, collateral, approach used and key actions and dates.

All restructured exposures are classified directly after signing sufficient annex/agreement to Stage 3. In terms of regular payments such exposure can be cured when fulfil internally defined quarantine rules in accordance with EBA Guidelines concerning New Definition of Default. Cured restructured cases are classified to Stage 2 for at least following 2 years after cure in accordance with EBA technical standards for forbore exposures.

The table below presents the loan portfolio with recognized impairment managed by the Group's organizational units responsible for loan restructuring.

Gross exposure in '000 PLN	31.12.2024	31.12.2023
Loans and advances to private individuals	1 272 879	1 373 791
Loans and advances to companies	195 752	192 951
Total	1 468 630	1 566 742

(3f) Collateral transferred to the Group

In 2024 there were no major seizures by the Bank or sale of fixed assets constituting loan collateral. The above situation was caused by the implementation of other more cost-effective paths of satisfying oneself from lien or transfers of title (more effective in terms of time and money with the limitation of costs), i.e., leading to the sale of the object of collateral under the Bank's supervision and with the allocation of obtained sources for repayment. A variety of such action is concluding agreements with official receivers based on which the receiver for an agreed fee secures and stores objects of collateral and in agreement with the Bank puts them up for sale and sells them (also as part of selling organized parts or the debtor's whole enterprise). Funds obtained in such a way are allocated directly for repayment of the Bank's receivables (such debt-collection procedure is implemented without recording transferred collateral on the so-called "Fixed Assets for Sale").

At the same time, a subsidiary of Bank - Millennium Leasing, takes control over some of assets leased and leads active measures aimed at their disposal. Data about the value of these assets and their changes during the reporting period are shown in **note (30) "Non-current assets held for sale"** of the consolidated balance sheet.

(3g) Policy for writing off receivables

Credit exposures, with respect to which the Group no longer expects any cash flows to be recovered and for which impairment provisions (or fair value adjustments in case of overdue receivables originated from derivatives) have been created fully covering the outstanding debt are written-off the balance sheet against said provisions and transferred to off-balance. This operation does not cause the debt to be cancelled and the legal and recovery actions, reasonable from the economic point of view, are not interrupted to enforce repayment.

In most of cases the Group writes off receivables against impairment provisions when said receivables are found to be unrecoverable i.e., among other things:

- obtaining a decision on ineffectiveness of execution proceedings;
- death of a debtor;
- confirmation that there are no chances to satisfy claims from the estate in bankruptcy;
- exhaustion of all opportunities to carry out execution due to the lack of assets of the main debtor and other obligors (e.g., collateral providers)

Gross exposure write-offs in '000 PLN	In 2024				Total
	Loans and advances to customers			Loans and advances to banks	
	Companies	Mortgages	Other retail		
Receivables written-off excluded from enforcement activity	2 802	6 791	93 670	0	103 263
Receivables written-off being subject to enforcement activity	30 394	487	121 496	0	152 377
Invalidated Mortgage FX receivables	0	28 078	0	0	28 078
Total written-off	33 196	35 355	215 166	0	283 718

Gross exposure write-offs in '000 PLN	In 2023				Total
	Loans and advances to customers			Loans and advances to banks	
	Companies	Mortgages	Other retail		
Receivables written-off excluded from enforcement activity	482	12 498	23 506	0	36 486
Receivables written-off being subject to enforcement activity	29 313	62	114 155	0	143 530
Invalidated Mortgage FX receivables	0	23 907	0	0	23 907
Total written-off	29 795	36 467	137 660	0	203 923

(3h) Concentration of risks of financial assets with exposure to credit risk

Economy sectors

The table below presents the Group's main categories of credit exposure broken down into components, according to category of customers.

31.12.2024	Financial intermediation	Industry and constructions	Wholesale and retail business	Transport and communication	Public sector	Mortgage loans	Consumer loans*	Other sectors	Total
Loans and advances to banks	434 535	0	0	0	0	0	0	0	434 535
Loans and advances to customers (Amortized cost)	363 749	5 431 159	5 625 030	2 864 318	28 245	39 235 736	19 695 991	4 238 608	77 482 836
Loans and advances to customers (FAIR VALUE)	0	0	3	67	0	0	1 755	0	1 825
Trading securities	33	75	0	4	555 365	0	0	2	555 479
Instruments valued at amortised cost	2 305 191	0	0	0	22 076 302	0	0	0	24 381 493
Instruments mandatorily at fair value through P&L	118 399	0	0	0	0	0	0	0	118 399
Derivatives and adjustment due to fair value hedge	355 959	6 006	1 627	2 073	0	0	0	2 545	368 210
Investment securities	472 632	4 996	0	285	28 782 497	0	0	35	29 260 445
Repurchase agreements	194 218	0	0	0	0	0	0	0	194 218
Total	4 244 716	5 442 236	5 626 660	2 866 747	51 442 409	39 235 736	19 697 746	4 241 190	132 797 440

* Including: credit cards, cash loans, current accounts overdrafts

31.12.2023	Financial intermediation	Industry and constructions	Wholesale and retail business	Transport and communication	Public sector	Mortgage loans	Consumer loans*	Other sectors	Total
Loans and advances to banks	793 596	0	0	0	0	0	0	0	793 596
Loans and advances to customers (Amortized cost)	346 576	5 199 698	5 347 480	2 732 293	25 426	39 994 178	18 476 125	3 998 489	76 120 265
Loans and advances to customers (FAIR VALUE)	0	8	3	58	0	0	19 280	0	19 349
Trading securities	28	86	0	4	110 554	0	0	3	110 675
Instruments valued at amortised cost	1 716 205	0	0	0	17 033 708	0	0	0	18 749 913
Instruments mandatorily at fair value through P&L	147 623	0	0	0	0	0	0	0	147 623
Derivatives and adjustment due to fair value hedge	541 560	19 001	7 830	2 032	0	0	0	2 040	572 463
Investment securities	473 361	4 996	0	290	21 622 512	0	0	36	22 101 195
Repurchase agreements	1 163 242	0	0	0	0	0	0	0	1 163 242
Total	5 182 191	5 223 789	5 355 313	2 734 677	38 792 200	39 994 178	18 495 405	4 000 568	119 778 321

* Including: credit cards, cash loans, current accounts overdrafts

Loans and advances to customers by economy sectors and segment

Taking into consideration segments and activity sectors concentration risk, the Group defines internal concentration limits in accordance with the risk tolerance allowing it to keep well diversified loan portfolio.

The main items of loan book are mortgage loans (50.6%) and cash loans (22.2%). The portfolio of loans to companies (including leasing) from different sectors like industry, construction, transport and communication, retail and wholesale business, financial intermediation and public sector represents 23.9% of the total portfolio.

Sector name	2024	Share (%)	2023	Share (%)
	Balance Exposure (PLN million)		Balance Exposure (PLN million)	
Credits for individual persons	58 944,4	76,1%	58 511,4	76,8%
Mortgage	39 235,7	50,6%	39 994,2	52,5%
Cash loan	17 216,6	22,2%	16 037,3	21,1%
Credit cards and other	2 492,1	3,2%	2 479,8	3,3%
Credit for companies*	18 551,2	23,9%	17 650,0	23,2%
Wholesale and retail trade; repair	5 625,0	7,3%	5 347,5	7,0%
Manufacturing	4 045,7	5,2%	4 132,0	5,4%
Construction	1 385,4	1,8%	1 067,7	1,4%
Transportation and storage	2 864,4	3,7%	2 732,4	3,6%
Public administration and defence	28,2	0,0%	25,4	0,0%
Information and communication	872,4	1,1%	890,0	1,2%
Other Services	1 024,3	1,3%	900,3	1,2%
Financial and insurance activities	363,7	0,5%	346,6	0,5%
Real estate activities	829,8	1,1%	857,0	1,1%
Professional, scientific, and technical services	444,0	0,6%	444,5	0,6%
Mining and quarrying	88,4	0,1%	74,2	0,1%
Water supply, sewage, and waste	238,2	0,3%	131,4	0,2%
Electricity, gas, water	81,8	0,1%	51,6	0,1%
Accommodation and food service activities	247,8	0,3%	227,8	0,3%
Education	99,0	0,1%	84,2	0,1%
Agriculture, forestry, and fishing	90,4	0,1%	95,3	0,1%
Human health and social work activities	168,8	0,2%	194,6	0,3%
Culture, recreation, and entertainment	53,7	0,1%	47,5	0,1%
Total (gross)	77 495,6	100,0%	76 161,4	100,0%

* incl. Microbusiness, annual turnover below PLN 5 million

Concentration ratio of the 20 largest customers in the Group's loan portfolio (considering groups of connected entities) at the end of 2024 equals 5.8% comparing with 5.6% at the end of 2023. Concentration ratio in 2024 for the 10 largest customers equals 4.2% comparing with 4.1% at the end of the previous year.

8.4. MARKET RISK AND INTEREST RATE RISK

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 movement in interest rates, foreign exchange rates or prices of bonds, equities, or commodities.

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.

Market risk

The Group's market risk measurement allows monitoring of all the risk types, which are generic risk (including interest rate risk, foreign exchange risk and equity risk), non-linear risk, specific risk and commodity risk. In 2024 the non-linear and commodities risk did not exist in the Group. The equity risk assumed to be irrelevant since the Group's engagement in equity instruments is immaterial.

Each market risk type is measured individually using an appropriate risk models and then integrated measurement of total market risk is built from those assessments without considering any type of diversification between the four risk types (the worst-case scenario).

The main measure used by the Group to evaluate market risks (interest rate risk, foreign exchange risk, equity risk) is the parametric VaR (Value at Risk) model - an expected loss that may arise on the portfolio over a specified period (holding period) and with specified probability (confidence level) from an adverse market movement.

The Value at Risk in the Group (VaR) is calculated considering the holding period of ten working days and a 99% confidence level (one tail). In line with regulatory requirements of CRD V/CRR II, the volatility associated with each market risk vertex considered in the VaR model (and respective correlation between them) has been estimated by the equally weighted changes of market parameters using the effective observation period of historical data of last year. The EWMA method (exponentially weighted moving average method) with effectively shorter observation period is only justified by a significant upsurge in price volatility.

To monitor and limit the positions in instruments, for which it is not possible to accurately assess market risk with the use of the VaR model (non-linear risk, commodity risk and specific risk), the appropriate assessment rules were defined. The non-linear risk is measured according to internally developed methodology which is in line with the VaR methodology - the same time horizon and significant level is used. Specific and commodities' risks are measured through standard approach defined in supervisory regulations, with a corresponding change of the time horizon considered.

The market risk measurement is carried out daily (intra-day and end-of-day), both on an individual basis for each of the areas responsible for risk taking and risk management, and in consolidated terms for Global Bank, Trading and Banking Book considering the effect of the diversification that exists between the portfolios. In addition, each Book is divided into the risk management areas.

To ensure that the VaR model adopted is appropriate for the evaluation of the risks involved in the open positions, a back-testing process has been instituted and is carried out daily.

All reported excesses are documented. This includes an explanation of their causes and their incorporation in one of the three classes of excess explanation: adequacy of the model, insufficient model accuracy or unanticipated market movements.

Parallel to the VaR calculation the portfolios are subject to a set of sensitivity analysis and stress scenarios, to:

- Estimate the potential economic loss resulting from extreme variations in market risk factors,
- Identify the market risk movements, possibly not captured by VaR, to which the portfolios are more sensitive,
- Identify the actions that can be taken to reduce the impact of extreme variations in the risk factors.

The following types of market scenarios are being applied:

- Parallel shifts of the yield curves;
- More steep or flat shape of the yield curves;
- Variations of the exchange rates;
- Historical adverse scenarios;
- Customized scenarios based on observed, adverse changes of market risk parameters.

The global VaR limit is expressed in million PLN. The limit is divided into the books, risk management areas and several types of risk, which enables the Group for full measurement, monitoring and control of market risk. The market risk exposure (VaR) together with the limit utilization is reported daily to all areas responsible for management and control of market risk in the Group.

The market risk limits are revised at least once a year and to consider, inter alia, the change of the consolidated Own Funds, current and projected balance sheet structure as well as the market environment. The market risk limits valid for 2024 reflected the assumptions and risk appetite defined under Risk Strategy 2024 - 2026. The current limits in place have been valid since 30th September 2024 and remains conservative - level for Global Bank no more than 574.5m PLN and for Trading Book no more than 20.8m PLN.

In 2024, the VaR limits were not breached for Global Bank and also for Trading and Banking Book.

It should be noted that the value at risk in Banking Book is only complementary risk measurement tool as positions are expected to be held to maturity and are normally not marked to market (see next section - Interest rate risk in Banking Book, IRRBB). All excesses of market risk limits are always reported, documented, and ratified at the proper competence level.

Within the current market environment, the Group continued to act very prudently. In 2024 the VaR indicators for the Group remained on average at the level of PLN 263.2million (48% of the limit) and PLN 223.4 million (39% of the limit) as of the end of December 2024. The diversification effect applies to the generic risk and reflects correlation between its constituents. The low level of diversification effect relates to the fact that the Group's market risk is mainly the interest rate risk. The figures in the Table below also include the exposures to market risk generated in subordinated companies, as the Bank manages market risk at central level.

The market risk in terms of VaR for the Group ('000 PLN):

VaR measures for market risk ('000 PLN)	VaR (2024)				
	31.12.2023	Average	Maximum	Minimum	31.12.2024
Total risk	269 971	263 193	298 165	192 017	223 391
Generic risk	199 442	179 983	213 965	102 075	134 159
Interest Rate Risk	199 439	179 992	213 969	102 072	134 158
FX Risk	22	81	851	16	46
Equity Risk	13	16	36	7	13
Diversification Effect	0.0%				0.0%
Specific risk	70 529	83 210	91 456	70 203	89 233

The corresponding exposures as of 2023 respectively amounted to ('000 PLN):

VaR measures for market risk ('000 PLN)	VaR (2023)				
	31.12.2022	Average	Maximum	Minimum	31.12.2023
Total risk	372 712	317 222	422 101	190 970	269 971
Generic risk	359 279	288 142	395 934	172 162	199 442
Interest Rate Risk	359 270	288 120	395 935	172 158	199 439
FX Risk	229	156	6 704	19	22
Equity Risk	0	3	18	0	13
Diversification Effect	0.1%				0.0%
Specific risk	13 432	29 080	70 818	13 432	70 529

The market risk exposure divided into Trading Book and Banking Book together with risk type division is presented in the table below ('000 PLN):

Banking Book:

VaR measures for market risk ('000 PLN)	VaR (2024)				
	31.12.2023	Average	Maximum	Minimum	31.12.2024
Total risk	269 052	261 853	297 344	191 331	223 121
Generic risk	198 527	178 647	211 281	101 393	133 892
Interest Rate Risk	198 527	178 647	211 281	101 393	133 892
FX Risk	0	0	0	0	0
Equity Risk	0	0	0	0	0
Diversification Effect	0.0%				0.0%
Specific risk	70 525	83 205	91 453	70 200	89 229

VaR measures for market risk ('000 PLN)	VaR (2023)				
	31.12.2022	Average	Maximum	Minimum	31.12.2023
Total risk	372 708	314 227	412 345	189 577	269 052
Generic risk	359 277	285 148	386 154	170 770	198 527
Interest Rate Risk	359 277	285 148	386 154	170 770	198 527
FX Risk	0	0	0	0	0
Equity Risk	0	0	0	0	0
Diversification Effect	0.0%				0.0%
Specific risk	13 430	29 079	70 813	13 430	70 525

Trading Book:

VaR measures for market risk ('000 PLN)	VaR (2024)				
	31.12.2023	Average	Maximum	Minimum	31.12.2024
Total risk	1 078	2 365	7 512	269	784
Generic risk	1 075	2 361	7 509	264	780
Interest Rate Risk	1 071	2 348	7 516	263	780
FX Risk	24	82	850	16	44
Equity Risk	13	16	36	7	13
Diversification Effect	3.1%				7.3%
Specific risk	3	5	37	2	4

VaR measures for market risk ('000 PLN)	VaR (2023)				
	31.12.2022	Average	Maximum	Minimum	31.12.2023
Total risk	1 336	4 116	12 309	393	1 078
Generic risk	1 334	4 115	12 309	389	1 075
Interest Rate Risk	1 310	4 064	12 146	390	1 071
FX Risk	240	111	4 375	19	24
Equity Risk	0	3	18	0	13
Diversification Effect	16.2%				3.1%
Specific risk	2	1	18	0	3

Open positions mostly included interest-rate instruments and FX risk instruments. The FX risk covers all the foreign exchange exposures of the Group. According to the Risk Strategy approved in the Group, the FX open position is allowed, however should be kept at low levels. For this purpose, the Group has introduced a system of conservative limits for FX open positions (both Intraday and Overnight limits) and allows keeping FX open positions only in Trading Book.

In 2024, as a rule FX position generated in the Banking Book was fully transferred to the Trading Book where it was managed daily. During 2024 the FX open position remained on average at the level of PLN 14.0 million with maximum of PLN 50.2 million. In 2024, the FX Total open position (Intraday as well as Overnight) remained below 2% of Own Funds and well below the maximum limits in place.

Evolution of the total FX open position (Overnight) in Trading Portfolio (PLN thousand):

Total position	Period Average	Period Minimum	Period Maximum	The Last Day of Period
2024	13 956	4 080	50 167	12 591
2023	12 188	3 320	50 622	23 075

In addition to above mentioned market risk limits, the stop loss limits are introduced for the financial markets' portfolios. The aim is to limit the maximum losses of the trading activity of the Group. In case the limit is reached, a review of the management strategy and assumptions for the positions in question must be undertaken. Stop loss limits were not reached.

In the back-testing calculation for VaR model in Trading Book four excesses were detected during the last twelve months (see table below, PLN thousand).

Reporting Date	VaR (generic risk)	Theoretical change in the value of the portfolio (absolute values)	Number of excesses in last 12 months *
2024-12-31	780	125	4
2023-12-31	1 075	502	8

* The excess is said to happen whenever the difference between the absolute change in portfolio value and VaR measure is positive.

In 2024, all excesses in the process of VaR model back testing were caused by unanticipated market movements caused mainly by changes on Swap Curve, PLN Government Yield Curve and Money Market. The number of excesses proves the model adequacy (green zone: 1 - 8 excesses acceptable).

VaR assessment is supplemented by monitoring the market rate sensitivity to the above-mentioned stress tests scenarios of portfolios carrying market risk.

The results of market risk sensitivity and customized stress tests were regularly reported to the Capital, Assets and Liabilities Committee.

Interest rate risk in Banking Book (IRRBB)

In case of the Banking Book, the main component of the market risk is interest rate risk.

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 zero. 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 fixed rate 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 important when assessing the interest rate sensitivity and risk.

Regarding the interest rate risk in Banking Book, the following principles are in place:

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

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

- the impact on the economic value of equity (EVE) resulting from a set of six supervisory outlier test (SOT) scenarios,
- the impact on net interest income over a time horizon of next 12 months resulting from a supervisory outlier test (SOT) scenarios - parallel up and parallel down scenarios,
- the impact on the economic value of equity (EVE) resulting from 100 bps upward/downward yield curve movements,
- the interest rate sensitivity in terms of BPVx100, that is the change of the portfolio's value for the parallel movement in the yield curve by 1 basis point multiplied by 100,
- the impact on net interest income over a time horizon of next 12 months resulting from one-off interest rate shock of 100 basis points.

And quarterly:

- the impact on the economic value of equity (EVE) resulting from 200 bps upward/downward yield curve movements, including scenarios defined by the supervisor (standard, supervisory test assuming sudden parallel +/-200 basis points shift of the yield curve).

The interest rate risk measurement is carried for all the risk management areas in the Bank, with the particular attention on Banking Book.

For interest rate risk management for non-maturing assets and liabilities or for the instruments with Client's option embedded, the Group is defining specific assumptions supported by use of statistical models sensitive to change of interest rates, including:

- Due date for balances and interest flows arising from non-maturing deposits are defined based on historical data regarding customer behaviour considering the stability of the volumes and with assumption of a maximum maturity of 5 years,
- The tendency to faster repayment of receivables than contractually scheduled is taken under consideration by calculating a prepayment rate in respect to all relevant Banks' loan portfolios based on historical data. The scope of repayment analysis includes mortgage and personal loans indexed both to fixed and variable rate.
- The equity, fixed assets, and other assets that are assumed to have repricing period of 1 or 3 years. However, to understand the impact of the chosen maturity profile the IRRBB measurement is carried out without inclusion of the equity capital to isolate the effects on both EVE and earnings perspectives.

The results of the above-mentioned analysis for BPVx100, economic value and net interest income measures were regularly monitored and reported to the Capital, Assets and Liabilities Committee, to Risk Committee, the Management Board and Supervisory Board. The results of the IRRBB measurement as of the end of December 2024 indicate that in the EVE perspective the Group is the most exposed to the scenario of interest rates increase, while in the earnings perspective - to a decrease. The supervisory outlier test results of December 2024 show that even under the most severe outlier test scenario, the decline of EVE for Banking Book is below supervisory limit of 15% of Tier 1.

The results of the sensitivity of the Banking Book to changes of interest rates in terms of BPVx100 and EVE under supervisory stress tests are presented in Table below.

Sensitivity of the Banking Book to changes of interest rates was as follows ('000 PLN):

	31.12.2024	31.12.2023
	BPVx100	BPVx100
PLN	(245 989)	(291 188)
CHF	(9 080)	(8 200)
EUR	45 108	3 046
USD	21 878	23 121
Other	9 497	3 588
TOTAL	(178 585)	(269 634)
Equity, fixed and other assets	122 966	112 975
TOTAL	(55 619)	(156 673)

Sensitivity to changes of interest rates	31.12.2024	31.12.2023
Standard, supervisory test (parallel yield curve +/-200 bp % Own Funds)	-6.05%	-7.33%
Supervisory outlier test (the most severe scenario, % CET1)	-11.89%	-11.05%

The results of sensitivity of NII for the next 12 months after 31st December 2024 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 if all assets and liabilities with variable interest rate already reflect market interest rates levels as of 31st December 2024 (for example, the NBP Reference rate at the end of 2024 was set at 5.75%),
- application of a parallel move of 100 bps in the PLN yield curve up and down is an additional shock to all market interest rates levels as of 31st December 2024 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 Polish interest rates by 100 bps, the results are negative and equal to PLN -3 million or -0.05% of the Group's NII reference level. In a scenario of parallel increase of Polish interest rates by 100 bps, the results are positive and equal to PLN 10 million or 0.18% of the Group's NII reference level. The results show that the Group is now in balanced situation regarding impacts in the scenario of a decline or increase in interest rates. The impact is currently significantly below limit (10% of a reference NII level from previous 12 months).

Sensitivity of NII for PLN to changes of interest rates	31.12.2024	31.12.2023
Parallel yield curve increase by 100bp	0.18%	0.88%
Parallel yield curve decrease by 100bp	-0.05%	-1.28%

Similar sensitivity results for all significant currencies (PLN, CHF, EUR, USD) under a 100 bp shock (for each currency) are presented in the table below.

Sensitivity of NII for all significant currencies to changes of interest rates	31.12.2024	31.12.2023
Parallel yield curve increase by 100bp	0.62%	2.06%
Parallel yield curve decrease by 100bp	-0.62%	-2.59%

Group meets also the supervisory limit of Supervisory Outlier Tests for net interest income which is defined at the level of 5% of Tier 1 Capital.

Supervisory Outlier Test for NII for all significant currencies, %CET1	31.12.2024	31.12.2023
Parallel up	0.78%	3.87%
Parallel down	-3.91%	-6.58%

8.5. LIQUIDITY RISK

The objective of liquidity risk management is to ensure and maintain the Group's ability to meet both current, as well as future funding requirements considering costs of funding.

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 needs for funding arising from the Group's obligations.

There were no exposures to liquidity risk at a subsidiary level because the Bank manages liquidity risk centrally. Both the financing requirements and any liquidity surplus of subsidiaries are managed by transactions with the Bank unless specific market transactions are previously decided and agreed. The Treasury Department is responsible for the day-to-day management of the Group's liquidity position in accordance with the adopted rules and procedures considering goals defined by the Management Board and the Capital, Assets and Liabilities Committee.

In 2024, the Group continued to be characterized by very solid liquidity position. All the supervisory and internal liquidity indicators remained significantly above minimum limits in place. The steps taken as part of standard and binding risk management procedures have proved sufficient for managing liquidity in the current market environment.

In 2024, in consequences of the increase of the deposits from Customers at the faster pace than loans, the Group's Loan-to-Deposit ratio decreased and was equalled to 64% at the end of December 2024 (comparing to level of 69% as of end of December 2023).

The liquid assets portfolio is treated by the Group's as liquidity reserve, which will overcome crisis situations. The liquidity assets portfolio consists of liquid debt securities issued or guaranteed by Polish government, other EU's sovereigns, European Union, and multilateral development banks. It is additionally supplemented by the cash and exposures to the National Bank of Poland. At the end of 2024, the share of above-mentioned liquid debt securities (including NBP Bills) in total debt securities portfolio amounted to 99.9% and allowed to reach the level of approx. PLN 53.9 billion (39% of total assets), whereas at the end of December 2023 was at the level of approx. PLN 40.9 billion (33% of total assets).

Consequently, the large, diversified, and stable funding from retail, corporate and public sector Clients remains the main source of financing of the Group. At the end of 2024 total Clients' deposits of the Group reached the level of PLN 117.3 billion (PLN 107.2 billion at the end of December 2023). The deposit base constituted mainly funds of individuals Clients, of which the share in total Client's deposits equalled to approx. 74.7% at the end of December 2024 (71.4% at the end of December 2023). The high share of funds from individuals had a positive impact on the Group's liquidity and supported the compliance of the supervisory liquidity measures.

Concentration of the deposits base, based on the share of top 5 and top 20 depositors, at the end of 2024 amounted respectively to 1.4% and 3.8% (in December 2023 it was respectively 2.4% and 5.3%). The level of deposit concentration is regularly monitored and did not have any negative impact on the stability of the deposit base in 2024. In case of significant increase of the share of the largest depositors, the additional funds from the depositors are not treated as stable. Despite of that, to prevent deposit base fluctuations, the Group maintains the reserves of liquid assets in the form of securities portfolio.

The deposit base is supplemented by medium - long term funding: at the end of 2024, the source of medium-term funding included subordinated debt, own EUR bonds issue, green EUR bonds issue, covered bonds issued by Millennium Mortgage Bank and securitization of loan and leasing portfolios. Deposits from financial institutions and other money market operations complement the range of tools for liquidity management.

The total Credit Linked Notes issued by the Group amounts to PLN 995,2 million at the end of 2024 year (PLN 1.011,5 million at the end of 2023). The Group has no medium-term loans from financial institutions at the end of 2024 (the same as at the end of 2023).

The Group manages FX liquidity using FX-denominated deposits, own issues of EUR bonds as well as Cross Currency Swap and FX Swap 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. For most counterparties, the Group has signed a Credit Support Annex to the master agreements. As a result, in case of unfavourable changes of FX rates (PLN depreciation), the Group is obliged to place deposits as a collateral with counterparties to secure the settlement of derivative instruments in the future, and in case of favourable FX rates changes (PLN appreciation) receives deposits as a collateral from the counterparties. There is no relationship between level of the Bank's ratings and parameters of collateral in any of the signed ISDA Schedules and Credit Support Annexes (both international and domestic). The potential downgrade of any of the ratings will not have impact on method of calculation and collateral exchange. It should be noted that the need of currency swaps has been decreasing at a relevant pace due to the significant reduction in the FX mortgage loan portfolio.

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

Liquidity risk evaluation measures

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

The evolution of the Group's liquidity position in short-term horizons is tested daily based on liquid asset portfolio, Central Bank's eligible collateral for standard monetary operation and two internally defined indicators: immediate liquidity and quarterly liquidity. The last two indicators measure the maximum borrowing requirement, which could arise on a particular day, taking into consideration the cash-flow projections for spot date and period of 3 months, respectively. Additionally, the liquid asset portfolio is calculated on the daily basis.

These figures are compared with the exposure limits in force and reported daily to the areas responsible for the management and control of the liquidity risk in the Group as well as presented in monthly and/or quarterly basis to the Bank's Management Board and Supervisory Board.

The liquidity risk limits are revised at least once a year to consider, inter alia, the change of the size of the consolidated own funds, current and expected balance sheet structure, historical limits' consumption, as well as current market conditions and supervisory requirements. According to rules in place, all eventual excesses of internal liquidity risk limits are always reported, documented, and ratified at the proper competence level.

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 371% at the end of December 2024 (327% as of the end of December 2023). The increase was mainly connected with significant increase of deposit from retail 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 monthly. In 2024, the NSFR was above the supervisory minimum of 100% (supervisory minimum valid since June 2021). NSFR reached the level of 196% at the end of December 2024 (180% as of the end of December 2023). Moreover, in line with Recommendation WFD (issued in July 2024), the Group is calculating monthly Long Term Funding Ratio (LTFR/WFD), which in December 2024 reached 28,0%.

Current Liquidity indicators PLN million

31.12.2024					
	Immediate liquidity ratio (%)*	Quarterly liquidity ratio (%)*	Central Bank Collateral / Total Deposits (%)**	Liquid assets Portfolio (m PLN)***	LCR (%)
Indicator	39%	39%	35%	53 646	371%
31.12.2023					
	Immediate liquidity ratio (%)*	Quarterly liquidity ratio (%)*	Central Bank Collateral / Total Deposits (%)**	Liquid assets Portfolio (m PLN)***	LCR (%)
Indicator	34%	37%	28%	41 529	327%

* - Immediate and Quarterly Liquidity Indicator: Ratio between value of the liquidity buffer available for discount with the Central Bank (NBP) minus the net outflows projected for the next 3 working days for Immediate Liquidity Indicator and for the next 3 months for Quarterly Liquidity Indicator in all convertible currencies and the total deposits. The liquidity buffer is determined as the difference between the sum of the portfolio of unencumbered central bank (NBP) eligible assets after haircuts, mobilized or not to the respective monetary policy pool, and by cash and deposits held in the NBP in the part available for withdrawal, and the gross funding with NBP and accrued interest

** - Central Bank Collateral / Total Deposits: Ratio between the value after haircuts of the eligible collateral for NBP, plus the cash and deposits in the Central Bank (NBP) deducted of the minimum reserve requirements and the total customers' deposits

*** - Liquid Assets Portfolio: The sum of cash, nostro balance (reduced by the required obligatory reserve), unencumbered liquid securities portfolio, NBP-Bills and short-term, due from banks (up to 1 month).

The Group monitors liquidity based on internal liquidity measures, considering the impact of FX rates on the liquidity situation.

Additionally, the Group employs an internal structural liquidity analysis based on cumulative, behaviour liquidity gaps. The safe level adopted by the Group for the ratio of liquidity shortfall is established for each time bucket below 5 years.

In December 2024, liquidity gaps were maintained positive. The results of cumulative, behaviour liquidity gaps (normal conditions) are presented in tables below.

Adjusted Liquidity Gap (PLN mln)	2024-12-31			
	Up to 6M	Up to 1Y	Up to 2Y	Up to 5Y
Counterbalancing capacity	52 165	52 165	52 165	52 165
Outflows	10 984	2 148	3 164	15 068
Outflows Cumulated	10 984	13 132	16 296	31 364
Inflows	10 077	4 539	8 012	17 049
Inflows Cumulated	10 077	14 616	22 628	39 678
Liquidity Gap	51 258	2 391	4 848	1 981
Liquidity Gap Cumulated	51 258	53 650	58 498	60 479

Adjusted Liquidity Gap (PLN mln)	2023-12-31			
	Up to 6M	Up to 1Y	Up to 2Y	Up to 5Y
Counterbalancing capacity	40 671	40 671	40 671	40 671
Outflows	11 999	1 726	2 761	9 174
Outflows Cumulated	11 999	13 725	16 487	25 661
Inflows	13 194	4 282	7 999	13 299
Inflows Cumulated	13 194	17 476	25 475	38 775
Liquidity Gap	41 866	2 556	5 238	4 125
Liquidity Gap Cumulated	41 866	44 422	49 660	53 785

The Group structural liquidity risk management tool covers sensitivity analysis and stress scenarios (idiosyncratic, systemic and combination of both). For stress tests, liquidity gaps are calculated on a real basis assuming a conservative approach to the assessment of probability of cash flow occurrence among others considering increased deposits outflows, decreased or delayed of loans repayment inflows, deteriorated liquidity of the secondary securities market, the highest cost of funding - the assumption of the worst observed margins on deposits in the Bank, parallel shift of the yield curve and PLN depreciation.

Stress tests are performed at least quarterly, to determine the Group's liquidity-risk profile, 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. Additionally, stress test results are used for setting thresholds for early warning signals, which aim is to identify upcoming liquidity problems and to indicate to the Management Board the eventual necessity of launching Liquidity Contingency Plan.

The assumptions for both internal structural liquidity analysis and stress tests are annually revised. The last revision was carried out in December 2024. The approach is based on additional liquidity monitoring metrics' maturity ladder for supervisory liquidity reporting, however, includes internal adjustments according to behavioural assumptions on balance and off-balance outflows and inflows. As the maturity ladder is a contractual liquidity gap that assumes static balance sheet, the internal assumptions regarding roll-over of funding and future interests cash flows were aligned and eliminated. In December 2024 cumulative liquidity gap was positive and significantly better than in December 2023, mainly due to increase on deposits from retail Clients, which was reflected in liquid assets portfolio (counterbalancing capacity). The internally defined limit of 12% total assets was not breached and the liquidity position was confirmed as solid. As of December 2024, also the results of the stress test analysis demonstrated that liquidity position is not threatened as even in the most severe scenario the survival period is still significantly above the limit of 3 months.

The information regarding the liquidity risk management, including the utilization of the established limits for internal and supervisory measures, is reported monthly to the Capital, Assets and Liabilities Committee and quarterly to the Management Board and Supervisory Board.

The process of the Group's planning and budgeting covers the preparation of the 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.

The Group has also emergency procedures for situations of increased liquidity risk - the Liquidity Contingency Plan (contingency plan in case the Group's financial liquidity deteriorates). 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 revised at least once a year. In 2024 the Liquidity Contingency Plan was tested and revised to guarantee that it is operationally robust. The Plan also confirmed warning thresholds for early warning indicators, considering scenarios and stress test results. The revised Plan was approved by the Supervisory Board in November 2024.

8.6. OPERATIONAL RISK

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events, including legal risk and excluding strategic and reputational risk (last two are treated as separate categories). Operational risk is demonstrated in every aspect of activity of the organization and constitutes its intrinsic part.

In the year 2024 there could be observed a continuous use of standards implemented for the purpose of efficient management of operational risk, which are in line with the best practice of national and international financial institutions. The solutions adopted also proved successful in the situation related to the COVID-19 pandemic and the war in Ukraine. The adopted risk management structure describes the various management levels and scopes of their duties and responsibilities.

Owners of defined business and support processes play a key role in the day-to-day operation of the Bank. Process owner, basing on thorough knowledge about the process, accurately identifies and mitigates recognized risks, thus constituting the first line of defence. The second line of defence is the level of specialized units dealing with the organization of the management and control of an acceptable level of risk, with consideration of the areas such as: compliance, anti-money laundering, antifraud, security and business continuity as well as insurance and outsourcing. The third line of defence is the independent internal audit unit.

Every decision regarding optimizing operational risk is preceded by cost-benefit analysis.

A higher risk management level is the Processes and Operational Risk Committee, which focuses on threats identified in more than one process. All and any activities concerning operational risk are coordinated and supervised by the Risk Committee, the Management Board, and the Supervisory Board.

In keeping with the adopted model, risk management is a process of continuous improvement as regards identification, assessment, monitoring, mitigating, and reporting by:

- Gathering operational risk events,
- Self-assessment of operational risk in individual processes,
- Analysis and monitoring of risk indicators.

The Group gathers operational risk events in an IT tool. The tool supports management of operational risk. Such events are being afterwards analysed in what concerns the source of event and possibility of mitigating the effects and apply appropriate preventive actions. In the IT tool, events are being ascribed to a certain risk category and proper process type, which is later used as a part of reporting and risk self-assessment validation. The internal database of risk events additionally meets qualitative and quantitative requirements for following the advanced approach in calculating capital requirements on account of operational risk.

The risk self-assessment was being realized together with the processes review. It relied on assessment of adopted solutions' effectiveness in fulfilling expectations of Clients and business partners in the scope of both, services quality, and costs optimization. Approved operational risk and control methodology allowed assessment of risk level in each process, considering existing controls and basing on accepted scenarios. Mitigation actions were proposed implemented and are monitored for purposes of assessment of risk levels above the accepted tolerance threshold.

During the risk and control self-assessment exercise an analysis of performance indicators was made, including risk indicators defined for each process. Key persons - responsible for creating and implementation activities in given processes - have defined and adjusted the indicators thus to make them the best forecasts of future risks. On-going monitoring of indicators serves the purpose of increasing effectiveness and productivity of processes as well as effective control of risk on the level of individual actions within processes.

Information about operational risk in processes is included in the top-level dashboards consolidating information about the processes' performance.

Considering the degree of development of operational risk management and the scale and profile of its activity, the Bank calculates its capital requirement due to the operational risk using the Standard Approach.

8.7. RISK OF NEGATIVE IMPACT ON THE NATURAL ENVIRONMENT

The risk of impact on the natural environment is associated mainly with the possible negative impact of the Group on the environment and climate through its own operations, banking products and services offered, including project finance, and managing climate, transformation, and physical risks to the Group. The Group prevents this risk by submitting to legal regulations, monitoring its own environmental impact, implementing environmentally-friendly actions, and observing the "Environmental Policy of the Bank Millennium Group," "ESG - Management and control principles," and the "Responsible Financing Principles." The Group has incorporated environmental and social risks in the client assessment, lending and project financing processes or offering investment products (including Millennium TFI), considering not only the risks related to the business sectors in which the clients operate, but also their approach to environmental, social, and corporate governance issues.

More information on managing the Group's impact on the environment and climate is presented in the ESG report of the Bank and the Group (Management Board Report on the activity of Bank Millennium S.A. and Capital Group of Bank Millennium S.A. in 2024).

9. Operational Segments

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

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

Retail Customer Segment

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

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

Corporate Customer Segment

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

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

Treasury, ALM (assets and liabilities management) and Other

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

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

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

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

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

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, commencing from 2021, 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, conversions to PLN loans, realization of court verdicts and write-offs. Following P&L categories are presented as part of financial performance of new segment:

1. Net Interest Income: Margin on FX loans (interest results less Fund Transfer Pricing).
2. FX results related to portfolio (mainly costs of amicable negotiations).
3. Cost of provisions for FX mortgage portfolio legal risk partially offset by valuation of SG Indemnity in other operating income line regarding ex-EB portfolio.
4. Cost of Credit Risk related to current FX portfolio.
5. Result on modification resulting from settlements with borrowers.
6. Other Costs that are directly related to FX mortgages including, but not limited to:
 - i. Legal chancellery costs (administrative costs),
 - ii. Court costs related to FX mortgage cases (other operating costs).

Income statement 1.01.2024 - 31.12.2024

<i>In '000 PLN</i>	Retail Banking	Corporate Banking	Treasury. ALM & Other	Segments excluding FX mortgage	FX mortgage	TOTAL
Net interest income	4 789 715	756 938	(9 407)	5 537 246	(7 302)	5 529 944
Net fee and commission income	595 949	171 675	2 941	770 565	6 133	776 698
Dividends, other income from financial operations and foreign exchange profit	135 094	86 721	1 452	223 267	(406 153)	(182 886)
Result on non-trading financial assets mandatorily at fair value through profit or loss	745	0	18 389	19 134	0	19 134
Other operating income and cost	(8 534)	3 023	46 341	40 830	(186 959)	(146 129)
Operating income	5 512 969	1 018 357	59 716	6 591 042	(594 281)	5 996 761
Staff costs	(965 299)	(202 287)	(29 306)	(1 196 892)	0	(1 196 892)
Administrative costs, including:	(504 789)	(93 897)	(92 997)	(691 683)	(137 869)	(829 552)
- BFG costs	0	0	(60 850)	(60 850)	0	(60 850)
Depreciation and amortization	(194 917)	(27 129)	(4 145)	(226 191)	0	(226 191)
Operating expenses	(1 665 005)	(323 313)	(126 448)	(2 114 766)	(137 869)	(2 252 635)
Impairment losses on assets	(230 004)	(100 480)	(4 274)	(334 758)	59 402	(275 356)
Results on modification	(33 121)	906	0	(32 215)	(150 042)	(182 257)
Provisions for legal risk connected with FX mortgage loans	0	0	0	0	(2 179 070)	(2 179 070)
Total operating result	3 584 839	595 470	(71 006)	4 109 303	(3 001 860)	1 107 443
Share in net profit of associated companies						0
Banking tax						(232 419)
Profit / (loss) before income tax						875 024
Income taxes						(155 815)
Profit / (loss) after taxes						719 209

Balance sheet items as at 31.12.2024

<i>In '000 PLN</i>	Retail Banking	Corporate Banking	Treasury. ALM & Other	Segments excluding FX mortgage	FX mortgage	TOTAL
Loans and advances to customers	59 131 842	14 535 380	0	73 667 223	1 313 993	74 981 215
Debt securities (AC and HTC&FS portfolios)	0	0	53 600 222	53 600 222	0	53 600 222
Liabilities to customers	93 246 311	24 010 902	0	117 257 213	0	117 257 213

Income statement 1.01.2023 - 31.12.2023

<i>In '000 PLN</i>	Retail Banking	Corporate Banking	Treasury. ALM & Other	Segments excluding FX mortgage	FX mortgage	TOTAL
Net interest income	4 684 190	776 653	(226 859)	5 233 984	19 505	5 253 489
Net fee and commission income	590 751	175 569	4 457	770 777	11 608	782 385
Dividends, other income from financial operations and foreign exchange profit	132 701	85 157	571 697	789 555	(273 590)	515 965
Result on non-trading financial assets mandatorily at fair value through profit or loss	(958)	0	13 317	12 359	0	12 359
Other operating income and cost	(20 764)	7 426	72 738	59 400	97 968	157 368
Operating income	5 385 920	1 044 805	435 350	6 866 075	(144 509)	6 721 566
Staff costs	(829 290)	(179 012)	(26 336)	(1 034 638)	0	(1 034 638)
Administrative costs, including:	(461 201)	(91 388)	(90 194)	(642 783)	(104 018)	(746 801)
- BFG costs	0	0	(60 039)	(60 039)	0	(60 039)
Depreciation and amortization	(181 810)	(25 749)	(3 958)	(211 517)	0	(211 517)
Operating expenses	(1 472 301)	(296 149)	(120 488)	(1 888 938)	(104 018)	(1 992 956)
Impairment losses on assets	(280 495)	(14 989)	(84)	(295 568)	33 009	(262 559)
Results on modification	(32 881)	(3 076)	0	(35 957)	(52 227)	(88 184)
Provisions for legal risk connected with FX mortgage loans	0	0	0	0	(3 065 380)	(3 065 380)
Total operating result	3 600 243	730 591	314 778	4 645 612	(3 333 125)	1 312 487
Share in net profit of associated companies						0
Banking tax						0
Profit / (loss) before income tax						1 312 487
Income taxes						(736 770)
Profit / (loss) after taxes						575 717

Balance sheet items as at 31.12.2023

<i>In '000 PLN</i>	Retail Banking	Corporate Banking	Treasury. ALM & Other	Segments excluding FX mortgage	FX mortgage	TOTAL
Loans and advances to customers	57 154 036	13 499 640	0	70 653 676	2 989 384	73 643 060
Debt securities (AC and HTC&FS portfolios)	0	0	40 817 314	40 817 314	0	40 817 314
Liabilities to customers	81 043 632	26 202 795	0	107 246 428	0	107 246 428

10. Transactions with Related Entities

All and any transactions between entities of the Group in 2024 resulted from the current operations.

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

10.1. DESCRIPTION OF THE TRANSACTIONS WITH THE PARENT GROUP

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

	With parent company		With other entities from parent group	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023
ASSETS				
Loans and advances to banks - accounts and deposits	1 788	2 097	0	0
Financial assets held for trading	0	0	0	0
Hedging derivatives	0	0	0	0
Other assets	0	0	0	0
LIABILITIES				
Loans and deposits from banks	121	719	0	0
Debt securities	0	0	0	0
Financial liabilities held for trading	0	0	0	0
Hedging derivatives	0	0	0	0
Other liabilities	234	215	14	8

	With parent company		With other entities from parent group	
	2024	2023	2024	2023
Income from:				
Interest	5 398	2 676	0	0
Commissions	209	120	0	0
Financial assets and liabilities held for trading	1 224	28	0	0
Expense from:				
Interest	46	2	0	0
Commissions	0	0	0	0
Financial assets and liabilities held for trading	0	0	0	0
Other net operating	0	0	0	0
Administrative expenses	185	431	6	94

	With parent company		With other entities from parent group	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023
Conditional commitments	24 680	25 513	0	0
granted	0	0	0	0
obtained	24 680	25 513	0	0
Derivatives (par value)	0	0	0	0

10.2. TRANSACTIONS WITH THE MANAGING AND SUPERVISING PERSONS

Information on total exposure towards the managing and supervising persons as at 31.12.2024 (in '000 PLN):

	The managing persons	The supervising persons
Total debt limit	261.0	108.0
□ including an unutilized limit	178.9	72.6

The Group provides standard financial services to Members of the Management Board and Members of the Supervisory Board and their relatives, which services comprise i.a.: keeping bank accounts, accepting deposits or sale of financial instruments. In the Group's opinion these transactions are concluded on market terms and conditions. In accordance with the credit lending policy adopted in the Bank, term credits described in this section have appropriate collateral to mitigate its credit risk exposure.

Information on total exposure towards the managing and supervising persons as at 31.12.2023 (in '000 PLN):

	The managing persons	The supervising persons
Total debt limit	258.0	111.0
□ including an unutilized limit	193.0	105.6

10.3. INFORMATION ON COMPENSATIONS AND BENEFITS OF THE PERSONS SUPERVISING AND MANAGING THE BANK

Salaries (including the balance of created and reversed provisions for payments of bonuses) and benefits of managing persons recognized in Profit and loss account of the Group were as follows (data in thousand PLN):

Year	Salaries and bonuses	Benefits	Total
2024	24 075.0	2 344.8	26 419.8
2023	18 801.7	2 112.2	20 914.0

The benefits are mainly the costs of accommodation of the foreign members of the Management Board. The values presented in the table above include items classified to the category of short-term benefits and provision for variable remuneration components.

In 2024 and 2023, the Members of the Management Board did not receive any salaries or any fringe benefits from Subsidiaries.

Remuneration of the Members of the Supervisory Board of the Bank (data in thousand PLN):

Year	Short term salaries and benefits
2024	2 250.9
2023	2 125.5

In 2024 the Members of the Bank's Supervisory Board received remuneration for performing their functions in subsidiaries in the amount of PLN 140.0 thousand (in 2023 - PLN 140.0 thousand).

11. Fair Value

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

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

Level 1 - valuation based on the data fully observable (active market quotations);

Level 2 - valuation models using the information not constituting the data from level 1, but observable, either directly or indirectly;

Level 3 - valuation models using unobservable data (not derived from an active market).

Valuation techniques used to determine fair value are applied consistently. Change in valuation techniques resulting in a transfer between these methods occurs when:

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

Financial instruments not recognized at fair value in the balance sheet

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

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

Receivables and liabilities with respect to banks

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

Loans and advances granted to customers valued at amortised cost

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

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

The fair value of instruments with defined maturity is estimated by discounting related cash flows on contractual dates and under contractual conditions with the use of current zero-coupon rates and credit risk margins.

In case of mortgage loans due to their long-term nature estimation of the future cash flows also includes: the effect of early repayment and liquidity risk in foreign currencies.

Debt securities valued at amortised cost

The fair value of debt securities at amortised cost (mainly Polish Treasury and Sovereign bonds in the Held to Collect portfolio) was calculated on market quotations basis.

Liabilities to customers

The fair value of such instruments without maturity or with maturity under 30 days is considered by the Group to be close to balance-sheet value.

Fair value of instruments due and payable in 30 days or more is determined by discounting future cash flows from principal and interest (including the current average margins by major currencies and time periods) using current interest (including the original average margins by major currencies and time periods) in contractual terms.

Subordinated liabilities, debt securities issued and medium-term loans

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

The table below presents results of the above-described analyses as at 31.12.2024 (data in PLN thousand):

	Note	Balance sheet value	Fair value
ASSETS MEASURED AT AMORTISED COST			
Debt securities	23	24 381 485	24 490 907
Deposits, loans and advances to banks and other monetary institutions	23	434 517	434 304
Loans and advances to customers*	22	74 979 390	74 404 090
LIABILITIES MEASURED AT AMORTISED COST			
Liabilities to banks and other monetary institutions	32	316 824	316 824
Liabilities to customers	33	117 257 213	117 251 765
Debt securities issued	35	6 124 775	6 127 207
Subordinated debt	36	1 562 330	1 563 653

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

The fair value of debt securities measured at amortized cost for which market quotations are available is determined based on them and, as a result, these assets are classified in the first valuation category. The models used to determine the fair value of the other financial instruments listed in the above table that are not recognized at fair value in the Group's balance sheet use valuation techniques based on parameters that are not derived from the market. Therefore, they are classified in the third valuation category.

The table below presents data as at 31.12.2023 (data in PLN thousand):

	Note	Balance sheet value	Fair value
ASSETS MEASURED AT AMORTISED COST			
Debt securities	23	18 749 907	19 104 300
Deposits, loans and advances to banks and other monetary institutions	23	793 436	793 433
Loans and advances to customers*	22	73 623 711	72 628 747
LIABILITIES MEASURED AT AMORTISED COST			
Liabilities to banks and other monetary institutions	32	563 512	563 512
Liabilities to customers	33	107 246 427	107 283 572
Debt securities issued	35	3 317 849	3 330 998
Subordinated debt	36	1 565 045	1 563 479

Financial instruments recognized at fair value in the balance sheet

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

Data in PLN'000, as at 31.12.2024

	Note	Quoted market prices Level 1	Valuation techniques - observable inputs Level 2	Valuation techniques - significant unobservable inputs Level 3
ASSETS				
Financial assets held for trading	19			
Valuation of derivatives			73 321	182 524
Equity instruments		115		
Debt securities		555 364		
Non-trading financial assets mandatorily at fair value through profit or loss	20			
Equity instruments				66 609
Debt securities				51 790
Loans and advances	22			1 825
Financial assets at fair value through other comprehensive income	21			
Equity instruments		481		36 231
Debt securities		20 526 513	8 692 224	
Derivatives - Hedge accounting	24		112 365	
LIABILITIES				
Financial liabilities held for trading	31			
Valuation of derivatives			40 312	185 991
Short positions		190 769		
Derivatives - Hedge accounting	24		107 439	

Data in '000 PLN, as at 31.12.2023

	Note	Quoted market prices Level 1	Valuation techniques - observable inputs Level 2	Valuation techniques - significant unobservable inputs Level 3
ASSETS				
Financial assets held for trading	19			
Valuation of derivatives			81 491	416 758
Equity instruments		121		
Debt securities		110 554		
Non-trading financial assets mandatorily at fair value through profit or loss	20			
Equity instruments			0	66 609
Debt securities				81 014
Loans and advances	22			19 349
Financial assets at fair value through other comprehensive income	21			
Equity instruments		247		28 545
Debt securities		12 270 330	9 797 077	
Derivatives - Hedge accounting	24		74 213	
LIABILITIES				
Financial liabilities held for trading	31			
Valuation of derivatives			151 487	425 346
Short positions		2 720		
Derivatives - Hedge accounting	24		193 664	

Using the criterion of valuation techniques as at 31.12.2024 Group classified into the third category following financial instruments:

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

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

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

	Indexes options	Options embedded in securities issued and deposits	Shares	Debt securities	Loans and advances
Balance on 31.12.2023	405 612	(414 200)	95 154	81 014	19 349
Settlement/sell/purchase	(248 040)	251 045	(46 959)		(21 554)
Change of valuation recognized in equity			7 847		
Interest income and other of similar nature					3 285
Results on financial assets and liabilities held for trading	20 623	(18 507)			
Result on non-trading financial assets mandatorily at fair value through profit or loss			46 803	(29 224)	745
Result on exchange differences			(5)		
Balance on 31.12.2024	178 195	(181 662)	102 840	51 790	1 825

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

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

	Indexes options	Options embedded in securities issued and deposits	Shares	Debt securities	Loans and advances
Balance on 31.12.2022	247 414	(250 400)	90 758	72 057	97 982
Settlement/sell/purchase	94 879	(96 807)	0	0	(87 670)
Change of valuation recognized in equity	0	0	4 422	0	0
Interest income and other of similar nature	0	0	0	0	9 995
Results on financial assets and liabilities held for trading	63 319	(66 993)	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	8 957	(958)
Result on exchange differences	0	0	(26)	0	0
Balance on 31.12.2023	405 612	(414 200)	95 154	81 014	19 349

12. Contingent liabilities and assets

12.1. LAWSUITS AND SIGNIFICANT PROCEEDINGS

Below please find the data on the court cases pending, brought up by and against entities of the Group. A separate category are the proceedings related to the activities of the Tax Control Authority described in **Chapter 14. note 16) "Corporate Income Tax"**.

Court cases brought up by the Group

Value of the court litigations, as at 31.012.2024, in which entities of the Group were a plaintiff, totaled PLN 4,166.8 million. The increase in the value of the subjects of dispute in cases brought by Bank Millennium ('the Bank') compared to previous periods results from the fact that lawsuits were filed against clients from the portfolio of foreign currency mortgage loans.

Proceedings on infringement of collective consumer interests

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

- 1) send information on the UOKiK's decision to the said 78 clients,
- 2) place the information on decision and the decision itself on the website and on Twitter,
- 3) to pay a fine amounting to PLN 20.7 mln.

The Bank lodged an appeal within the statutory time limit.

On January 7, 2020, the first instance court dismissed the Bank's appeal in its entirety. The Bank appealed against the judgment within the statutory deadline. The court presented the view that the judgment issued in the course of the control of a contractual template (in the course of an abstract control), recognizing the provisions of the template as abusive, determines the abusiveness of similar provisions in previously concluded contracts. Therefore, the information provided to consumers was incorrect and misleading. As regards the penalty imposed by OPCC, the court pointed out that the policy of imposing penalties by the Office had changed in the direction of tightening penalties and that the court agrees with this direction.

In the Bank's assessment, the Court should not assess the Bank's behaviour in 2015 from the perspective of today's case-law views on the importance of abstract control (it was not until January 2016 that the Supreme Court's resolution supporting the view of the OPCC Chairman was published), the more penalties for these behaviours should not be imposed using current policy. The above constitutes a significant argument against the validity of the judgment and supports the appeal which the Bank submitted to the Court of second instance.

The second instance court, in its judgment of February 24, 2022, completely revoked the decision of the OPCC Chairman. On August 31, 2022, the OPCC Chairman lodged a cassation appeal to the Supreme Court. On July 3, 2024, the Supreme Court issued a decision accepting the cassation appeal for consideration. The Bank believes that the prognosis regarding the litigation chances of winning the case before the Supreme Court is positive.

Proceedings on competition-restricting practice

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

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

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

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

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

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

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

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

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

The Bank appealed against the said decision within statutory term.

On March 31, 2022, the first instance court revoked the entire decision of the Chairman of the OPCC. On May 23, 2022, the Chairman of the OPCC filed an appeal. On October 26, 2022, the Court of Appeal changed the judgment of the court of first instance and shared the position of the Chairman of the OPCC as to the abusiveness of the provisions regarding the determination of exchange rates in the annexes concluded with foreign currency borrowers. On November 21, 2022, the Court of Appeals, at the request of the Bank, suspended the execution of the judgment until the end of the cassation proceedings. On January 30, 2023 the Bank filed a cassation appeal to the Supreme Court. By the decision of March 20, 2024, the cassation appeal was accepted for consideration. The date of the hearing has not been set yet. The Bank has created a provision in the amount equal to the imposed penalty.

Court cases against the Group

As at 31.12.2024, the most important proceedings, in the group of the court cases where the Group's companies were defendant, were following:

- The Bank is a defendant in two court proceedings, in which the subject of the dispute is the amount of the interchange fee. The total value of claims reported in these cases is PLN 729.2 million. The procedure with the highest value of the reported claim is the case brought by PKN Orlen SA, the plaintiff demands payment of PLN 635.7 million. The plaintiff in this proceeding alleges that the banks acted under an agreement restricting competition on the acquiring services market by jointly setting the level of the national interchange fee in the years 2006-2014. In this case, the Bank was sued jointly with another bank and card organizations. In the case brought by LPP S.A. the allegations are similar to those raised in the case brought by PKN Orlen SA, while the period of the alleged agreement is indicated as 2008-2014. In this case, the Bank is sued jointly and severally with another bank. The case was resolved positively for the Bank by the courts of both instances, and is currently at the stage of a cassation appeal filed by LPP S.A. The Supreme Court did not issue a decision regarding the acceptance of the cassation appeal for consideration. According to current estimates of the risk of losing a dispute in these matters, the Bank did not create a provision. In addition, we point out that the Bank participates as a side intervener in three other proceedings regarding the interchange fee. Other banks are the defendant. Plaintiffs in these cases also accuse banks of acting as part of an agreement restricting competition on the acquiring services market by jointly setting the level of the national interchange fee in the years 2008-2014.

- A lawsuit brought up by shareholder of PCZ S.A. in bankruptcy (PHM, then the European Foundation for Polish-Belgian Cooperation - EFWP-B, currently called The European Foundation for Polish-Kenyan Cooperation) against Bank Millennium S.A., worth of the dispute 521.9 million PLN with statutory interest from 05.04.2016 until the day of payment. The plaintiff filed the suit dated 23.10.2015 to the Regional Court in Warsaw; the suit was served to the Bank on 04.04.2016. According to the plaintiff, the basis for the claim is damage to their assets, due to the actions taken by the Bank and consisting in the wrong interpretation of the Agreement for working capital loan concluded between the Bank and PCZ S.A., which resulted in placing the loan on demand. The Bank is requesting complete dismissal of the suit, stating disagreement with the charges raised in the claim. Supporting the position of the Bank, the Bank's attorney submitted a binding copy of final verdict of Appeal Court in Wroclaw favourable to the Bank, issued in the same legal state in the action brought by PCZ SA against the Bank. On May 10, 2023, the Court of First Instance announced a judgment dismissing the claim in its entirety. The verdict is not final, the plaintiff filed an appeal.

On May 6, 2024, the Bank's representative submitted a response to the appeal, requesting that it be dismissed in its entirety as unfounded. On December 17, 2024, the Court of Appeal in Warsaw issued a judgment favorable to the Bank, dismissing the Plaintiff's appeal. The judgment is final. Due to the Plaintiff's submission of a motion for a written justification of the aforementioned judgment of the Court of Appeal of December 17, 2024, it is possible for the Foundation to file a cassation appeal to the Supreme Court.

The class action related to the LTV insurance:

On the 3 of December 2015 a class action was served on the Bank. A group of the Bank's debtors (454 borrowers party to 275 loan agreements) is represented by the Municipal Consumer Ombudsman in Olsztyn. The plaintiffs demanded payment of the amount of PLN 3.5 million, claiming that the clauses of the agreements, pertaining to the low down payment insurance, are unfair and thus not binding. Plaintiff extended the group in the court letter filed on the 4th of April 2018, therefore the claims increased from PLN 3.5 million to over PLN 5 million.

Actual status:

On the 1 of October 2018, the group's representative corrected the total amount of claims pursued in the proceedings and submitted a revised list of all group members, covering the total of 697 borrowers - 432 loan agreements. The value of the subject of the dispute, as updated by the claimant, is PLN 7,371,107.94.

By the resolution of 1 April 2020 the court established the composition of the group as per request of the plaintiff and decided to take witness evidence in writing. On 18.10.2024, the Court adjourned the hearing without setting a new date. The Bank assesses that procedural chances of winning the case is positive.

As at 31 December 2024, there were also 92 individual court cases regarding LTV insurance (cases in which only a claim for the reimbursement of the commission or LTV insurance fee is presented).

Lawsuits filed by Financial Ombudsman for discontinuation of unfair market practices

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

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

Furthermore, the Ombudsman requires the Bank to be ordered to publish, on its web site, information on use of unfair market practices.

The lawsuit does not include any demand for payment, by the Bank, of any specified amounts. Nonetheless, if the practice is deemed to be abusive it may constitute grounds for future claims to be filed by individual clients.

The case is being examined by the court of first instance. The date of the first hearing was set for March 25, 2025. In the Bank's opinion, there are currently no prerequisites for creating provisions in the case.

Court cases concerning Art. 45 of the Consumer Credit Act

By December 31, 2024, the Bank received 1,332 lawsuits in which the plaintiffs (both clients and companies purchasing claims), alleging violation of the information obligations provided in Art. 30 of the Consumer Credit Act, demand reimbursement of interest and other costs incurred in connection with taking out a loan (free loan sanction within the meaning of Article 45 of the Consumer Credit Act).

Based on publicly available information, it can be assumed that there will be an increase in the number of lawsuits concerning Article 45 of the Consumer Credit Act. This phenomenon affects the entire banking services sector. It is likely that a "new business model" will be created in the area of law firms, which involves questioning consumer credit agreements.

As of December 31, 2024, 124 cases have been legally concluded, in 106 cases the Bank won the dispute and lost in 18 cases. Disputes in the above respect should be subject to constant observation and analysis. In the cases in question, the Bank makes an individual assessment of the litigation chances in each of the court cases, which is justified by the lack of a uniform line of jurisprudence. Currently, the Bank's litigation chances in the cases in question are assessed positively.

On 13 February 2025, the Court of Justice of the European Union issued a judgment in a case registered under the reference number C472/23 as a result of an application filed by the District Court for the Capital City of Warsaw. In its judgment, the CJEU, interpreting the provisions of Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on consumer credit agreements, found that:

(i) the fact that a credit agreement indicates an annual percentage rate which turns out to be inflated because certain terms of that agreement were subsequently found to be unfair within the meaning of Article 6(1) of Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts and therefore not binding on the consumer, does not in itself constitute an infringement of the obligation to provide information laid down in that provision of Directive 2008/48.

(ii) the fact that a credit agreement lists a number of circumstances justifying an increase in the fees related to the performance of the agreement, without a properly informed and sufficiently observant and reasonable consumer being able to verify their occurrence or their impact on those fees, constitutes an infringement of the information obligation laid down in that provision, provided that this indication may undermine the consumer's ability to assess the extent of his obligation.

(iii) Directive 2008/48 does not preclude national legislation which provides, in the event of a breach of the obligation to provide for information imposed on the creditor in accordance with Article 10(2) of that directive, a uniform penalty consisting in depriving the creditor of the right to interest and fees, irrespective of the individual degree of gravity of such a breach, provided that such breach may undermine the consumer's ability to assess the extent of his obligation.

Following the judgment of the Tribunal, it is still up to the domestic courts to assess the possibility of crediting non-interest costs of the loan and to assess compliance with the information obligation regarding the possibility of changing fees. The CJEU also noted that the right to benefit from the free loan sanction is updated only if a potential breach of the bank may undermine the consumer's ability to assess the scope of his liability. Law firms purchasing clients' receivables publicize the judgment as a ruling with a favorable ruling for consumers (opposite to the view of the Bank), which may translate into an increase in the number of new cases.

Court cases regarding mortgage loans in PLN

By December 31, 2024, the Bank recorded the receipt of 135 lawsuits by borrowers of mortgage loans in PLN for reimbursement of benefits provided under the loan agreement. Three final judgment were issued dismissing the borrowers' claim. The borrowers' allegations focus on the WIBOR ratio as an incomprehensible, unverifiable element affecting the consumer's liability, as well as the issue of insufficient information on the effects of variable interest rates provided to the consumer by the bank before the conclusion of the contract.

Based on publicly available information, it can be assumed that there will be an increase in the number of lawsuits concerning mortgage loans in PLN. This phenomenon affects the entire sector of banking services. It is possible that a "new business model" will be created in the area of law firms, which consists in questioning mortgage contracts containing a variable interest rate clause based on the WIBOR reference index.

On June 29, 2023, The Polish Financial Supervision Authority (KNF) announced that it had assessed the ability of the WIBOR interest rate reference index to measure the market and economic realities. The KNF stated that the WIBOR interest rate reference index is capable of measuring the market and economic realities for which it was established. According to the Commission's assessment, the WIBOR ratio responds appropriately to changes in liquidity conditions, changes in central bank rates and economic realities (https://www.knf.gov.pl/komunikacja/komunikaty?articleId=82924&p_id=18).

On July 26, 2023, the Polish Financial Supervision Authority (PFSA) presented its position on legal and economic issues related to mortgage loan agreements in Polish currency in which the WIBOR interest rate reference index is used. This position can be used in court proceedings and can then be treated as an “amicus curiae” opinion. The Polish Financial Supervision Authority stated that the WIBOR reference index meets all legal requirements. In the opinion of the Polish Financial Supervision Authority, there are no grounds to question the credibility and legality of WIBOR, in particular in the context of the use of this indicator in mortgage loan agreements in the Polish currency (Stanowisko_UKNF_dot_zagadnien_prawnych_i_ekonomicznych_zw_ze_wskaznikiem_referencyjnym_WIBOR_83233.pdf).

Handling of unauthorised transactions

Currently, in connection with the activities of Bank Millennium - as it is the case with the activities of other banks in Poland - the President of the Office of Competition and Consumer Protection is conducting proceedings on the use of practices infringing the collective interests of consumers as regards the so-called “unauthorized transactions”. In the opinion of the President of the Office of Competition and Consumer Protection, in the case of Bank Millennium, such actions include the following: (i) failure - no later than by the end of the business day after the date of receipt of an appropriate notification from the consumer regarding the occurrence of an unauthorised payment transaction - to refund the amount of the unauthorised payment transaction or to restore the debited payment account to the state that would have existed if the unauthorised payment transaction had not taken place, despite the lack of justified and duly documented grounds to suspect fraud on the part of the consumer and informing the authorities appointed to prosecute crimes about this suspicion in writing, as well as (ii) providing consumers - in the replies to their reports regarding the occurrence of unauthorized payment transactions - with information about the verification by the payment service provider of the correct use of the payment instrument by using individual authentication data in a way suggesting that the Bank's demonstration only that the disputed payment transactions have been correctly authenticated constitutes at the same time demonstration of the authorization of such a transaction and excludes its obligation to return the amount of the unauthorized transaction and (iii) providing consumers - in the replies to their reports regarding the occurrence of unauthorized payment transactions - with false information about authorization of the transactions questioned by consumers, while presenting information indicating that the transactions took place as a result of an intentional or grossly negligent violation by consumers of at least one of the obligations referred to in Article 42 of the Payment Services Act and in the agreement between the consumer and the bank, as a result of which they are liable for the questioned payment transactions.

In the course of the proceedings, the Bank provided appropriate explanations and also substantively referred to the allegations formulated by the President of the Office of Competition and Consumer Protection. The proceedings have been extended until June 30, 2025. The Bank did not create a provision for these proceedings because at this stage of the proceedings, it is not possible to reasonably predict the outcome of the proceedings.

As of December 31, 2024, the Bank was a party to 197 court proceedings in which customers questioned the fact of their authorization of a transaction. In the cases in question, the Bank makes an individual assessment of the litigation chances in each of the court cases. In cases where, in the Bank's opinion, there is a greater probability of losing the dispute than winning it, provisions in the appropriate amount are created.

Administrative penalty proceedings by the Polish Financial Supervision Authority

On 22 December 2023, the Polish Financial Supervision Authority (KNF) started administrative proceedings against bank Millennium S.A. that might result in a penalty being imposed on the Bank under Article 176i(1)(4) of the Act on trading in financial instruments. On 16.09.2024, the Bank was served with the Resolution of 13.09.2024 issued by the PFSA (“the Resolution”) pursuant to the provisions of Chapter 2b of the Act of 21.07.2006 on Financial Market Supervision regarding: the possibility of concluding an arrangement regarding the conditions for extraordinary easing of sanctions and setting a 3-month deadline for concluding an arrangement. In response to the Resolution, on 27.09.2024 after considering the circumstances of the case, the Bank decided not to proceed with the procedure of concluding the arrangement.

In the course of further proceedings the Bank received the following letters:

1. Letter from the KNF on the opportunity to present explanations before the decision is issued (18.11.2024) regarding the opportunity to comment on the materials and evidence collected during the proceedings. In response, the Bank on 19.12.2024 communicated the position of a party to the proceedings in which it maintains the legal arguments contained in the letters submitted in the proceedings and an indication that, in the Bank's opinion, the factual circumstances in the case file described in the Bank's letters and this position do not justify the application of an administrative sanction to the Bank as a supervised entity providing input to the WIRON reference index.
2. Letter from the KNF extending the proceedings until 02.2025 (19.12.2024)

On 31.05.2024, the Polish Financial Supervision Authority initiated administrative proceedings against Bank Millennium S.A. regarding the imposition of a financial penalty on the Bank pursuant to Art. 73 sec. 1 item 11 in conjunction with sec. 3 point 10 of the Act of 5 July 2018 on the National Cybersecurity System (UKSC) in connection with failure to ensure that an information system security audit was conducted within the statutory deadline. On 23 August 2024, the PFSA imposed a fine on the Bank in the amount of PLN 150,000.00. The Bank appealed against the fine by filing a complaint with the Provincial Administrative Court.

As at 31.12.2024, the total value of the subjects of the other litigations in which the Group's companies appeared as defendant, stood at PLN 6,186.4 million (excluding the class actions described in the **Chapter 13**). In this group the most important category are cases related with FX loans mortgage portfolio.

FX mortgage loans legal risk

FX mortgage loans legal risk is described in the **Chapter 13**. “Legal risk related to foreign currency mortgage loans”.

12.2. OFF - BALANCE ITEMS

<i>Amount '000 PLN</i>	31.12.2024	31.12.2023
Off-balance conditional commitments granted and received	16 171 952	16 101 465
Commitments granted:	13 441 260	13 385 540
loan commitments	11 754 380	11 709 292
guarantee	1 686 880	1 676 248
Commitments received:	2 730 692	2 715 925
financial	346	0
guarantee	2 730 346	2 715 925

The granted conditional commitments presented in the table above comprise commitments to grant credit (such as: unutilised credit card limits, unutilised current account overdraft facilities, unutilised tranches of investment loans) and issued guarantees and Letters of Credit (securing performance by customers of the Group of their obligations to third parties). The value of above-presented guarantee commitments presents the maximum value of a loss, which may be incurred by the Group, should the customers default on their obligations. The Group creates provisions for impaired irrevocable conditional commitments, reported in the “provisions” item under liabilities in the balance-sheet. The provision value is determined as the difference between the estimated amount of utilised conditional exposure and the present value of expected future cash flows under this credit exposure. In this context, the Group considers that the values presented in the above table are similar to the fair value of contingent liabilities.

The breakdown by entity of all net guarantee liabilities, reported in off-balance sheet items is presented in the table below:

<i>Customer - sector, Amount '000 PLN</i>	31.12. 2024	31.12. 2023
financial sector	122 080	144 734
non-financial sector (companies)	1 564 785	1 524 214
public sector	15	7 300
Total	1 686 880	1 676 248

Guarantees and sureties granted to Clients

<i>Commitments granted, Amount '000 PLN</i>	31.12. 2024	31.12. 2023
Active guarantees and sureties	1 025 597	1 073 531
Lines for guarantees and sureties	664 855	606 335
Total	1 690 452	1 679 866
Provisions created	(3 572)	(3 617)
Commitments granted - guarantee after provisions	1 686 880	1 676 248

The structure of liabilities under active guarantees and sureties divided by particular criteria are presented by the tables below (PLN'000):

By currency	31.12. 2024	31.12. 2023
PLN	750 189	716 748
Other currencies	275 408	356 783
Total:	1 025 597	1 073 531

By type of commitment	31.12.2024		31.12.2023	
	Number	Amount	Number	Amount
Guarantee	3 238	1 006 219	3 290	1 057 228
Surety	0	0	0	0
Re-guarantee	77	19 378	65	16 303
Total:	3 315	1 025 597	3 355	1 073 531

By object of the commitment	31.12.2024			31.12.2023		
	Number	Amount	% share	Number	Amount	% share
good performance of contract	2 745	542 008	52.85%	2 755	572 549	53.33%
punctual payment for goods or services	223	257 016	25.06%	249	295 486	27.52%
bid bond	92	21 484	2.09%	78	14 290	1.33%
rent payment	151	87 388	8.53%	155	80 787	7.53%
advance return	43	60 039	5.85%	42	42 591	3.97%
customs	23	17 731	1.73%	29	19 481	1.81%
other	25	32 915	3.21%	31	40 758	3.80%
payment of bank loan	13	7 017	0.68%	16	7 589	0.71%
Total:	3 315	1 025 597	100.00%	3 355	1 073 531	100.00%

13. Legal risk related to foreign currency mortgage loans

On December 31, 2024, the Bank had 21,854 loan agreements and additionally 2,223 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 (52% loans agreements before the courts of first instance and 48% loans agreements before the courts of second instance) with the total value of claims filed by the plaintiffs amounting to PLN 4,576.0 million and CHF 331.1 million (Bank Millennium portfolio: PLN 4,111.2 million and CHF 320.1 million and former Euro Bank portfolio: PLN 464.7 million and CHF 11.0 million). The original value of the portfolio of CHF agreements granted (the sum of tranches paid to customers), taking into account the exchange rate as at the date of disbursement of loan tranches, amounted to PLN 19.4 billion for 109.0 thousand loan agreements (Bank Millennium portfolio: PLN 18.3 billion for 103.8 and former Euro Bank portfolio: PLN 1.1 billion for 5.2 thousand loan agreements). Out of 21,854 BM loan agreements in ongoing individual cases 431 are also part of class action. From the total number of individual litigations against the Bank approximately 3,600 or 16% were submitted by borrowers that had already naturally or early fully repaid the loan or were converted to polish zloty at the moment of submission and had not a settlement agreement. Approximately another 880 cases correspond to loans that were fully repaid during the proceedings (as court proceedings are lengthy). 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. Out of 3,273 loan agreements in class action 431 are also part of ongoing individual cases, 1,563 concluded settlements and 29 received final verdicts (invalidation of loan agreement). On 24 May 2022 the court issued a judgment on the merits, dismissing the claim in full. On 13 December 2022 the claimant filed an appeal against the judgment of 24 May 2022. On 25 June 2024 an appeal hearing was held, at which the Bank filed a motion to amend the composition of the group and exclude those group members who had entered into an amicable settlement. The court required the plaintiffs' attorneys to take a written position on the current composition of the group. The date of the hearing will be set by the court ex officio.

The intense advertising campaign observed in the public domain affects the number of court disputes. Until the end of 2019, 1,984 individual claims were filed against the Bank (in addition, 236 against former Euro Bank), in 2020 the number increased by 3,005 (265), in 2021 the number increased by 6,157 (423), in 2022 the number increased by 5,758 (408), in 2023 the number increased by 6,879 (646), while in 2024 the number increased by 5,902 (672).

Based on ZBP (the Polish Banking Association) data gathered from all banks having FX mortgage loans, vast majority of disputes were finally resolved against the banks. As far as Bank Millennium (incl. former Euro Bank portfolio) is concerned, from 2015 until the end of 2024, 8,557 cases were finally resolved (8,450 in claims submitted by clients against the Bank and 107 in claims submitted by the Bank against clients i.e. debt collection cases) out of which 2,561 were settlements, 88 were remissions, 75 rulings were favourable for the Bank and 5,833 were unfavourable including both invalidation of loan agreements as well as conversions into PLN+LIBOR. The Bank undertakes proper legal actions in order to secure repayment of initially disbursed capital of the loan.

The outstanding gross balance of the loan agreements under individual court cases and class action against the Bank (incl. former Euro Bank portfolio) on 31 December 2024 was CHF 1,189 million (of which the outstanding amount of the loan agreements under the class action proceeding was CHF 86 million).

If all Bank Millennium's originated loan agreements currently under individual and class action court proceedings would be declared invalid without any compensation for the use of capital, the pre-tax cost could reach PLN 7,087 million. Overall losses would be higher or lower depending on the final court jurisprudence in this regard and the consideration of additional costs in the court verdicts.

In the 12 months of 2024, the Bank created PLN 1 979,2 million of provisions for Bank Millennium originated portfolio and PLN 199,9 million for the former Euro Bank originated portfolio. The balance sheet value of provisions for the Bank Millennium portfolio at the end of December 2024 was PLN 7 724,1 million, and for the former Euro Bank portfolio - PLN 739,6 million.

The methodology developed by the Bank of calculating provisions for legal risk involved with indexed loans is based on the following main parameters resulting from historical observations or expert assumptions::

- (i) the number of ongoing cases (including class action agreements) and potential future lawsuits;
- (ii) As regards the number of future court cases, the Bank monitors customer behaviors, analyzes their willingness to sue the Bank, including due to economic factors and applies the following assumptions:
 - a. regarding active loans (i.e., loans with an outstanding balance), the Bank estimates the percentage of customers covered by methodology in this group of clients at 88% of the total number of active loans (including expected number of amicable settlements).
 - b. regarding loans already fully repaid or converted to polish zloty, the Bank attributes a much lower probability of becoming the subject of a court case (the Bank assumes that approximately 24% of the repaid loans that had an economic justification for suing the Bank but were not covered by a prior settlement have sued or will decide to sue the Bank in the future);
- (iii) the amount of the Bank's potential loss in the event of a specific court judgment (including statutory interest estimation);
- (iv) the probability of obtaining a specific court judgement calculated on the basis of statistics of judgments in cases where the Bank is a party;
- (v) estimates involved with amicable settlements with clients, concluded in court or out of court:
 - a. the bank assumes a 12% probability of success in concluding a settlement as part of negotiations conducted with clients in the course of court proceedings,
 - b. negotiations are conducted on a case-by-case basis and can be stopped at any time by the Bank,
 - c. due to significant negotiation efforts already made in the past, the probability of success in these negotiations in the future is decreasing, and at the same time most customers have already contacted the Bank regarding the possible conversion of loans into PLN, so at the moment the Bank adopts a conservative approach when taking into account the potential impact of this factor.

The Bank is open to negotiate case by case favorable conditions for early repayment or conversion of loans to PLN. As a result of these negotiations, the number of active FX mortgage loans originated by Bank Millennium decreased by 25,883. As of the end of 2024, the Bank had 24,573 active FX mortgage loans. Cost incurred in conjunctions with these negotiations totaled PLN 2 217,0 million. This cost is presented mainly in 'Result on exchange differences' and also in 'Result on modification' in the profit and loss statement (the values of costs charged to particular items of the Income Statement due to settlements are presented in **Note 14 in Chapter 14 'Notes to the Consolidated Financial Statements'**).

Taking into consideration the above-mentioned information regarding court cases (active and already closed after verdicts), realized settlements and assumptions regarding future number of court cases and settlements, as well as the historical number and original amount of loans granted, it can be said that the already materialized risk (reflected in the provisions and in the losses already booked through the P&L) accounts for 60% of the historical number of loans granted and for 73% of the original disbursed capital.

Legal risk from former Euro Bank portfolio is fully covered by Indemnity Agreement with Société Générale S.A.

The bank analyzed the sensitivity of the amount of the provision to changes in specific methodology parameters:

Parameter	Scenario	Impact on loss
Change in the number of court cases adopted in the assumptions	In addition, 1,000 new customers file a lawsuit against the Bank	PLN 188 million
Change in costs incurred in connection with the judgment or settlement	Change in cost levels by 1% compared to the assumed	PLN 77 million

On December 8, 2020, Mr. Jacek Jastrzębski, the Chairman of the Polish Financial Supervision Authority ("PFSA") proposed a "sector" solution to address the sector risks related to FX mortgages. The solution would consist in offering banks' clients a voluntary possibility of concluding arrangements based on which a client would settle a CHF Mortgage Loan as if it was a PLN loan bearing interest at an appropriate WIBOR rate increased by the margin historically employed for such loans. The decision to generally implement this solution could imply the need of creating upfront provisions for the losses resulting from the conversion of CHF Mortgage Loans. The Bank in practice has been using elements of the proposal of above system solution on many individual negotiations with FX mortgage borrowers, including in the course of court proceedings.

Due to the circumstances stemming from the CJEU which excludes demanding by the Bank amounts exceeding the return of disbursed capital, the possibility of successful implementation of a general offer of KNF solution is low.

It can reasonably be assumed that the legal issues relating to foreign currency mortgage loans will be further examined by the domestic courts and the European Court of Justice which could potentially result in the further interpretations, that are relevant for the assessing of the risks associated with proceedings.

The issues related to the statute of limitations for the Bank's and the customer's restitutionary claims following the invalidation of a loan agreement remain an area that may be subject to further analysis in the jurisprudence of Polish courts. Legal interpretations in this subject may have an impact for the amount of provisions in the future.

There is a need for constant analysis of these matters. The Bank will have to regularly review and may need to continue to create additional provisions for FX mortgage legal risk, taking into consideration not only the above mentioned developments, but also the negative verdicts in the courts regarding FX mortgage loans and important parameters, such as the number of new customer claims, including those relating to repaid loan agreements.

The assumptions for the draft act on special solutions for the examination of cases related to loan agreements denominated in or indexed to the Swiss franc concluded with consumers have been published on the website of the Chancellery of the Prime Minister (link: Draft act on special solutions for the examination of cases concerning loan agreements denominated or indexed to the Swiss franc concluded with consumers - Chancellery of the President of the Republic of Poland) of the Council of Ministers - Portal Gov.pl).

According to the information provided, Q2 2025 was indicated as the planned date of adoption of the draft by the Council of Ministers. Pursuant to the legislative procedure, after its adoption, the draft should be referred to the Polish Parliament, and then, if it is passed, it should be sent to the President for his signature and then published in the Journal of Laws.

The adoption of the act in the form implementing the announced assumptions may significantly accelerate the case adjudication time for cases regarding the validity of housing loan agreements indexed to CHF.

The Court of Justice of the European Union and the Polish Supreme Court rulings relevant to risk assessment

Jurisprudence of the Court of Justice of the European Union

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

The CJEU judgment concerns only the situation where the national court has previously found the contract term to be abusive. It is the exclusive competence of the national courts to assess, in the course of judicial proceedings, whether a particular contract term can be regarded as abusive in the circumstances of the case.

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

- (i) it is for the national court to find that a term in a contract is unfair, even if it has been contractually amended by those parties. Such a finding leads to the restoration of the situation that the consumer would have been in in the absence of the term found to be unfair, except where the consumer, by means of amendment of the unfair term, has waived such restoration by free and informed consent. However, it does not follow from Council Directive 93/13 that a finding that the original term is unfair would, in principle, lead to annulment of the contract, since the amendment of that term made it possible to restore the balance between the obligations and rights of those parties arising under the contract and to remove the defect which vitiated it;
- (ii) the national court may remove only the unfair element of a term in a contract concluded between a seller or supplier and a consumer where the deterrent objective pursued by Council Directive 93/13 is ensured by national legislative provisions governing the use of that term, provided that that element consists of a separate contractual obligation, capable of being subject to an individual examination of its unfair nature. At the same time, provisions of the Directive preclude the referring court from removing only the unfair element of a term in a contract concluded between a seller or supplier and a consumer where such removal would amount to revising the content of that term by altering its substance;
- (iii) the consequences of a judicial finding that a term if a contract concluded between a seller or supplier and a consumer is unfair are covered by national law and the question of continuity of the contract should be assessed by the national court of its own motion in accordance with an objective approach on the basis of those provisions;
- (iv) the national court, finding that a term in a contract concluded between a seller or supplier and a consumer is unfair, shall inform the consumer, in the context of the national procedural rules after both parties have been heard, of the legal consequences entailed by annulment of the contract, irrespective of whether the consumer is represented by a professional representative.

On November 18, 2021, the Court of Justice of the European Union (CJEU) issued a judgment in case C-212/20 in connection with questions submitted by the District Court for Warsaw Wola in Warsaw in the case against Raiffeisen Bank International AG. The CJEU stated that:

- (i) the content of the clause of the loan agreement concluded between the entrepreneur and the consumer fixing the purchase and sale price of the foreign currency to which the loan is indexed should, on the basis of clear and comprehensible criteria, enable the consumer who is reasonably well informed and sufficiently observant and rational to understand how the exchange rate of the foreign currency used to calculate the amount of the loan instalments is determined, so that the consumer is able to determine himself at any time the exchange rate used by the entrepreneur;
- (ii) a national court which has found that a term of the agreement concluded between an entrepreneur and a consumer is unfair cannot interpret that term in order to mitigate its unfairness, even if such an interpretation would correspond to the common will of the parties.

On 10 June 2021, the Court of Justice of the European Union (CJEU) issued an order in case C-198/20 in connection with questions submitted by the District Court for Warsaw Wola in Warsaw in the case against Santander Bank Polska SA. The CJEU stated that the protection provided for in Council Directive 93/13/EEC is granted to all consumers, not just those who can be considered to be “duly informed and reasonably observant and circumspect average consumer”.

On 8 September 2022, the Court of Justice of the European Union (CJEU) issued a judgment in joined cases C-80/21, C-81/21, C-82/21 in connection with questions submitted by the District Court for Warsaw Śródmieście in Warsaw in cases against Deutsche Bank SA and mBank SA. The CJEU stated that:

- (i) a national court may find that the parts of a contractual term of the agreement concluded between a consumer and an entrepreneur which render it unfair are unfair, if such a deletion would not amount to a change in the content of that term that affects its substance, which is for the referring court to verify;
- (ii) a national court cannot, after annulling an unfair term contained in an agreement concluded between a consumer and an entrepreneur which does not render the agreement invalid in its entirety, replace that term with a supplementary provision of the national law;
- (iii) a national court may not, after having declared invalid an unfair term contained in an agreement concluded between a consumer and an entrepreneur which entails the invalidity of that agreement in its entirety, replace the contractual term which has been declared invalid either by interpretation of the parties' declaration of intent in order to avoid the cancellation of that agreement or by a provision of national law of a supplementary nature, even if the consumer has been informed of the effects of the invalidity of that agreement, and accepted them;
- (iv) the ten-year limitation period for a consumer's claim seeking reimbursement of sums unduly paid to the entrepreneur in performance of an unfair term of a loan agreement does not start to run on the date of each performance made by the consumer if the consumer was not able on that date to assess on his own the unfairness of the contractual term or if he had not become aware of the unfair nature of that term and without taking into account the circumstances that the agreement provided for a repayment period - in this case thirty years - well in excess of the ten-year statutory limitation period.

On March 16, 2023, the Court of Justice of the European Union issued a judgment in a case registered under case number C-6/22, following preliminary questions submitted by the District Court for Warsaw-Wola in a case against the former Getin Noble Bank S.A. In the judgment, the CJEU ruled that:

- (i) in the event that a contract concluded between a consumer and a seller or supplier is declared invalid because one of its terms is unfair, it is for the Member States, by means of their national law, to make provision for the effects of that invalidation, in compliance with the protection granted to the consumer by that directive, in particular, by ensuring the restoration of the legal and factual situation that he or she would have been in if that unfair term had not existed;
- (ii) a national court is not allowed:
 - a. to examine of its own motion, without any prerogative conferred on it by national law in that regard, the financial situation of a consumer who has sought the invalidation of the contract between him or her and a seller or supplier on account of the presence of an unfair term without which the contract cannot legally continue to exist, even if that invalidation is liable to expose the consumer to particularly unfavorable consequences and
 - b. to refuse to declare that invalidation where the consumer has expressly sought it, after being objectively and exhaustively informed of the legal consequences and the particularly unfavorable financial consequences which it may have for him or her;

- (iii) a national court is not allowed, after it has found that a term in a contract concluded between a seller or supplier and a consumer is unfair, to fill gaps resulting from the removal of the unfair term contained therein by the application of a provision of national law which cannot be characterised as a supplementary provision. However, it is for the national court, taking account of its domestic law as a whole, to take all the measures necessary to protect the consumer from the particularly unfavorable consequences which annulment of the contract might entail for him or her.

On June 8, 2023, the Court of Justice of the European Union issued a judgment in a case registered under case number C-570/21, following preliminary questions submitted by the District Court in Warsaw in a case against the former Getin Noble Bank S.A. In the judgment, the CJEU ruled that:

- (i) provisions of Council Directive 93/13 must be interpreted as meaning that the concept of ‘consumer’, within the meaning of that provision, covers a person who has concluded a loan contract intended for a purpose in part within and in part outside his or her trade, business or profession, together with a joint-borrower who did not act within his or her trade, business or profession, where the trade, business or professional purpose is so limited as not to be predominant in the overall context of that contract;
- (ii) provisions of Directive 93/13 must be interpreted as meaning that in order to determine whether a person falls within the concept of ‘consumer’, within the meaning of that provision, and, specifically, whether the trade, business or professional purpose of a loan contract concluded by that person is so limited as not to be predominant in the overall context of that contract, the referring court is required to take into consideration all the relevant circumstances surrounding that contract, both quantitative and qualitative, such as, in particular, the distribution of the borrowed capital between, on the one hand, a trade, business or profession and, on the other hand, a non-professional activity and, where there are several borrowers, the fact that only one of them is pursuing a professional purpose or that the lender made the grant of credit intended for consumer purposes conditional on a partial allocation of the amount borrowed to the repayment of debts connected with a trade, business or profession.

On June 15, 2023, the Court of Justice of the European Union issued a judgment in a case registered under case number C-287/22, following preliminary questions submitted by the District Court in Warsaw in a case against the former Getin Noble Bank S.A. In the judgment, the CJEU ruled that provisions of the Directive 93/13 must be interpreted as precluding national case-law according to which a national court may dismiss an application for the grant of interim measures lodged by a consumer seeking the suspension, pending a final decision on the invalidity of the loan agreement concluded by that consumer on the ground that that loan agreement contains unfair terms, of the payment of the monthly instalments due under that loan agreement, where the grant of those interim measures is necessary to ensure the full effectiveness of that decision.

On June 15, 2023, the CJEU issued a judgment in a case registered under case number C-520/21, following preliminary questions submitted by the District Court in Warsaw in a case against Bank Millennium, in which indicated that Directive 93/13 does not expressly regulate the consequences of invalidity of a contract concluded between a credit institution and a consumer after the removal of unfair terms contained therein. The CJEU stated that:

- (i) the provisions of the Directive 93/13 do not preclude a judicial interpretation of national law, according to which the consumer has the right to demand compensation from the credit institution beyond the reimbursement of monthly instalments and costs paid for the performance of this contract and the payment of statutory default interest from the date of the request for payment provided that the objectives of Directive 93/13 and the principle of proportionality are respected;

- (ii) the provisions of Directive 93/13 preclude the judicial interpretation of national law, according to which a credit institution has the right to demand compensation from the consumer that goes beyond the return of the capital paid for the performance of this contract and beyond the payment of statutory default interest from the date of the request for payment.

On September 21, 2023, the CJEU issued a judgement in a case registered under case number C-139/22, following preliminary questions submitted by the District Court in Warsaw in a case against mBank. The CJEU stated that:

- (i) provisions of the Directive 93/13 must be interpreted as not precluding a contractual term which has not been individually negotiated from being regarded as unfair by the national authorities concerned merely by virtue of the fact that its content is equivalent to that of a standard contract term entered in the national register of standard business terms held to be unlawful;
- (ii) the contractual term which, because of the circumstances for the performance of certain obligations of the consumer concerned provided for in that term, must be regarded as unfair, may not cease to be considered unfair on account of another term of that contract which provides for the possibility for that consumer to perform those obligations under different circumstances;
- (iii) a seller or supplier is obliged to inform the consumer concerned of the essential characteristics of the contract concluded with that seller or supplier and the risks associated with that contract, even though that consumer is its employee and has relevant knowledge in the field of the contract.

On December 7, 2023, the CJEU issued the judgement in the case C-140/22 in connection with the preliminary questions formulated by the District Court in Warsaw in the case against of mBank S.A. The Court stated that provisions of the Directive 93/13 must be interpreted as meaning that, in the context of the cancellation, in its entirety, of a mortgage loan agreement concluded with a consumer by a banking institution on the ground that that agreement contains an unfair term without which it cannot continue in existence:

- (i) they preclude the judicial interpretation of national law according to which the exercise of the rights which that consumer draws from that directive is conditional on the lodging, by that consumer, before a court, of a declaration by which he or she states, first, not to consent to that unfair term remaining effective, secondly, to be aware of the fact that the nullity of that term entails the cancellation of that agreement and, moreover, of the consequences of that cancellation and, thirdly, to consent to the cancellation of that agreement;
- (ii) they preclude the compensation sought by the consumer concerned in respect of the restitution of the sums paid by him or her in the performance of the agreement at issue being reduced by the equivalent of the interest which that banking institution would have received if that agreement had remained in force.

The Court of Justice of European Union by an order of December 11, 2023, closed the case registered under case number C-756/22 initiated by the District Court in Warsaw in the case brought by Bank Millennium and ruled that the provisions of Directive 93/13 must be interpreted as meaning that, in the context of declaring a mortgage loan agreement concluded with a consumer by a banking institution to be invalid in its entirety on the grounds that, that the contract contains unfair terms without which it cannot be continued, they preclude a judicial interpretation of the law of a Member State according to which that institution is entitled to recover from that consumer amounts other than the capital paid in performance of that contract and statutory interest for delay from the time of the demand for payment.

On December 14, 2023, the CJEU issued the judgement in the case C-28/22 in connection with the preliminary questions referred by the District Court in Warsaw in the case of ex-Getin Noble Bank S.A. The Court stated that:

- (i) provisions of Directive 93/13 read in the light of the principle of effectiveness must be interpreted as precluding a judicial interpretation of national law according to which, following the cancellation of a mortgage loan agreement concluded with a consumer by a seller or supplier, on account of unfair terms contained in that agreement, the limitation period for the claims of that seller or supplier stemming from the nullity of that agreement starts to run only as from the date on which the agreement becomes definitively unenforceable, whereas the limitation period for the claims of that consumer stemming from the nullity of that agreement begins to run as from the day on which the consumer became aware, or should reasonably have become aware, of the unfair nature of the term entailing such nullity;
- (ii) provisions of the Directive 93/13 must be interpreted as not precluding a judicial interpretation of national law according to which it is not for a seller or supplier who has concluded a mortgage loan agreement with a consumer to ascertain whether the consumer is aware of the consequences of the removal of the unfair terms contained in that agreement or of that agreement being no longer capable of continuing in existence if those terms were removed;
- (iii) provisions of the Directive 93/13, read in the light of the principle of effectiveness, must be interpreted as precluding a judicial interpretation of national law according to which, where a mortgage loan agreement concluded with a consumer by a seller or supplier is no longer capable of continuing in existence after the unfair terms in that agreement have been removed, that seller or supplier may rely on a right of retention which allows him or her to make the restitution of the sums which it has received from that consumer conditional on that consumer making an offer to repay the sums which he or she has himself or herself received from that seller or supplier or to provide a security for the repayment of those sums, where the exercise by that seller or supplier of that right of retention entails the loss, for that consumer, of the right to obtain default interest as from the expiry of the time limit set for performance by the seller or supplier concerned, following receipt by that seller or supplier of a request to repay the sums he or she had been paid in performance of that agreement.

The Court of Justice of the European Union by an order of January 15, 2024, closed the case registered under case number C-488/23 following a question from the District Court of Warsaw, indicating that the right of a financial institution to demand the valorization of the disbursed capital after a loan agreement has been declared invalid was excluded in the judgment of June 15, 2023 issued in case C-520/21.

On January 18, 2024, the CJEU issued the judgement in the case C-531/22 in connection with the preliminary questions referred by the District Court in Warsaw in the case of ex-Getin Noble Bank S.A. The Court stated that:

- (i) the provisions of Directive 93/13 preclude national legislation which provides that a national court may not examine of its own motion the potentially unfair nature of the terms contained in a contract and draw the consequences thereof, where it is supervising enforcement proceedings carried out on the basis of a final decision to issue an order for payment which is subject to *res judicata*:
 - a. if the regulations do not provide for such an examination at the stage of issuing a payment order, or

- b. if such examination is provided for only at the stage of opposition to the order for payment in question, provided that there is a significant risk that the consumer in question will not file the required opposition either because the time limit specified for this purpose is very short, or because of the cost of the proceedings before the court in relation to the amount of the disputed debt, or because the national legislation does not provide for the obligation to provide that consumer with all the information necessary for him to establish the extent of his rights;
- (ii) the provisions of Directive 93/13 do not preclude national case law according to which the entry of a term of a contract in a national register of prohibited clauses has the effect of declaring that term unfair in any proceedings involving a consumer, including against a trader other than the one against whom proceedings for the entry of the said term in that national register were pending, and where that term does not have the same wording as the term entered in the said register, but has the same meaning and has the same effect with respect to the consumer in question.

By decision of 3 May 2024, the Court of Justice of the European Union closed the case registered under case no. C-348/23 following a question from the District Court in Warsaw, indicating that they preclude the recognition that the legal effects related to the declaration of invalidity of the contract are conditional on the fulfilment by the consumer of the condition precedent for that consumer to make a declaration before the national court, that it does not agree to maintain the contractual term in force and that it is aware that the invalidity of the said term entails the annulment of the loan agreement and its effects and that it consents to the annulment of the agreement.

By decision of 8 May 2024, the Court of Justice of the European Union closed the case registered under case no. C-424/22 as a result of a question from the Regional Court in Kraków, indicating that they preclude the application by a financial institution of the right of retention which makes the consumer's receipt of the amounts awarded to him by the court conditional on the consumer's simultaneous offer of reimbursement or security for the return of the entire benefit received from that financial institution.

Jurisprudence of the Polish Supreme Court

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

- (i) an abusive contractual clause (art. 385(1) § 1 of the Civil Code), by force of the law itself, is ineffective to the benefit of the consumer who may consequently give conscious and free consent to this clause and thus restore its effectiveness retroactively;
- (ii) if without the ineffective clause the loan agreement cannot bind, the consumer and the lender shall be eligible for separate claims for return of monetary performances made in exercising this agreement (art. 410 § 1 in relation to art. 405 of the Civil Code). The lender may demand return of the performance from the moment the loan agreement becomes permanently ineffective.

On April 28, 2022 the Supreme Court issued a resolution (III CZP 40/22) in which it indicated that in disputes with consumers, the provision of Article 358(1) of the Civil Code is a special provision to Article 353(1) of the Civil Code, which means that if the prerequisites for the application of both provisions exist, the court should apply the special provision and declare the contractual provision permanently ineffective, rather than invalid. This decision of the Supreme Court should be perceived as significantly limiting the risk of the bank's claims for return of capital being time-barred.

The effect of the Supreme Court's resolution of 7 May 2021 is that the bank is entitled to a refund of the cash benefit provided by the bank in performance of a permanently ineffective contract. Taking into account the uncertainty as to the starting point of the limitation period for the bank's claims, the Bank, in order to protect its interests, files lawsuits for payment against borrowers in a court dispute with the Bank and in other circumstances where such risk may exist. The Bank's demand consists of a claim for return of the capital made available to the borrower under the contract. By 31 December 2024 the Bank filed 16 040 lawsuits against the borrowers.

On 25 April 2024, a session of the Civil Chamber of the Supreme Court was held to answer questions formulated by the First President of the Supreme Court, published on 29 January 2021, on key issues related to FX mortgage loan agreements. The Supreme Court, composed of the entire Civil Chamber, adopted a resolution having the force of a legal principle, in which it stated that:

- (i) When finding that a provision of an indexed or denominated credit agreement relating to the manner of determining the foreign currency exchange rate constitutes an unfair contractual provision and is not binding, then in currently existing legal situation it cannot be stated that such a provision could be replaced by another formula of defining the foreign currency exchange rate resulting from law or custom.
- (ii) In case of impossibility to determine the foreign currency exchange rate binding the parties in the indexed or denominated loan agreement, the agreement is not binding also in the remaining scope.
- (iii) If, in the performance of a credit agreement which is not binding due to the unfair nature of its provisions, the bank has disbursed to the borrower all or part of the amount of the credit and the borrower has made repayments of the credit, independent claims for repayment of the undue performance shall arise in favor of each party.
- (iv) If a credit agreement is not binding due to the unfair nature of its provisions, the statute of limitations of the bank's claim for repayment of amounts disbursed under the credit shall, as a rule, start to run from the day following the day on which the borrower challenges being bound by the provisions of agreement.
- (v) If a credit agreement is not binding due to the unfair nature of its provisions, there shall be no legal basis for any party to claim interest or other remuneration because of using party's pecuniary means during the period from the provision of undue benefit until the delay in the return of this benefit.

On 19 June 2024, the Supreme Court issued a resolution by a panel of 7 Supreme Court judges (III CZP 31/23) stating that:

The right of retention (Article 496 of the Civil Code) does not apply to the party that can set off its claim against the claim of the other party.

Due to the CJEU jurisprudence interpreting the causes and effects of invalidity of foreign currency mortgage loan agreements as well as above indicated resolution of the Civil Chamber of the Supreme Court, the area of interpretation of regulations by Polish courts in this respect appears to be limited. However, further jurisprudential practice of the Polish courts will play certain role in practical realisation of the CJEU's and the Supreme Court's guidance.

14. Notes to the Consolidated Financial Statements

Amounts presented in the notes to the consolidated financial statements are presented in PLN thousands.

1. INTEREST INCOME AND OTHER OF SIMILAR NATURE

	01.01.2024 - 31.12.2024	01.01.2023 - 31.12.2023
Interest income from Financial assets at fair value through other comprehensive income	1 351 000	879 957
Debt securities	1 351 000	879 957
Interest income from Financial assets at amortised cost	7 370 740	7 446 886
Balances with the Central Bank	223 301	222 277
Loans and advances to customers, including	6 074 423	6 562 351
- the impact of the adjustment to the gross carrying amount of loans due to credit holidays	(112 709)	(9 228)
Debt securities	1 002 220	559 642
Deposits, loans and advances to banks	26 433	34 788
Transactions with repurchase agreements	44 363	67 828
Hedging derivatives	0	0
Income of similar nature to interest, including:	101 387	108 930
Loans and advances to customers mandatorily at fair value through profit or loss	3 285	9 995
Financial assets held for trading - derivatives	82 139	94 069
Financial assets held for trading - debt securities	15 963	4 866
Total	8 823 127	8 435 773

Interest income for the year 2024 contains interest accrued on impaired loans in the amount of PLN 193,477 thous. (for corresponding data in the year 2023 the amount of such interest stood at PLN 229,818 thous.).

Interest income from instruments measured at amortized cost for 2024 includes an adjustment for credit holidays (reducing income) in the amount of PLN 112.7 million (for corresponding data in the year 2023 the amount of adjustment stood at PLN 9.2 million), more information on this subject is presented in **Chapter 7.3 Adopted accounting principles**.

2. INTEREST EXPENSE

	01.01.2024 - 31.12.2024	01.01.2023 - 31.12.2023
Interest expense from Financial liabilities measured at amortised cost	(3 293 183)	(3 182 284)
Liabilities to banks and other monetary institutions	(14 120)	(15 003)
Liabilities to customers	(2 657 076)	(2 823 259)
Transactions with repurchase agreement	(37 513)	(35 178)
Debt securities issued	(433 712)	(140 285)
Subordinated debt	(125 557)	(141 686)
Liabilities due to leasing agreements	(11 520)	(9 863)
Hedging derivatives	(13 685)	(17 010)
Other	0	0
Total	(3 293 183)	(3 182 284)

In the "Hedging derivatives" line, the Bank presents interest income on account of derivative instruments designated and being effective hedging instruments in terms of securing cash flows and fair value. A detailed description of the hedging relationships used by the Bank is included in note (24).

3. FEE AND COMMISSION INCOME AND EXPENSE

3a. Fee and commission income

	01.01.2024 - 31.12.2024	01.01.2023 - 31.12.2023
Resulting from accounts service	112 750	117 331
Resulting from money transfers, cash payments and withdrawals and other payment transactions	102 097	94 976
Resulting from loans granted	202 855	208 248
Resulting from guarantees and sureties granted	13 698	14 393
Resulting from payment and credit cards	317 104	293 979
Resulting from sale of insurance products	128 757	164 769
Resulting from distribution of investment funds units and other savings products	28 251	25 669
Resulting from brokerage and custody service	13 375	11 373
Resulting from investment funds managed by the Group	89 769	64 235
Other	49 663	42 162
Total	1 058 319	1 037 135

3b. Fee and commission expense

	01.01.2024 - 31.12.2024	01.01.2023 - 31.12.2023
Resulting from accounts service	(45 665)	(44 337)
Resulting from money transfers, cash payments and withdrawals and other payment transactions	(4 548)	(4 930)
Resulting from loans granted	(35 574)	(23 287)
Resulting from payment and credit cards	(117 815)	(111 310)
Resulting from brokerage and custody service	(2 595)	(2 233)
Resulting from investment funds managed by the Group	(13 435)	(11 114)
Resulting from insurance activity	(8 280)	(9 518)
Other	(53 709)	(48 021)
Total	(281 621)	(254 750)

4. DIVIDEND INCOME

	01.01.2024 - 31.12.2024	01.01.2023 - 31.12.2023
Financial assets held for trading	0	0
Non-trading financial assets mandatorily at fair value through profit or loss	545	630
Financial assets at fair value through other comprehensive income	3 081	2 801
Total	3 626	3 431

5. RESULT ON DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	01.01.2024 - 31.12.2024	01.01.2023 - 31.12.2023
Result on bancassurance transaction	0	553 912
Operations on debt instruments	143	(12 415)
Costs of financial operations	(2 125)	(2 575)
Total	(1 982)	538 922

Bancassurance transaction

On February 13, 2023 the Bank's Management Board announced that after obtaining the necessary corporate approvals, on February 13, 2023, the Bank concluded an agreement ("Agreement") for the sale of 80% of shares in Millennium Financial Services sp. z o. o. (currently Europa Millennium Financial Services sp. z o.o., hereinafter "Company") to Towarzystwo Ubezpieczeń na Życie Europa S.A., which acquires 72% of the Company's shares, and Towarzystwo Ubezpieczeń Europa S.A., which acquires 8% of the Company's shares (collectively, the "Buyer").

The Bank also concluded agreements with the Buyers and the Company regarding the exclusive insurance distribution model, including cooperation agreements, distribution agreements and agency agreements. Strategic insurance cooperation provides for long-term (10 years) cooperation in the field of bancassurance in relation to specific insurance related to credit products offered by the Bank.

The essence of the transaction provided for in the Agreement was the direct purchase of Shares by the Buyers from the Bank for a defined initial price, which may be subject to a price adjustment mechanism after the closing of the Transaction.

On March 29, 2023, 80% of the shares in the company were transferred to the Buyers, and the final settlement of the transaction, together with the price adjustment, took place in December 2023.

Since as part of the transaction, in addition to Agreement, the Bank also concluded other agreements with the Buyers and the Company, the Bank analyzed individual agreements and their economic effects in accordance with the requirements of IFRS 10, IFRS 15 and IFRS 9. As a result, the Bank identified contractual obligations and assessed the assignment of contractual remuneration for individual elements of the transaction, determining the appropriate method of recognizing revenues from single contractual obligations.

As a result, the Bank recognized in 2023 in the Profit and Loss Account total result of PLN 652.4 million (gross), which consisted of:

- 1) profit realized on sale: payment of the price less the fair value of the shares at the moment of loss of control in the amount of PLN 553.9 million (gross) was included in the item "Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss";
- 2) an inflow of PLN 46.0 million (gross) as a valuation of the derivative at the time of final settlement of the transaction in December 2023, resulting from the agreed potential future remuneration payments, was recognized as "Result on financial assets and liabilities held for trading";
- 3) At the same time, due to the loss of control over the Company, the Bank valued the remaining non-controlling share in the Company at fair value of PLN 52.5 million (gross), this amount was included in "Other operating income".

Starting from the moment of loss of control, the investment in the Company is treated as an involvement in an associated entity (the Bank holds 20% of the shares in the Company) and is valued at the Group level using the equity method, while in the Bank's financial statements the valuation model is fair value with the valuation effect recorded in the Profit and Loss Account.

6. RESULTS ON FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

	01.01.2024 - 31.12.2024	01.01.2023 - 31.12.2023
Result on debt instruments	(1 475)	6 003
Result on derivatives	(5 731)	42 393
Result on other financial operations	0	24
Total	(7 206)	48 420

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

	01.01.2024 - 31.12.2024	01.01.2023 - 31.12.2023
Loans and advances to customers	745	(958)
Result on equity instruments	47 614	4 360
Result on debt instruments	(29 225)	8 957
Total	19 134	12 359

8. RESULT ON HEDGE ACCOUNTING

	01.01.2024 - 31.12.2024	01.01.2023 - 31.12.2023
Changes in the fair value of the hedging instrument (including abandonment)	18 323	42 413
Changes in the fair value of the hedged item resulting from the hedged risk	(16 558)	(43 499)
Inefficiency in cash flow hedges	(221)	2 246
Inefficiencies due to net investment hedges in foreign operations	0	0
Total	1 544	1 160

9. OTHER OPERATING INCOME

	01.01.2024 - 31.12.2024	01.01.2023 - 31.12.2023
Gain on sale and liquidation of property, plant and equipment, intangible assets	41 811	36 388
Indemnifications, penalties and fines received	6 967	9 656
Income from sale of other services	42 371	36 952
Income from collection service	26 014	11 745
Income from leasing business	9 373	7 320
Income from write-back of provisions for disputed claims	4 547	11 936
Valuation of the Société Générale S.A. guarantee and indemnity agreement*	223 086	259 921
Valuation of the remaining non-controlling share in the Europa MFS Sp. z o.o.	0	52 487
Other	20 027	32 577
Total	374 196	458 982

* In implementing the Euro Bank share purchase agreement, which ultimately led to the Purchase of Euro Bank by Bank Millennium and subsequent Legal Merger, in order to limit the risk associated with the Euro Bank's portfolio of mortgage loans denominated in CHF or denominated in PLN but indexed to CHF, Euro Bank and Société Générale S.A. concluded on 31 May 2019 a "CHF Portfolio Indemnity and Guarantee Agreement" under which the losses resulting from legal risk are covered by Société Générale S.A.

10. OTHER OPERATING EXPENSE

	01.01.2024 - 31.12.2024	01.01.2023 - 31.12.2023
Loss on sale and liquidation of property, plant and equipment, intangible assets	(11 771)	(16 438)
Indemnifications, penalties and fines paid	(91 215)	(42 614)
Costs of provisions for disputed claims	(8 914)	(30 208)
Costs of 'Cashback' operations	(17 770)	(14 805)
Costs of leasing business	(4 950)	(4 419)
Donations made	(2 039)	(1 086)
Costs of collection service	(299 527)	(148 575)
Costs of legal representation	(72 072)	(26 568)
Other	(12 067)	(16 900)
Total	(520 325)	(301 614)

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

Taking into consideration this verdict, the Group creates provisions for potential returns which as at December 31, 2024 amounted to PLN 70.6 million.

11. ADMINISTRATIVE EXPENSES

	01.01.2024 - 31.12.2024	01.01.2023 - 31.12.2023
Staff costs:	(1 196 892)	(1 034 638)
Salaries	(979 160)	(848 372)
Surcharges on pay	(169 286)	(145 999)
Employee benefits, including:	(48 446)	(40 267)
provisions for retirement benefits	(6 227)	(4 937)
provisions for unused employee holiday	(2 461)	(3 367)
other	(39 758)	(31 963)
Other administrative expenses:	(829 552)	(746 801)
Costs of advertising, promotion and representation	(78 304)	(72 282)
IT and communications costs	(171 333)	(158 561)
Costs of renting	(57 330)	(63 759)
Costs of buildings maintenance, equipment and materials	(55 001)	(48 505)
ATM and cash maintenance costs	(35 407)	(34 793)
Costs of consultancy, audit and legal advisory and translation	(181 031)	(148 839)
Taxes and fees	(45 207)	(43 723)
KIR - clearing charges	(14 814)	(12 855)
PFRON costs	(9 512)	(8 548)
Banking Guarantee Fund costs	(60 850)	(60 039)
Financial Supervision costs	(16 591)	(14 216)
Cost of payments to IPS	0	0
Other	(104 172)	(80 681)
Total	(2 026 444)	(1 781 439)

12. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	01.01.2024 - 31.12.2024	01.01.2023 - 31.12.2023
Impairment losses on loans and advances to customers	(259 784)	(259 509)
Impairment charges on loans and advances to customers	(1 566 942)	(1 580 006)
Reversal of impairment charges on loans and advances to customers	1 123 323	1 200 558
Amounts recovered from loans written off	64 451	42 015
Sale of receivables	119 388	77 926
Other directly recognised in profit and loss	(4)	(2)
Impairment losses on securities	(2)	1
Impairment charges on securities	(2)	(2)
Reversal of impairment charges on securities	0	3
Impairment losses on off-balance sheet liabilities	(11 296)	(2 967)
Impairment charges on off-balance sheet liabilities	(52 289)	(40 884)
Reversal of impairment charges on off-balance sheet liabilities	40 993	37 917
Total	(271 082)	(262 475)

13. IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS

	01.01.2024 - 31.12.2024	01.01.2023 - 31.12.2023
Fixed assets	0	0
Other assets	(4 274)	(84)
Total	(4 274)	(84)

14. PROVISIONS FOR LEGAL RISK CONNECTED WITH FX MORTGAGE LOANS

In the case of the portfolio of foreign currency mortgage loans, claims filed by customers, primarily concerning the declaration of invalidity of the agreement and the return of paid principal and interest installments, as well as settlements offered to borrowers by the Bank, have a significant impact on the amount and repayment dates of the expected cash flows resulting from the loan agreement estimated by the Bank. Taking the above into account, the Bank believes that the appropriate way to reflect the legal risk related to the portfolio of active foreign currency mortgage loans is to apply the provisions of IFRS 9 paragraph B5.4.6, which in practice means reducing the gross carrying amount of these loans in order to reflect the current estimates of cash flows from these agreements.

As regards following:

- (i) repaid foreign currency mortgage loans;
 - (ii) active loans, in the case of which the provision created for legal risk exceeds the current carrying amount (for this surplus);
 - (iii) for risks related to rights to statutory interest (for delaying restitution claims),
- the provisions of IAS 37 are applied, according to which the Bank creates a provision for court cases, recognizing it in the balance sheet as a component of provisions for claims.

In 2024, the Bank adjusted the method of presenting information on changes in provisions for the portfolio of foreign currency mortgage loans. The previously adopted simplified methodology consisted in presenting the creation of the entire provision amount in accordance with IAS 37 and then making a balance sheet allocation of the part of the provision reducing the gross value of loans in accordance with IFRS 9. The currently used method of presentation assumes the division of changes in the provision into two separate streams (IFRS 9 and IAS 37). The change had no impact on the presentation of data in the consolidated statement of financial position and the statement of profit and loss; it affected only the way information is presented in notes dedicated to provisions movements and the adjustment was aimed at improving the readability of the financial statements. As a result of the change in the method of presentation, appropriate adjustments were made to the comparable data for 2023 in notes 14 and 37.

01.01.2024 - 31.12.2024	TOTAL	Provisions decreasing gross value of credits portfolio	Provisions for pending legal issues
Balance at the beginning of the period	7 871 789	6 516 460	1 355 329
Amounts written off	(1 386 008)	(972 009)	(413 999)
Costs of provisions for legal risk connected with FX mortgage loans	2 179 070	321 928	1 857 142
Change of provisions due to FX rates differences	(201 155)	(201 155)	0
Balance at the end of the period	8 463 696	5 665 224	2 798 472

01.01.2023 - 31.12.2023	TOTAL	Provisions decreasing gross value of credits portfolio	Provisions for pending legal issues
Balance at the beginning of the period	5 395 344	4 572 901	822 443
Amounts written off	(521 769)	(521 769)	0
Costs of provisions for legal risk connected with FX mortgage loans	3 065 380	2 532 494	532 886
Change of provisions due to FX rates differences	(67 166)	(67 166)	0
Balance at the end of the period	7 871 789	6 516 460	1 355 329

	01.01.2024 - 31.12.2024	01.01.2023 - 31.12.2023
Costs of settlements recognized in the profit and loss account, including:	(550 004)	(326 018)
- included in the "Result on exchange differences"	(403 405)	(273 791)
- included in the "Result on modification"	(146 599)	(52 227)
Costs of settlements charged to previously created provisions	(348 097)	(90 169)

15. DEPRECIATION AND AMORTIZATION

	01.01.2024 - 31.12.2024	01.01.2023 - 31.12.2023
Property, plant and equipment	(161 190)	(156 440)
Intangible assets	(65 001)	(55 077)
Total	(226 191)	(211 517)

16. CORPORATE INCOME TAX

16a. Income tax reported in income statement

	01.01.2024 - 31.12.2024	01.01.2023 - 31.12.2023
Current tax	(418 439)	(612 654)
Current year	(426 175)	(614 924)
Adjustment to previous years	7 736	2 270
Deferred tax:	262 624	(124 116)
Recognition and reversal of temporary differences	292 110	(112 435)
Recognition / (Utilisation) of tax loss	(29 486)	(11 681)
Total income tax reported in income statement	(155 815)	(736 770)

16b. Effective tax rate

	01.01.2024 - 31.12.2024	01.01.2023 - 31.12.2023
Profit before tax	875 024	1 312 487
Statutory tax rate	19%	19%
Income tax according to obligatory income tax rate of 19%	(166 255)	(249 373)
Impact of permanent differences on tax charges:	(14 829)	(495 311)
- Non-taxable income	95 280	49 215
Dividend income	2 200	532
Release of other provisions	40 929	48 570
Adjustment of income from cancellations of CHF loans	50 845	0
Other	1 306	113
- Cost which is not a tax cost	(110 109)	(544 526)
PFRON fee	(1 807)	(1 624)
Fees for Banking Guarantee Fund	(11 562)	(11 408)
Banking tax	(44 160)	(604)
Receivables written off	(25 129)	(15 151)
Costs of litigations and claims	(204 234)	(514 848)
Asset from future cancellations of loans in CHF	186 862	0
Other	(10 079)	(892)
Deduction of the tax paid abroad	96	112
Other differences between gross financial result and taxable income with income tax (including R&D relief)	25 173	7 802
Total income tax reported in income statement	(155 815)	(736 770)
Effective tax rate	18%	56%

16c. Deferred tax reported in equity

	31.12.2024	31.12.2023
Valuation of investment assets at fair value through other comprehensive income	9 760	40 752
Valuation of cash flow hedging instruments	4 704	10 297
Actuarial gains (losses)	(396)	(30)
Deferred tax reported directly in equity	14 068	51 019

Changes in deferred tax recognized directly in equity are presented in **Note (39b)**.

Withholding tax audit for years 2015-17

On 12 February 2019 the Head of Western Pomeranian Customs & Tax Office (Zachodniopomorski Urząd Celno-Skarbowy w Szczecinie, ZUCS) commenced tax audits regarding the correctness of withholding tax (WHT) settlements for years 2015 and 2016. On 17 December 2019 the Bank received audit results as of 13 December 2019, in which ZUCS questioned WHT-exemption on coupon interest from bonds paid to MB Finance AB with the seat in Sweden constituting a collateral to 10Y subordinated bonds with a par value of EUR 150 mio. issued by this company in December 2007 (fully amortized in December 2017). On 11 June 2021 Bank received 2nd instance decisions of ZUCS decreasing the amount of WHT arrear from PLN 6.6 to 5.3 mio. This amount with penalty interests were paid by Bank on 18 June 2021. Bank lodged complaints on these decisions to the administrative court in Szczecin (WSA). WSA in its judgements as of 13 and 27 October 2021 wholly overruled both ZUCS's decisions. ZUCS appealed from these judgments to the Supreme Administrative Court (NSA).

On 13 April 2021 Head of ZUCS commenced a WHT audit for year 2017. As expected in the audit result ZUCS challenged WHT-exemption on coupon interests paid by Bank to MBF in this year as well (disputable WHT amount is ca. PLN 2.2 mio.). Bank does not agree with such findings as well and will continue a dispute with ZUCS. On 21 March 2022 Bank received the ZUCS's decision on WHT audit transformation into a tax proceeding. On 30 June 2022 Bank received the ZUCS's decision determining WHT arrear of ca. PLN 2.2 mio. Bank paid a tax with and interest appealed from this decision. On 23 February 2023 WSA suspended the court litigation concerning WHT for 2017 until the final NSA's judgements regarding WHT for years 2015-16.

Bank received an expert opinion as of January 29, 2020 of tax professors from the Public Finances Law Department of the Faculty of Law and Administration at Nicolaus Copernicus University in Torun, according to which ZUCS's statement violates binding tax law provisions.

On 21 January 2025, the Supreme Administrative Court issued an unfavourable judgment for the Bank, annulling both judgments of the Regional Administrative Court in Szczecin in the WHT case for the years 2015-16. In connection with this, the Bank currently expects the Regional Administrative Court to suspend the court-administrative proceedings in the field of WHT for 2017 and to issue an unfavourable judgment by that court.

Judgement of the Supreme Administrative Court

On 6 December 2023, the Supreme Administrative Court (NSA) issued a judgment on the Bank's complaint against the tax ruling of the Director of the National Tax Information Service on the principles of recognising the CIT effects of invalidations of mortgage loans indexed to foreign currencies and foreign currency loans, in particular in Swiss francs (CHF Loans), adjudicated by common courts. According to the judgment, the Bank should recognize the tax consequences not by including the resulting losses as tax-deductible costs, but by adjusting the previously CIT taxable revenues from the above-mentioned loans and advances (foreign exchange gains, interest, commissions and fees), taking into account the principles of limitation of tax liabilities. Until the above judgment was issued, the remaining interpretation issues were clarified and the calculation methodology was developed, the Bank, prudently, due to doubts as to the detailed rules of revenue adjustment and the lack of possibility of reliable estimation, did not recognize losses due to the cancellation of CHF loans for CIT and deferred tax purposes.

In 2024, after developing by the Bank the methodology and clarifying the interpretation issues, as a consequence of the judgment issued by the Supreme Administrative Court, the Bank made adjustments to the CIT returns for the years 2020-22 and in May this year the Bank obtained a CIT refund from the Tax Office in the total amount of PLN 7.7 million in connection with the cancellation of CHF loans in these years. Guided by the developed methodology applied to the above adjustments, the Bank:

- 1) recognized in the first half of 2024 a deferred tax asset (DTA) in the total amount of PLN 222.6 million (of which 171.0 million in the second quarter) due to future adjustments of interest income and foreign exchange gains on CHF loans that are the subject of court disputes for their cancellation;
- 2) recognizes from the beginning of the year in the current CIT tax adjustments of interest and positive exchange differences on court annulments of CHF loans. The above events had a positive impact on the net result, reducing the income tax burden. As at 31 December 2024, the balance of the deferred tax asset arising from the invalidation of CHF loans amounted to PLN 186.8 million.

The calculation of the DTA besides the current CHF/PLN exchange rate also depends on the volume of new court cases and final cancellations of CHF loans, as well as settlements concluded with borrowers, and therefore it will be subject to changes depending on changes in the above parameters.

17. EARNINGS PER SHARE

	01.01.2024 - 31.12.2024	01.01.2023 - 31.12.2023
Profit/loss after taxes	719 209	575 717
Weighted average number of shares in the period	1 213 116 777	1 213 116 777
Profit/loss per share - basic and diluted	0.59	0.47

Earnings per share have been calculated by dividing net profit for the period by the weighted average number of shares. At the same time due to the nature of the issue it was not necessary to make a separate calculation of diluted Earnings per Share (the calculation methodology in case of absence of diluting instruments is the same as in case of Earnings per Share; as a result diluted Earnings per Share equals basic Earnings Per Share).

18. CASH, BALANCES AT THE CENTRAL BANK

18a. Cash, balances at the central bank

	31.12.2024	31.12.2023
Cash	1 065 998	919 265
Cash in Central Bank	4 112 986	4 175 719
Total	5 178 984	5 094 984

In the period from 31 December 2024 to 9 February 2025 the Bank was obliged to keep on its current account with NBP (the central bank) an average balance of PLN 3,974,623 thousand.

18b. Cash, balances at the Central Bank - by currency

	31.12.2024	31.12.2023
in Polish currency	4 309 067	4 399 501
in foreign currencies (after conversion to PLN):	869 917	695 483
- currency: USD	78 400	69 123
- currency: EUR	745 984	582 187
- currency: CHF	16 063	17 089
- currency: GBP	22 372	18 251
- other currencies	7 098	8 833
Total	5 178 984	5 094 984

19. FINANCIAL ASSETS HELD FOR TRADING

19a. Financial assets held for trading

	31.12.2024	31.12.2023
Debt securities	555 364	110 554
Issued by State Treasury	555 364	110 554
a) bills	0	0
b) bonds	555 364	110 554
Other securities	0	0
a) quoted	0	0
b) non quoted	0	0
Equity instruments	115	121
Quoted on the active market	115	121
a) financial institutions	35	31
b) non-financial institutions	80	90
Adjustment from fair value hedge	0	0
Positive valuation of derivatives	255 845	498 249
Total	811 324	608 924

Information on financial assets securing liabilities is presented in **point 2) of chapter 15**.

19b. Debt securities valued at fair value through profit and loss (held for trading), at balance sheet value

	31.12.2024	31.12.2023
with fixed interest rate	108 141	48 243
with variable interest rate	447 223	62 311
Total	555 364	110 554

19c. Debt securities valued at fair value through profit and loss (held for trading), by maturity

	31.12.2024	31.12.2023
to 1 month	0	2 790
above 1 month to 3 months	0	0
above 3 months to 1 year	2 372	1 657
above 1 year to 5 years	472 055	75 307
above 5 years	80 937	30 800
Total	555 364	110 554

19d. Change of debt securities and equity instruments valued at fair value through profit and loss (held for trading)

	01.01.2024 - 31.12.2024	01.01.2023 - 31.12.2023
Balance at the beginning of the period	110 675	24 323
Increases (purchase and accrual of interest and discount)	17 003 282	10 685 599
Reductions (sale and redemption)	(16 556 021)	(10 599 136)
Differences from valuation at fair value	(2 457)	(111)
Balance at the end of the period	555 479	110 675

19e. Financial assets and liabilities held for trading - Valuation of derivatives, Adjustment from fair value hedge and Short positions as at:

31.12.2024	Par value of instruments with future maturity				Fair value		
	below 3 months	from 3 months to 1 year	from 1 year to 5 years	above 5 years	Total	Assets	Liabilities
1. Interest rate derivatives	899 208	1 372 822	9 088 667	516 687	(3 475)	9 971	13 446
Forward Rate Agreements (FRA)	0	0	0	0	0	0	0
Interest rate swaps (IRS)	899 208	1 137 324	8 447 889	516 687	(3 475)	2 909	6 384
Other interest rate contracts: options	0	235 498	640 778	0	0	7 062	7 062
2. FX derivatives*	8 298 159	1 816 443	979 954	0	36 483	63 350	26 867
FX contracts	1 288 858	980 304	92 927	0	(14 922)	2 061	16 983
FX swaps	7 009 301	836 139	31 427	0	50 222	59 128	8 906
Other FX contracts (CIRS)	0	0	855 600	0	1 183	2 161	978
FX options	0	0	0	0	0	0	0
3. Embedded instruments	307 203	534 393	700 523	0	(181 662)	0	181 662
Options embedded in deposits	307 203	534 393	700 523	0	(181 662)	0	181 662
Options embedded in securities issued	0	0	0	0	0	0	0
4. Indexes options	331 314	561 328	713 218	0	178 195	182 524	4 329
Total	9 835 884	4 284 986	11 482 362	516 687	29 541	255 845	226 304
Liabilities from short sale of debt securities					-	-	190 769

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

31.12.2023	Par value of instruments with future maturity				Fair value		
	below 3 months	from 3 months to 1 year	from 1 year to 5 years	above 5 years	Total	Assets	Liabilities
1. Interest rate derivatives	2 317 330	2 514 918	7 480 956	383 670	(9 710)	12 060	21 770
Forward Rate Agreements (FRA)	0	0	0	0	0	0	0
Interest rate swaps (IRS)	2 197 874	2 255 207	6 825 505	363 000	(9 710)	538	10 248
Other interest rate contracts: options	119 456	259 711	655 451	20 670	0	11 522	11 522
2. FX derivatives*	7 726 792	3 413 391	122 070	0	(60 286)	69 431	129 717
FX contracts	1 414 090	737 568	61 066	0	(28 415)	9 665	38 080
FX swaps	6 312 702	2 675 823	61 004	0	(31 871)	59 766	91 637
Other FX contracts (CIRS)	0	0	0	0	0	0	0
FX options	0	0	0	0	0	0	0
3. Embedded instruments	472 247	2 018 329	858 866	0	(414 200)	0	414 200
Options embedded in deposits	472 247	2 018 329	858 866	0	(414 200)	0	414 200
Options embedded in securities issued	0	0	0	0	0	0	0
4. Indexes options	549 165	2 172 086	875 462	0	405 612	416 758	11 146
Total	11 065 533	10 118 723	9 337 354	383 670	(78 584)	498 249	576 833
Liabilities from short sale of debt securities					-	-	2 720

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

20. NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS, OTHER THAN LOANS AND ADVANCES TO CUSTOMERS

	31.12.2024	31.12.2023
Equity instruments	66 609	66 609
credit institutions	0	0
other corporates	66 609	66 609
Debt securities	51 790	81 014
credit institutions	0	0
other corporates	51 790	81 014
Total	118 399	147 623

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

21a. Financial assets at fair value through other comprehensive income (split by category)

	31.12.2024	31.12.2023
Debt securities	29 218 737	22 067 407
Issued by State Treasury	20 090 261	11 825 424
a) bills	0	0
b) bonds	20 090 261	11 825 424
Issued by Central Bank	8 692 224	9 797 077
a) bills	8 692 224	9 797 077
b) bonds	0	0
Other securities	436 252	444 906
a) listed	436 252	444 906
b) not listed	0	0
Shares and interests in other entities	36 712	28 793
Other financial instruments	0	0
Total financial assets at fair value through other comprehensive income	29 255 449	22 096 200
Including		
Instrument listed on active market	20 526 994	12 270 577
Instrument not listed on active market	8 728 455	9 825 623

21b. Debt securities at fair value through other comprehensive income (split by interest rate applied)

	31.12.2024	31.12.2023
with fixed interest rate	19 407 135	18 234 682
with variable interest rate	9 811 602	3 832 725
Total	29 218 737	22 067 407

21c. Debt securities at fair value through other comprehensive income by maturity

	31.12.2024	31.12.2023
to 1 month	8 692 224	10 080 554
above 1 month to 3 months	0	22 012
above 3 months to 1 year	5 681 089	2 177 193
above 1 year to 5 years	13 278 341	9 450 824
above 5 years	1 567 083	336 824
Total	29 218 737	22 067 407

21d. Change of financial assets at fair value through other comprehensive income

	01.01.2024 - 31.12.2024	01.01.2023 - 31.12.2023
Balance at the beginning of the period	22 096 200	16 505 606
Increases (purchase and accrual of interest and discount)	559 812 810	473 407 836
Reductions (sale and redemption)	(552 816 751)	(468 494 658)
Difference from measurement at fair value	163 196	677 441
Impairment allowances	0	0
Other	(6)	(25)
Balance at the end of the period	29 255 449	22 096 200

22. LOANS AND ADVANCES TO CUSTOMERS

22a. Loans and advances to customers mandatorily at fair value through profit or loss

Balance sheet value:	31.12.2024	31.12.2023
Mandatorily at fair value through profit or loss *	1 825	19 349
Companies	70	69
Individuals	1 755	19 280
Public sector	0	0

At the implementation of IFRS 9 Group separated credit exposures which include, in the interest rate definition, leverage/multiplier feature and presents aforementioned exposures in these financial statements as "Non-trading financial assets mandatorily at fair value through profit or loss - Credits and advances". The provisions of IFRS 9 indicate that the multiplier feature modifies money over time and causes the need to apply fair value measurement, however the economic sense of the transaction, i.e. portfolio management not based on fair value and maintaining the portfolio to obtain cash flows from the contract, constitute characteristics of portfolios valued at amortized cost. In 2021, as a result of a change in contractual provisions (eliminating the multiplier feature), some of these exposures began to be re-measured at amortized cost. The change concerned loans where clients fully repaid their commitment, the interest on which was calculated based on the old formula containing a multiplier. Exposures recorded after that time under new contractual conditions (without a multiplier) are measured at amortized cost.

22b. Loans and advances to customers valued at amortised cost

31.12.2024	Balance sheet value, gross			Accumulated impairment allowances			Balance sheet value, net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Valued at amortised cost	67 813 446	6 230 694	3 438 697	(337 808)	(305 667)	(1 859 971)	74 979 390
Companies	16 085 006	1 473 418	937 199	(142 967)	(55 758)	(306 352)	17 990 546
Individuals	51 672 955	4 757 275	2 501 498	(194 544)	(249 909)	(1 553 619)	56 933 656
Public sector	55 485	1	0	(297)	0	0	55 189

31.12.2023	Balance sheet value, gross			Accumulated impairment allowances			Balance sheet value, net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Valued at amortised cost	66 610 808	6 050 620	3 458 837	(427 418)	(322 955)	(1 746 181)	73 623 711
Companies	15 453 270	1 303 085	730 805	(103 386)	(42 529)	(245 469)	17 095 776
Individuals	50 994 741	4 747 531	2 728 032	(322 601)	(280 426)	(1 500 712)	56 366 565
Public sector	162 797	4	0	(1 431)	0	0	161 370

The Bank writes down the gross carrying amount of a financial asset when there is no reasonable probability that it will be fully (total writes off) or partially (partial writes off) recovered. Following the recorded partial writes off the Bank transferred to off-balance sheet evidence (deducting the carrying value of gross receivables) penalty interest amounting to PLN 498 million as at 31.12.2024.

22c. Loans and advances to customers

	31.12.2024		31.12.2023	
	Valued at amortised cost	Mandatorily at fair value through profit or loss	Valued at amortised cost	Mandatorily at fair value through profit or loss
Loans and advances	68 145 409	0	67 292 473	10 527
▪ to companies	11 196 153	0	10 654 494	0
▪ to private individuals	56 903 904	0	56 586 451	10 527
▪ to public sector	45 352	0	51 528	0
Receivables on account of payment cards	1 281 389	1 825	1 209 584	8 822
▪ due from companies	12 911	70	13 541	69
▪ due from private individuals	1 268 478	1 755	1 196 043	8 753
Purchased receivables	148 514		143 844	
▪ from companies	148 514		143 844	
▪ from public sector	0		0	
Guarantees and sureties realised	321		560	
Debt securities eligible for rediscount at Central Bank	0		0	
Financial leasing receivables	7 095 187		6 738 380	
Other	104 033		104 560	
Interest	707 983		630 864	
Total:	77 482 836	1 825	76 120 265	19 349
Impairment allowances	(2 503 446)	-	(2 496 554)	-
Total balance sheet value:	74 979 390	1 825	73 623 711	19 349

22d. Quality of loans and advances to customers portfolio valued at amortised cost

	31.12.2024	31.12.2023
Loans and advances to customers (gross)	77 482 836	76 120 265
impaired	3 438 697	3 458 837
not impaired	74 044 139	72 661 428
Impairment write-offs	(2 503 446)	(2 496 554)
for impaired exposures	(1 859 971)	(1 746 181)
for not impaired exposures	(643 475)	(750 373)
Loans and advances to customers (net)	74 979 390	73 623 711

22e. Loans and advances to customers portfolio valued at amortised cost by methodology of impairment assessment

	31.12.2024	31.12.2023
Loans and advances to customers (gross)	77 482 836	76 120 265
case by case analysis	642 481	493 162
collective analysis	76 840 355	75 627 103
Impairment allowances	(2 503 446)	(2 496 554)
on the basis of case by case analysis	(212 925)	(150 724)
on the basis of collective analysis	(2 290 521)	(2 345 830)
Loans and advances to customers (net)	74 979 390	73 623 711

22f. Loans and advances to customers portfolio valued at amortised cost by customers

	31.12.2024	31.12.2023
Loans and advances to customers (gross)	77 482 836	76 120 265
corporate customers	18 551 109	17 649 961
individuals	58 931 727	58 470 304
Impairment allowances	(2 503 446)	(2 496 554)
for receivables from corporate customers	(505 374)	(392 815)
for receivables from private individuals	(1 998 072)	(2 103 739)
Loans and advances to customers (net)	74 979 390	73 623 711

22g. Movements in impairment allowances for loans and advances to customers carried at amortised cost

	01.01.2024 - 31.12.2024	01.01.2023 - 31.12.2023
Balance at the beginning of the period	2 496 554	2 420 809
Change in value of provisions:	6 892	75 745
Impairment allowances created in the period	1 566 924	1 579 846
Amounts written off	(247 871)	(191 115)
Impairment allowances released in the period	(1 123 163)	(1 200 277)
Sale of receivables	(255 131)	(175 477)
KOIM created in the period*	69 359	71 261
Changes resulting from FX rates differences	(5 662)	(10 192)
Other	2 436	1 699
Balance at the end of the period	2 503 446	2 496 554

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

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

The value of POCI assets is as follows:

	Gross balance sheet value	Accumulated impairment	Net balance sheet value
31.12.2024			
- Companies	12 566	(868)	11 698
- Individuals	69 669	(32 758)	36 911
- Public sector	0	0	0
31.12.2023			
- Companies	23 106	1 200	24 306
- Individuals	93 690	(25 136)	68 554
- Public sector	0	0	0

22h. Changes in impairment allowances and gross carrying amount of loans and advances valued at amortised cost divided into stages and classes:

Companies: impairment allowances, 2024	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at the beginning of the period	103 386	42 805	246 392	(1 199)	391 384
Transfers between stages	812	(29 278)	28 465	0	0
Increase due to granting or purchase	81 118	0	0	0	81 118
Changes in credit risk	(32 387)	45 719	103 668	2 557	119 556
Decrease due to derecognition (except exposures sold and written off)	(10 742)	(3 056)	(28 881)	(52)	(42 731)
Sale of loans and advances	0	0	(15 649)	0	(15 649)
Loans and advances written off	0	0	(33 081)	0	(33 081)
KOIM	0	0	5 627	25	5 652
Other (including FX differences)	780	(151)	(1 339)	(463)	(1 173)
Balance at the end of the period	142 967	56 040	305 203	868	505 077

Companies: impairment allowances, 2023	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at the beginning of the period	115 976	59 368	238 799	26	414 169
Transfers between stages	5 560	(36 758)	31 198	0	0
Increase due to granting or purchase	67 103	0	0	0	67 103
Changes in credit risk	(70 734)	25 420	64 045	170	18 902
Decrease due to derecognition (except exposures sold and written off)	(13 252)	(4 299)	(41 357)	0	(58 909)
Sale of loans and advances	0	0	(20 815)	0	(20 815)
Loans and advances written off	0	0	(28 648)	0	(28 648)
KOIM	0	0	7 822	25	7 847
Other (including FX differences)	(1 267)	(925)	(4 652)	(1 420)	(8 264)
Balance at the end of the period	103 386	42 805	246 392	(1 199)	391 384

Companies: loans and advances balance sheet value, gross, 2024	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at the beginning of the period	15 453 270	1 303 056	707 728	23 106	17 487 159
Transfers between stages	(1 060 033)	614 225	445 808	0	0
Granted or purchased loans and advances	6 958 991	0	0	0	6 958 991
Repaid loans and advances	(5 119 698)	(439 911)	(279 170)	(9 807)	(5 848 585)
Loans and advances sold	0	0	(17 417)	0	(17 417)
Loans and advances written off	0	0	(33 080)	0	(33 080)
Other (including FX differences)	(147 524)	(3 981)	100 794	(734)	(51 445)
Balance at the end of the period	16 085 006	1 473 389	924 662	12 566	18 495 623

Companies: loans and advances balance sheet value, gross, 2023	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at the beginning of the period	16 775 372	1 508 622	622 465	15 216	18 921 676
Transfers between stages	(683 947)	339 728	344 219	0	0
Granted or purchased loans and advances	12 550 552	0	0	0	12 550 552
Repaid loans and advances	(12 792 270)	(517 312)	(188 292)	(2 291)	(13 500 165)
Loans and advances sold	0	0	(29 487)	0	(29 487)
Loans and advances written off	0	0	(30 097)	0	(30 097)
Other (including FX differences)	(396 438)	(27 982)	(11 079)	10 180	(425 319)
Balance at the end of the period	15 453 270	1 303 056	707 728	23 106	17 487 159

Individuals: impairment allowances, 2024	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at the beginning of the period	322 601	321 598	1 434 404	25 136	2 103 739
Transfers between stages	273 347	(424 040)	150 693	0	0
Increase due to granting or purchase	186 922	0	0	0	186 922
Changes in credit risk	(516 116)	412 288	406 306	33 021	335 500
Decrease due to derecognition (except exposures sold and written off)	(71 537)	(27 901)	(128 807)	(7 242)	(235 488)
Sale of loans and advances	0	0	(229 466)	(10 016)	(239 482)
Loans and advances written off	0	0	(205 782)	(9 008)	(214 791)
KOIM	0	0	62 804	903	63 707
Other (including FX differences)	(673)	684	(2 010)	(35)	(2 035)
Balance at the end of the period	194 544	282 628	1 488 142	32 758	1 998 072

Individuals: impairment allowances, 2023	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at the beginning of the period	254 737	356 124	1 381 076	13 150	2 005 087
Transfers between stages	297 854	(452 812)	154 958	0	0
Increase due to granting or purchase	181 421	0	0	0	181 421
Changes in credit risk	(363 095)	451 222	230 921	43 311	362 360
Decrease due to derecognition (except exposures sold and written off)	(48 147)	(30 358)	(106 397)	(6 289)	(191 192)
Sale of loans and advances	0	0	(140 294)	(14 368)	(154 662)
Loans and advances written off	0	0	(150 680)	(11 787)	(162 467)
KOIM	0	0	62 356	1 058	63 414
Other (including FX differences)	(171)	(2 578)	2 465	61	(222)
Balance at the end of the period	322 601	321 598	1 434 404	25 136	2 103 739

Individuals: loans and advances balance sheet value, gross, 2024	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at the beginning of the period	50 994 740	4 736 329	2 645 545	93 690	58 470 304
Transfers between stages	(1 181 324)	797 478	383 846	0	0
Granted or purchased loans and advances	13 318 479	0	0	0	13 318 479
Repaid loans and advances	(11 786 651)	(814 393)	(338 442)	(26 277)	(12 965 762)
Reversal of Credit Holidays adjustment	0	0	0	0	0
Change in provisions for legal risk of the foreign currency-indexed mortgage loan portfolio	803 437	11 997	35 802	0	851 236
Loans and advances sold	0	0	(264 873)	(181)	(265 053)
Loans and advances written off	0	0	(214 706)	(85)	(214 791)
Other (including FX differences)	(475 727)	16 606	193 913	2 521	(262 687)
Balance at the end of the period	51 672 954	4 748 018	2 441 086	69 669	58 931 726

Individuals: loans and advances balance sheet value, gross, 2023	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at the beginning of the period	51 722 402	5 199 033	2 707 885	137 235	59 766 554
Transfers between stages	(842 943)	294 368	548 575	0	0
Granted or purchased loans and advances	11 750 930	3 708	(2 233)	0	11 752 405
Repaid loans and advances	(9 547 953)	(711 604)	(222 552)	(13 771)	(10 495 880)
Reversal of Credit Holidays adjustment	503 437	40 468	4 963	0	548 868
Change in provisions for legal risk of the foreign currency-indexed mortgage loan portfolio	(2 402 463)	(81 448)	(48 583)	0	(2 532 494)
Loans and advances sold	0	0	(187 711)	(14 887)	(202 599)
Loans and advances written off	0	0	(149 430)	(11 588)	(161 018)
Other (including FX differences)	(188 669)	(8 197)	(5 368)	(3 298)	(205 532)
Balance at the end of the period	50 994 740	4 736 329	2 645 545	93 690	58 470 304

Public sector: impairment allowances, 2024	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at the beginning of the period	1 431	0	0	0	1 431
Transfers between stages	0	0	0	0	0
Increase due to granting or purchase	45	0	0	0	45
Changes in credit risk	6	0	0	0	6
Decrease due to derecognition (except exposures sold and written off)	(1 166)	0	0	0	(1 166)
Other (including FX differences)	(19)	0	0	0	(19)
Balance at the end of the period	297	0	0	0	297

Public sector: impairment allowances, 2023	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at the beginning of the period	1 553	0	0	0	1 553
Transfers between stages	0	0	0	0	0
Increase due to granting or purchase	24	0	0	0	24
Changes in credit risk	(95)	0	0	0	(95)
Decrease due to derecognition (except exposures sold and written off)	(46)	0	0	0	(46)
Other (including FX differences)	(5)	0	0	0	(5)
Balance at the end of the period	1 431	0	0	0	1 431

Public sector: loans and advances balance sheet value, gross, 2024	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at the beginning of the period	162 797	4	0	0	162 801
Transfers between stages	0	0	0	0	0
Granted or purchased loans and advances	8 884	0	0	0	8 884
Repaid loans and advances	(116 196)	(3)	0	0	(116 198)
Other (including FX differences)	0	0	0	0	0
Balance at the end of the period	55 485	1	0	0	55 486

Public sector: loans and advances balance sheet value, gross, 2023	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at the beginning of the period	198 718	1 043	0	0	199 761
Transfers between stages	0	0	0	0	0
Granted or purchased loans and advances	158 809	1	0	0	158 810
Repaid loans and advances	(194 730)	(1 040)	0	0	(195 770)
Other (including FX differences)	0	0	0	0	0
Balance at the end of the period	162 797	4	0	0	162 801

22i. Loans and advances to customers portfolio valued at amortised cost by maturity

	31.12.2024	31.12.2023
Current accounts	3 676 289	3 549 229
to 1 month	2 397 478	2 441 333
above 1 month to 3 months	2 681 221	2 697 873
above 3 months to 1 year	8 076 902	7 743 639
above 1 year to 5 years	24 815 055	23 785 493
above 5 years	33 215 856	33 274 610
past due	1 912 052	1 997 224
Interest	707 983	630 864
Total gross	77 482 836	76 120 265

22j. Loans and advances to customers portfolio valued at amortised cost by currency

	31.12.2024			31.12.2023		
	Balance sheet value, gross	Impairment allowances	Balance sheet value	Balance sheet value, gross	Impairment allowances	Balance sheet value
in Polish currency	71 899 041	(2 286 964)	69 612 077	69 016 046	(2 265 635)	66 750 411
in foreign currencies (after conversion to PLN)	5 583 795	(216 482)	5 367 313	7 104 219	(230 918)	6 873 301
currency: USD	61 794	(629)	61 165	55 055	(1 333)	53 722
currency: EUR	4 137 732	(161 589)	3 976 143	3 906 098	(88 298)	3 817 800
currency: CHF*	1 360 546	(53 852)	1 306 694	3 121 979	(141 014)	2 980 965
currency: GBP	23 723	(412)	23 311	21 087	(273)	20 814
Total	77 482 836	(2 503 446)	74 979 390	76 120 265	(2 496 554)	73 623 711

* gross carrying amount of mortgage is decreased by the change in expected cash flows resulting from the issue of legal risk of CHF mortgage loans, the adjustment is presented in note 14.

22k. Financial leasing receivables

	31.12.2024	31.12.2023
Financial leasing receivables (gross)	8 010 864	7 575 218
Unrealised financial income	(915 677)	(836 838)
Financial leasing receivables (net)	7 095 187	6 738 380
Financial leasing receivables (gross) by maturity		
Under 1 year	2 930 958	2 875 358
From 1 year to 2 years	2 155 715	2 035 976
From 2 year to 3 years	1 440 469	1 410 076
From 3 year to 4 years	819 131	750 939
From 4 year to 5 years	365 283	361 206
Above 5 years	299 309	141 663
Total	8 010 865	7 575 218
Financial leasing receivables (net) by maturity		
Under 1 year	2 536 687	2 493 267
From 1 year to 2 years	1 906 512	1 798 519
From 2 year to 3 years	1 303 172	1 280 937
From 3 year to 4 years	752 011	693 224
From 4 year to 5 years	334 949	341 098
Above 5 years	261 856	131 335
Total	7 095 187	6 738 380

The main groups of items financed through leasing are the means of transport (tractors, trailers, trucks, vans, cars, etc.), machinery and equipment, computers as well as industrial and commercial real estate. The leasing portfolio of the Group includes contracts in which fees are set in PLN or in EUR, based on floating or fixed interest rates. Agreements with customers are concluded for term from 1 year to 10 years. Offered lease agreements provide a diverse client's own contribution and the residual value of the object, as well as a diverse amount of lease payments, e.g., depending on seasonality. After the end of the lease, a customer is obliged to buy the item at a final price specified at the time of the conclusion of the agreement. The object during the entire lease term is owned by the Group and constitutes a major collateral of lease payments.

23. FINANCIAL ASSETS AT AMORTISED COST OTHER THAN LOANS AND ADVANCES TO CUSTOMERS

23a. Financial assets at amortised cost other than Loans and advances to customers

31.12.2024	Balance sheet value, gross			Accumulated impairment allowances			Balance sheet value, net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	24 381 493	0	0	(8)	0	0	24 381 485
Deposits, loans and advances to banks and other monetary institutions	434 535	0	0	(18)	0	0	434 517
Repurchase agreements	194 218	0	0	0	0	0	194 218

31.12.2023	Balance sheet value, gross			Accumulated impairment allowances			Balance sheet value, net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	18 749 913			(6)	0	0	18 749 907
Deposits, loans and advances to banks and other monetary institutions	793 596			(160)	0	0	793 436
Repurchase agreements	1 163 242	0	0	0	0	0	1 163 242

23b. Debt securities

	31.12.2024	31.12.2023
Banks and other financial institutions	2 305 192	1 716 205
Other companies	0	0
Public sector - local governments	37 736	35 273
Public sector - securities issued by governments of:	22 038 557	16 998 429
Poland	13 348 939	9 525 492
Austria	2 162 028	855 857
Belgium	2 213 612	1 630 811
France	1 883 292	1 586 555
European Union	1 703 876	1 487 906
Netherlands	726 810	0
Germany	0	1 911 808
Total	24 381 485	18 749 907

23c. Deposits, loans and advances to banks and other monetary institutions

	31.12.2024	31.12.2023
Current accounts	278 629	571 479
Deposits	154 662	219 804
Interest	1 244	2 313
Total (gross) deposits, loans and advances	434 535	793 596
Impairment allowances	(18)	(160)
Total (net) deposits, loans and advances	434 517	793 436

23d. Deposits, loans and advances to banks and other monetary institutions by maturity date

	31.12.2024	31.12.2023
Current accounts	278 629	571 479
to 1 month	144 662	199 804
above 1 month to 3 months	10 000	0
above 3 months to 1 year	0	20 000
above 1 year to 5 years	0	0
above 5 years	0	0
past due	0	0
Interest	1 244	2 313
Total (gross) deposits, loans and advances	434 535	793 596

23e. Deposits, loans and advances to banks and other monetary institutions by currency

	31.12.2024	31.12.2023
in Polish currency	11 580	104 680
in foreign currencies (after conversion to PLN)	422 955	688 916
currency: USD	93 834	426 214
currency: EUR	173 372	127 401
currency: CNY	13 648	22 741
currency: GBP	21 944	17 951
currency: CHF	22 450	18 203
currency: JPY	4 307	2 792
other currencies	93 400	73 614
Total	434 535	793 596

23f. Change of impairment allowances for deposits, loans and advances to banks and other monetary institutions

	01.01.2024 - 31.12.2024	01.01.2023 - 31.12.2023
Balance at the beginning of the period	(160)	(281)
Impairment allowances created in the period	(18)	(160)
Impairment allowances released in the period	160	281
Balance at the end of the period	(18)	(160)

23g. Reverse sale and repurchase agreements

	31.12.2024	31.12.2023
Banks and other credit institutions	194 162	1 146 305
Customers	0	11 553
Interests	56	5 384
Total	194 218	1 163 242

24. DERIVATIVES - HEDGE ACCOUNTING

Starting from 1 January 2006 the Group established first formal hedging relationship against cash flow volatility.

The Risk Strategy approved in the Group defines a general rules for hedging of market risk generated by its commercial activity. External transactions eligible for hedge accounting are pointed in the Strategy just after the natural economic hedge.

The Group applied (as at 31.12.2024) Cash Flow Hedge relations to eliminate the variability of cash flows:

- ✓ on FX denominated mortgage loans and financing them PLN deposits,
- ✓ on PLN denominated financial assets,
- ✓ due to future income and interest costs denominated in foreign currencies,

attributable to interest rate risk and currency risk in the time horizon limited to maturity of hedging instruments, presented in **note (24b)**.

In addition, the Group applied a fair value hedge for a fixed interest rate debt instrument and during 2024, a new hedge relationships were established, namely:

- ✓ fair value of cash flows from issued fixed-rate liabilities denominated in foreign currencies,
- ✓ fair value of the risk profile assigned to portfolios of homogeneous, non-interest-bearing current accounts - separately in PLN and in foreign currencies (portfolio hedge).

The underlying of hedged and hedging items are economically related in a way that they respond in a similar way to the hedged risk, their fair value will offset in response to the market interest and FX rates movements.

The Group performs the effectiveness tests on a monthly basis, calculates and compares the changes in fair value of hedged and hedging positions. Hedge effectiveness is tested using hypothetical derivative method, hedged items are presented as a hypothetical derivative, for which changes in the fair value are calculated and compared with changes in fair value of hedging instruments. Hedge ineffectiveness can arise from differences in repricing dates of hedged and hedging positions or from designation as hedging item the existing derivative instrument. The Group designates hedging instruments on their trade date and by this eliminates this source of ineffectiveness. Hedge ineffectiveness reported by the Group includes amortization of the fair value changes recognized as effective for derivatives classified on their termination date as hedging.

Detailed information on cash flow hedge relations applied by the Group, items designated as hedged and hedging and presentation of the result (as at 31.12.2024) is shown in a table below:

	Hedge of volatility of the cash flows generated by PLN denominated financial assets	Cash flow volatility hedge for the flows generated by FX mortgage portfolio and its underlying PLN liabilities	Fair value hedge of a fixed interest rate debt instrument
Description of hedge transactions	The Group hedges the risk of the volatility of cash flows generated by PLN denominated financial assets. The volatility of cash flows results from interest rate risk.	The Group hedges the risk of the volatility of cash flows generated by FX mortgages and by PLN liabilities financially underlying such loans. The volatility of cash flows results from the currency risk and interest rate risk.	The Group hedges part of the interest rate risk associated with the change in the fair value of a fixed-rate debt instrument recorded in other comprehensive income, resulting from fluctuations in market interest rate.
Hedged items	Cash flows resulting from PLN denominated financial assets.	Cash flows resulting from the FX mortgage loan portfolio and PLN deposits together with issued debt PLN securities funding them.	A portfolio of fixed coupon debt securities classified as financial assets measured at fair value through other comprehensive income denominated in PLN.
Hedging instruments	IRS transactions	CIRS transactions	IRS transactions
Presentation of the result on the hedged and hedging transactions	Effective part of the valuation of hedging instruments is recognised in revaluation reserve; interest on both: the hedged and the hedging instruments are recognised in net interest income. Ineffective part of the valuation of hedging instruments is recognized in the income statement as a result on instruments measured at fair value through profit and loss.	Effective part of the valuation of hedging instruments is recognised in revaluation reserve; Ineffective part of the valuation of hedging instruments is recognized in the income statement as a result on instruments measured at fair value through profit and loss.	The result on the change in the fair value measurement of hedged items in the hedged risk is referred to the result on hedge accounting. The remaining part of the change in fair value measurement is recognized in other comprehensive income. Interest on debt securities is recognized in net interest income. The change in fair value measurement of derivative instruments being a hedge is presented in the result on hedge accounting, and interest on these instruments is recognized in the interest result.

	Cash flow volatility hedge due to future income and interest costs denominated in foreign currencies	Hedging the fair value of cash flows from issued fixed-rate liabilities denominated in foreign currencies	Hedging the fair value of the risk profile assigned to a portfolio of homogeneous, non-interest-bearing current accounts in PLN and separately foreign currencies (portfolio hedging)
Description of hedge transactions	The Group hedges the risk of the volatility of cash flows generated by income and interest costs denominated in foreign currencies. The volatility of cash flows results from the currency risk.	The Group hedges part of the interest rate risk related to changes in the fair value of cash flows from issued fixed-rate liabilities denominated in foreign currencies, resulting from the volatility of market interest rates.	The Group hedges part of the interest rate risk related to the change in the fair value of the risk profile assigned to the portfolios of homogeneous, non-interest-bearing current accounts in PLN and separately foreign currencies, resulting from the volatility of market interest rates.
Hedged items	Cash flows resulting from income and interest costs denominated in foreign currencies.	Cash flows from issued fixed-rate liabilities denominated in foreign currencies	Risk profile assigned to a portfolios of homogeneous, non-interest-bearing current accounts in PLN and separately in foreign currencies.
Hedging instruments	FX position resulting from recognized future leasing liabilities.	IRS transactions	IRS transactions
Presentation of the result on the hedged and hedging transactions	The effective part of the spot revaluation of hedging instruments is recognized in the revaluation reserve. The ineffective part of the valuation of the hedging item is recognized in the income statement as a result on instruments measured at fair value through profit and loss.	The result from the change in the fair value measurement of flows from hedged items in terms of the hedged risk is recognized in the result from hedge accounting. Interest on debt securities is recognized in interest income. The change in the fair value measurement of derivative instruments constituting hedging is presented in the result from hedge accounting, and interest on these instruments is recognized in net interest income.	The result from the change in fair value measurement determined for hedged items in terms of the hedged risk is recognized in the result from hedge accounting. The change in the fair value measurement of derivative instruments constituting security is presented in the result from hedge accounting, and interest on these instruments is recognized in net interest income.

24a. Hedge accounting

31.12.2024	Par value of instruments with future maturity				Fair values		
	below 3 months	from 3 months to 1 year	from 1 year to 5 years	above 5 years	Total	Assets	Liabilities
1. Derivative instruments constituting cash flow hedges related to interest rate and/or exchange rate *							
CIRS contracts	802 830	0	0	0	(100 751)	0	100 751
IRS contracts	0	75 000	400 000	0	(6 688)	0	6 688
FXS contracts	0	0	0	0	0	0	0
2. Derivatives used as interest rate hedges related to interest rates							
IRS contracts	0	505 060	6 128 180	0	112 365	112 365	0
3. Total hedging derivatives	802 830	580 060	6 528 180	0	4 926	112 365	107 439

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

31.12.2023	Par value of instruments with future maturity				Fair values		
	below 3 months	from 3 months to 1 year	from 1 year to 5 years	above 5 years	Total	Assets	Liabilities
1. Derivative instruments constituting cash flow hedges related to interest rate and/or exchange rate *							
CIRS contracts	3 083 034	203 445	817 400	0	(150 631)	15 069	165 700
IRS contracts	2 170 000	0	475 000	0	(27 964)	0	27 964
FXS contracts	0	0	0	0	0	0	0
2. Derivatives used as interest rate hedges related to interest rates							
IRS contracts	0	0	2 264 000	0	59 144	59 144	0
3. Total hedging derivatives	5 253 034	203 445	3 556 400	0	(119 451)	74 213	193 664

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

24b. Hedge accounting for cash flow volatility

Hedge relationship	Maximum date of occurrence of cash flows whose value is hedged
Hedge of volatility of the cash flows generated by PLN denominated financial assets	2026-05-11
Cash flow volatility hedge for the flows generated by FX mortgage portfolio and its underlying PLN liabilities	2025-01-07
Fair value hedge of a fixed interest rate debt instrument	2027-07-25
Cash flow volatility hedge due to future income and interest costs denominated in foreign currencies	2030-04-30
Fair value hedge of cash flows from issued fixed-rate liabilities denominated in foreign currencies	2028-09-25
Fair value hedges of the risk profile assigned to portfolios of homogeneous, non-interest-bearing current accounts, separately in PLN and in foreign currencies (portfolio hedge)	2028-06-26
The inefficient part of the valuation of hedging instruments recognized in the Profit and Loss Account in 2024 amounted to PLN 1,544 thousand. (in 2022, it was PLN 1,160 thousand, respectively)	

The inefficient part of the valuation of hedging instruments recognized in the Profit and loss account and losses was presented in **note (8)**.

24c. Cash flow hedge - Hedged Instruments

Type of contract	Balance sheet item	Changes in fair value used in the calculation of the ineffectiveness in the period	Balance in cash flow hedge reserve for continuing hedges	Balance in cash flow hedge reserve for discontinued hedges
- CIRS	Loans and advances to customers	(4 489)	(40)	0
- IRS	Debt instruments	(12 350)	(24 054)	0
- FX spot	Future interest income and costs	(4 312)	(667)	0
- IRS	Loans and advances to customers	(8 282)	0	0
Total		(29 433)	(24 760)	0

24d. Cash flow hedge - Hedging instruments

Type of contract	Changes in fair value used in the calculation of the ineffectiveness in the period	Ineffectiveness recognized in P&L	Amounts reclassified from reserves to results
- CIRS	4 268	(221)	0
- IRS	12 350	0	0
- FX spot	4 312	0	0
- IRS	8 282	0	0
Total	29 212	(221)	0

24e. Fair value hedge - Hedged instruments

Type of contract	Balance sheet item	Changes in the fair value of the hedged instrument used in the calculation of the ineffectiveness in the period
IRS	Debt instruments valued in other comprehensive income	(9 826)
IRS	Issued liabilities	(4 009)
IRS	Liabilities to clients	(2 723)
Total		(16 558)

24f. Fair value hedge - Hedging instruments

Type of contract	Changes in the fair value of the hedging instrument used in the calculation of the ineffectiveness in the period	Ineffectiveness recognized in P&L
IRS	9 466	(359)
IRS	5 121	1 112
IRS	3 735	1 013
Total	18 323	1 765

25. INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

25a. Investments in related entities

	31.12.2024	31.12.2023
Investments in associates	44 012	52 509

25b. Change of investments in related entities

	01.01.2024 - 31.12.2024	01.01.2023 - 31.12.2023
Balance at the beginning of the period	52 509	0
valuation of 20% stake in Europa MFS	0	52 509
Decrease in value of shares due to dividends received	(8 497)	0
Balance at the end of the period	44 012	52 509

26. TANGIBLE FIXED ASSETS

26a. Property, plant and equipment

	31.12.2024	31.12.2023
Land	2 339	2 339
Buildings and premises	106 039	95 212
Machines and equipment	99 465	98 765
Vehicles	24 331	25 851
Other fixed assets	22 632	23 121
Fixed assets under construction	91 697	66 328
Rights to use office space	242 238	254 014
Total	588 741	565 630

26b. Change of balance of property, plant and equipment (by type groups) in the period 01.01.2024 - 31.12.2024

	Land	Buildings and premises	Machines and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Rights to use office space	TOTAL
a) gross value of property, plant and equipment at the beginning of the period	2 339	332 536	310 398	50 587	93 333	66 328	569 763	1 425 284
b) increases (on account of)	0	24 649	36 701	10 736	7 834	94 536	82 879	257 335
purchase	0	0	85	10 736	0	38 345	0	49 166
transfer from fixed assets under construction	0	24 649	36 616	0	7 834	0	0	69 099
unpaid investments	0	0	0	0	0	56 191	0	56 191
recognition of rights to use office space	0	0	0	0	0	0	82 879	82 879
c) reductions (on account of)	0	2 892	6 604	11 331	2 250	69 167	25 542	117 786
sale	0	339	257	11 331	470	0	0	12 397
liquidation	0	2 553	6 347	0	1 780	0	25 542	36 222
settlement of fixed assets under construction	0	0	0	0	0	69 099	0	69 099
other	0	0	0	0	0	68	0	68
d) gross value of property, plant and equipment at the end of the period	2 339	354 293	340 495	49 992	98 917	91 697	627 100	1 564 833
e) cumulated depreciation (amortization) at the beginning of the period	0	236 509	211 633	24 736	70 211	0	315 749	858 838
f) depreciation over the period (on account of)	0	11 267	29 397	925	6 073	0	69 113	116 775
current write-off (P&L)	0	13 926	35 624	10 678	8 274	0	92 688	161 190
reductions on account of sale	0	(339)	(240)	(9 756)	(468)	0	0	(10 803)
reductions on account of liquidation	0	(2 320)	(5 987)	0	(1 733)	0	(23 575)	(33 615)
transfer from impairment allowance	0	0	0	0	0	0	0	0
other	0	0	0	3	0	0	0	3
g) cumulated depreciation (amortization) at the end of the period	0	247 776	241 030	25 661	76 284	0	384 862	975 613
h) impairment allowances at the beginning of the period	0	815	0	0	1	0	0	816
creation of allowances	0	0	0	0	0	0	0	0
release of allowances	0	(337)	0	0	0	0	0	(337)
i) impairment allowances at the end of the period	0	478	0	0	1	0	0	479
j) net value of property, plant and equipment at the end of the period	2 339	106 039	99 465	24 331	22 632	91 697	242 238	588 741

26c. Change of balance of property, plant and equipment (by type groups) in the period 01.01.2023 - 31.12.2023

	Land	Buildings and premises	Machines and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Rights to use office space	TOTAL
a) gross value of property, plant and equipment at the beginning of the period	2 369	310 504	295 764	44 942	91 267	74 030	554 483	1 373 359
b) increases (on account of)	0	37 970	27 893	18 241	8 014	68 136	81 112	241 366
purchase	0	0	0	18 241	0	33 194	0	51 435
transfer from fixed assets under construction	0	37 970	27 893	0	8 014	0	0	73 877
unpaid investments	0	0	0	0	0	34 942	0	34 942
recognition of rights to use office space	0	0	0	0	0	0	81 112	81 112
c) reductions (on account of)	30	15 938	13 259	12 596	5 948	75 838	65 832	189 441
sale	30	3 050	93	3 431	693	0	0	7 297
liquidation	0	12 888	13 166	9 165	5 255	0	65 832	106 306
settlement of fixed assets under construction	0	0	0	0	0	73 910	0	73 910
other	0	0	0	0	0	1 928	0	1 928
d) gross value of property, plant and equipment at the end of the period	2 339	332 536	310 398	50 587	93 333	66 328	569 763	1 425 284
e) cumulated depreciation (amortization) at the beginning of the period	0	238 329	190 377	27 123	67 413	0	276 491	799 733
f) depreciation over the period (on account of)	0	(1 820)	21 256	(2 387)	2 798	0	39 258	59 105
current write-off (P&L)	0	12 023	34 096	8 983	8 270	0	93 068	156 440
reductions on account of sale	0	(1 702)	(108)	(11 370)	(705)	0	0	(13 885)
reductions on account of liquidation	0	(12 141)	(12 732)	0	(4 767)	0	(53 810)	(83 450)
transfer from impairment allowance	0	0	0	0	0	0	0	0
other	0	0	0	0	0	0	0	0
g) cumulated depreciation (amortization) at the end of the period	0	236 509	211 633	24 736	70 211	0	315 749	858 838
h) impairment allowances at the beginning of the period	0	815	0	0	1	0	0	816
creation of allowances	0	0	0	0	0	0	0	0
release of allowances	0	0	0	0	0	0	0	0
i) impairment allowances at the end of the period	0	815	0	0	1	0	0	816
j) net value of property, plant and equipment at the end of the period	2 339	95 212	98 765	25 851	23 121	66 328	254 014	565 630

27. INTANGIBLE FIXED ASSETS

27a. Intangible fixed assets

	31.12.2024	31.12.2023
Goodwill due to merger with Euro Bank	192 126	192 126
Other intangible fixed assets:	365 183	289 505
concessions, patents, licenses, know-how and similar assets	68 226	24 157
computer software	68 746	79 397
other	5 576	7 296
advances for intangible assets	222 635	178 655
Total	557 309	481 631

As a result of the purchase by Bank Millennium of 99.787% of shares of Euro Bank S.A. from SG Financial Services Holdings, a 100% subsidiary of Société Générale S.A., and the subsequent merger with the above-mentioned entity in 2019, the difference in the fair value of the acquired assets and liabilities as at the acquisition date to the purchase price was determined and, in accordance with the provisions of IFRS 3.32, was recognized as goodwill in intangible assets (assigned to retail activities).

With respect to goodwill, an impairment test is performed at least once a year, regardless of any indication that impairment may have occurred.

The input data for the goodwill test include the result on retail assets and liabilities allocated to related activities. To determine the amount of capital, an estimate of risk-weighted assets and a capital adequacy ratio that meets regulatory minimums for the business were used. The test is performed by comparing the present value of cash flows generated by the listed assets with the estimated amount of capital. Cash flow forecasts have been prepared based on management's assumptions about all the conditions that will occur over the remaining useful lives of the assets. They are consistent with the medium-term financial plan adopted by the Bank for 2025-2028 and the Bank's Strategy. Data for subsequent years after 2024 are the result of extrapolation of forecasts assuming continued changes in the balance sheet and income statement. To discount the flows, the cost of capital index was used, consisting of the sum of the market rate and the risk premium.

The test, executed as at the end of 2024, showed a surplus of the current value of cash flows over the net book value of the cash-generating unit and therefore no impairment was found for this unit.

27b. Change of balance of intangible fixed assets (by type groups) in the period 01.01.2024 - 31.12.2024

	concessions, patents, licenses, know-how and similar assets	computer software	other	advances for intangible assets	TOTAL
a) gross value of intangible fixed assets at the beginning of the period	102 863	362 324	27 126	178 655	670 968
b) increases (on account of)	72 858	25 981	0	143 758	242 597
purchase	0	0	0	121 804	121 804
unpaid investments	0	0	0	21 954	21 954
takeover from investments and advances	72 858	25 981	0	0	98 839
other	0	0	0	0	0
c) reductions (on account of)	0	2 140	0	99 778	101 918
liquidation	0	2 140	0	1	2 141
settlement of advances	0	0	0	98 839	98 839
other	0	0	0	938	938
d) gross value of intangible fixed assets at the end of the period	175 721	386 165	27 126	222 635	811 647
e) cumulated depreciation at the beginning of the period	78 706	278 931	19 830	0	377 467
f) depreciation over the period (on account of)	28 789	34 492	1 720	0	65 001
current write-off (P&L)	28 789	34 492	1 720	0	65 001
liquidation	0	0	0	0	0
other	0	0	0	0	0
g) cumulated depreciation at the end of the period	107 495	313 423	21 550	0	442 468
h) impairment allowances at the beginning of the period	0	3 996	0	0	3 996
other	0	0	0	0	0
j) impairment allowances at the end of the period	0	3 996	0	0	3 996
j) net value of intangible fixed assets at the end of the period	68 226	68 746	5 576	222 635	365 183

27c. Change of balance of intangible fixed assets (by type groups) in the period 01.01.2023 - 31.12.2023

	concessions, patents, licenses, know-how and similar assets	computer software	other	advances for intangible assets	TOTAL
a) gross value of intangible fixed assets at the beginning of the period	90 704	345 278	27 126	107 917	571 025
b) increases (on account of)	12 159	18 648	0	102 109	132 916
purchase	0	0	0	92 156	92 156
unpaid investments	0	0	0	9 953	9 953
takeover from investments and advances	12 159	18 648	0	0	30 807
other	0	0	0	0	0
c) reductions (on account of)	0	1 602	0	31 371	32 973
liquidation	0	1 602	0	358	1 960
settlement of advances	0	0	0	30 774	30 774
other	0	0	0	239	239
d) gross value of intangible fixed assets at the end of the period	102 863	362 324	27 126	178 655	670 968
e) cumulated depreciation at the beginning of the period	55 945	248 986	17 602	0	322 533
f) depreciation over the period (on account of)	22 761	29 945	2 228	0	54 934
current write-off (P&L)	22 761	30 088	2 228	0	55 077
liquidation	0	(143)	0	0	(143)
other	0	0	0	0	0
g) cumulated depreciation at the end of the period	78 706	278 931	19 830	0	377 467
h) impairment allowances at the beginning of the period	0	3 996	0	0	3 996
other	0	0	0	0	0
j) impairment allowances at the end of the period	0	3 996	0	0	3 996
j) net value of intangible fixed assets at the end of the period	24 157	79 397	7 296	178 655	289 505

28. DEFERRED INCOME TAX ASSETS

28a. Deferred income tax assets and liability

	31.12.2024			31.12.2023		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	38 031	(19 336)	18 695	(3 854)	13 021	9 167
Balance sheet valuation of financial instruments	37 287	(48 155)	(10 868)	(16 627)	(36 476)	(53 103)
Unrealised receivables/ liabilities on account of derivatives	55 499	(63 179)	(7 680)	67 024	(67 597)	(573)
Interest on deposits and securities to be paid/ received	87 284	(330 105)	(242 821)	127 301	(323 617)	(196 316)
Interest and discount on loans and receivables	0	(134 756)	(134 756)	0	(113 818)	(113 818)
Income and cost settled at effective interest rate	0	(37 147)	(37 147)	60 214	(801)	59 413
Impairment of loans presented as temporary differences	603 644	0	603 644	547 553	0	547 553
Employee benefits	28 398	0	28 398	23 055	0	23 055
Rights to use	4 291	(5)	4 286	4 201	0	4 201
Provisions for future costs	308 344	0	308 344	142 172	0	142 172
Asset from future cancellations of loans in CHF	186 862	0	186 862	0	0	0
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	21 632	(7 521)	14 111	76 462	(25 410)	51 052
Shares valuation	1 273	(27 556)	(26 283)	1 273	(33 300)	(32 027)
Tax loss deductible in the future	16 319	0	16 319	45 805	0	45 805
Other	(3 230)	(4 440)	(7 670)	141	(1 729)	(1 588)
Net deferred income tax asset	1 385 634	(672 200)	713 434	1 074 721	(589 728)	484 993
including long-term net deferred income tax asset			234 403			86 368
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax provision	Deferred income tax asset	Deferred income tax provision	Net deferred income tax provision
The difference between tax and balance sheet depreciation	(22)	0	(22)	0	0	0
Interest payable/receivable on deposits and securities	(111)	0	(111)	0	0	0
Income and expenses settled at the effective interest rate	0	(1 679)	(1 679)	0	(1 172)	(1 172)
Employee benefits	246	0	246	213	0	213
Rights to use	38	0	38	3	0	3
Provisions for future costs	(1 518)	0	(1 518)	763	0	763
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	1	(44)	(43)	0	(31)	(31)
Other	10	(29)	(19)	16	(32)	(16)
Net deferred income tax provision	(1 356)	(1 752)	(3 108)	995	(1 235)	(240)

28b. Change of net temporary differences

	31.12.2023	Adjustments to previous years	Changes to financial result	Changes to equity	31.12.2024
Difference between tax and balance sheet depreciation	9 167	0	9 506	0	18 673
Balance sheet valuation of financial instruments	(53 103)	0	42 235	0	(10 868)
Unrealised receivables/ liabilities on account of derivatives	(572)	0	(7 108)	0	(7 680)
Interest on deposits and securities to be paid/ received	(196 315)	0	(46 617)	0	(242 932)
Interest and discount on loans and receivables	(113 819)	0	(20 937)	0	(134 756)
Income and cost settled at EIR	58 242	0	(97 068)	0	(38 826)
Impairment of loans presented as temporary differences	547 552	0	56 092	0	603 644
Employee benefits	23 268	0	5 376	0	28 644
Rights to use	4 204	0	120	0	4 324
Provisions for future costs	142 935	0	163 891	0	306 826
Asset from future cancellations of loans in CHF	0	0	186 862	0	186 862
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	51 022	0	0	(36 954)	14 068
Shares valuation	(32 027)	0	5 744	0	(26 283)
Tax loss deductible in the future	45 805	0	(29 486)	0	16 319
Other	(1 605)	(98)	(5 986)	0	(7 689)
Total	484 753	(98)	262 624	(36 954)	710 326

28c. Change of net temporary differences

	31.12.2022	Adjustments to previous years	Changes to financial result	Changes to equity	31.12.2023
Difference between tax and balance sheet depreciation	(23 229)	0	32 396	0	9 167
Balance sheet valuation of financial instruments	(14 073)	0	(39 030)	0	(53 103)
Unrealised receivables/ liabilities on account of derivatives	13 602	0	(14 174)	0	(572)
Interest on deposits and securities to be paid/ received	(210 663)	0	14 348	0	(196 315)
Interest and discount on loans and receivables	(109 345)	0	(4 474)	0	(113 819)
Income and cost settled at EIR	238 033	0	(179 791)	0	58 242
Impairment of loans presented as temporary differences	516 489	0	31 063	0	547 552
Employee benefits	20 807	0	2 461	0	23 268
Rights to use	4 756	0	(552)	0	4 204
Provisions for future costs	84 037	0	58 898	0	142 935
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	244 486	0	0	(193 464)	51 022
Shares valuation	(18 147)	0	(13 880)	0	(32 027)
Tax loss deductible in the future	57 486	0	(11 681)	0	45 805
Other	(2 847)	942	300	0	(1 605)
Total	801 392	942	(124 117)	(193 464)	484 753

28d. Change of deferred income tax

	1.01.2024 - 31.12.2024	1.01.2023 - 31.12.2023
Difference between tax and balance sheet depreciation	9 506	32 396
Balance sheet valuation of financial instruments	42 235	(39 030)
Unrealised receivables/ liabilities on account of derivatives	(7 108)	(14 174)
Interest on deposits and securities to be paid/ received	(46 617)	14 348
Interest and discount on loans and receivables	(20 937)	(4 474)
Income and cost settled at effective interest rate	(97 068)	(179 791)
Impairment of loans presented as temporary differences	56 092	31 063
Employee benefits	5 376	2 461
Rights to use	120	(552)
Provisions for future costs	163 891	58 898
Asset from future cancellations of loans in CHF	186 862	0
Shares valuation	5 744	(13 880)
Tax loss deductible in the future	(29 486)	(11 681)
Other	(5 986)	300
Change of deferred income tax recognized in financial result	262 624	(124 117)
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	(36 954)	(193 464)

28e. Negative temporary differences for which the deferred income tax asset was not recognised in the balance sheet

Temporary differences expiry year	31.12.2024	31.12.2023
Unlimited	10 009	10 009
Total	10 009	10 009

The value of negative temporary differences presented in the above table was recalculated with the valid tax rate.

In accordance with IAS 12, the Group's companies offset deferred income tax assets with deferred income tax liabilities.

	31.12.2024	31.12.2023
Net deferred income tax assets	713 434	484 993
Net deferred income tax provision	(3 108)	(240)
TOTAL	710 326	484 753

29. OTHER ASSETS

	31.12.2024	31.12.2023
Expenses to be settled	86 825	136 982
Income to be received	61 298	42 861
Interbank settlements	6 924	4 349
Settlements of financial instruments transactions	19 881	44
Receivables from sundry debtors, including:	1 476 018	1 192 881
- receivables due from Société Générale S.A. under an 'CHF Portfolio Indemnity and Guarantee Agreement'*	797 262	625 100
- receivables due to legally invalidated foreign currency mortgage loans	267 507	325 700
Settlements with the State Treasury	16 284	19 664
Settlements of brokerage activities	17 168	16 123
Other	106 831	161 703
Total other assets (gross)	1 791 229	1 574 607
Impairment allowances	(26 041)	(30 279)
Total other assets (net)	1 765 188	1 544 328
including other financial assets**	1 555 248	1 225 979
including long-term other assets	0	0

* In implementing the Euro Bank share purchase agreement, which ultimately led to the Purchase of Euro Bank by Bank Millennium and subsequent Legal Merger, in order to limit the risk associated with the Euro Bank's portfolio of mortgage loans denominated in CHF or denominated in PLN but indexed to CHF, Euro Bank and Société Générale S.A. concluded on 31 May 2019 a "CHF Portfolio Indemnity and Guarantee Agreement" under which the losses resulting from legal risk are covered by Société Générale S.A.

** other financial assets includes all of the remaining other net assets excluding the Expenses to be settled and Settlements with the State Treasury and Other items

30. NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

30a. Change of balance of non-current assets held for sale in the period 01.01.2024 - 31.12.2024

	land	buildings, premises, civil and hydro- engineering structures	machines and equipment	vehicles	other fixed assets	TOTAL
a) value at the beginning of the period	0	0	0	0	17 514	17 514
b) impairment allowances at the beginning of the period	0	0	0	0	0	0
c) net value of non-current assets held for sale at the beginning of the period	0	0	0	0	17 514	17 514
d) change of value in the period, including:	0	0	0	0	(2 966)	(2 966)
- sale of non-current assets held for sale	0	0	0	0	0	0
e) value at the end of the period	0	0	0	0	14 549	14 549
f) change of impairment allowances in the period, including:	0	0	0	0	0	0
- sale of non-current assets held for sale	0	0	0	0	0	0
g) impairment allowances at the end of the period	0	0	0	0	0	0
h) net value of non-current assets held for sale at the end of the period	0	0	0	0	14 549	14 549

30b. Change of balance of non-current assets held for sale in the period 01.01.2023 - 31.12.2023

	land	buildings, premises, civil and hydro- engineering structures	machines and equipment	vehicles	other fixed assets	TOTAL
a) value at the beginning of the period	70	67	27	6	11 358	11 528
b) impairment allowances at the beginning of the period	(64)	(40)	(27)	(6)	0	(137)
c) net value of non-current assets held for sale at the beginning of the period	6	28	0	0	11 358	11 392
d) change of value in the period, including:	(70)	(67)	(27)	(6)	6 156	5 986
- sale of non-current assets held for sale	0	0	0	0	0	0
e) value at the end of the period	0	0	0	0	17 514	17 514
f) change of impairment allowances in the period, including:	64	40	27	6	0	137
- sale of non-current assets held for sale	0	0	0	0	0	0
g) impairment allowances at the end of the period	0	0	0	0	0	0
h) net value of non-current assets held for sale at the end of the period	0	0	0	0	17 514	17 514

31. FINANCIAL LIABILITIES HELD FOR TRADING

	31.12.2024	31.12.2023
Negative valuation of derivatives	226 304	576 833
Adjustment due to fair value hedge	0	0
Short sale of securities	190 769	2 720
Financial liabilities valued at fair value through profit and loss	417 073	579 553

The division of the negative valuation of derivatives into specific types of instruments is presented in note (19).

32. LIABILITIES TO BANKS AND OTHER MONETARY INSTITUTIONS

32a. Liabilities to banks and other monetary institutions

	31.12.2024	31.12.2023
In current account	31 840	25 424
Term deposits	284 422	536 152
Loans and advances received	0	0
Interest	562	1 936
Total	316 824	563 512

32b. Liabilities to banks and other monetary institutions by maturity

	31.12.2024	31.12.2023
Current accounts	31 840	25 424
to 1 month	281 830	530 573
above 1 month to 3 months	2 592	3 103
above 3 months to 1 year	0	2 476
above 1 year to 5 years	0	0
above 5 years	0	0
Interest	562	1 936
Total	316 824	563 512

32c. Liabilities to banks and other monetary institutions by currency

	31.12.2024	31.12.2023
in Polish currency	58 251	259 177
in foreign currencies (after conversion to PLN)	258 573	304 335
currency: USD	2 997	3
currency: EUR	255 576	304 332
currency: CHF	0	0
other currencies	0	0
Total	316 824	563 512

33. LIABILITIES TO CUSTOMERS

33a. Structure of liabilities to customers by type

	31.12.2024	31.12.2023
Amounts due to private individuals	87 566 756	76 599 831
Balances on current accounts	57 540 848	50 242 523
Term deposits	29 463 221	25 771 736
Other	293 855	278 997
Accrued interest	268 832	306 575
Amounts due to companies	24 967 949	26 346 440
Balances on current accounts	14 896 746	14 675 577
Term deposits	9 725 173	11 162 998
Other	301 393	462 439
Accrued interest	44 637	45 426
Amounts due to public sector	4 722 508	4 300 156
Balances on current accounts	4 281 851	3 318 533
Term deposits	434 813	974 507
Other	1 683	1 677
Accrued interest	4 161	5 439
Total	117 257 213	107 246 427

33b. Liabilities to customers by maturity

	31.12.2024	31.12.2023
Current accounts	76 719 445	68 236 633
to 1 month	14 732 871	13 610 001
above 1 month to 3 months	14 661 027	11 948 566
above 3 months to 1 year	9 530 615	11 291 505
above 1 year to 5 years	1 246 980	1 766 561
above 5 years	48 645	35 721
Interest	317 630	357 440
Total	117 257 213	107 246 427

33c. Liabilities to customers by currency

	31.12.2024	31.12.2023
in Polish currency	106 405 468	96 001 431
in foreign currencies (after conversion to PLN)	10 851 745	11 244 996
currency: USD	2 498 267	2 549 971
currency: EUR	7 618 804	8 021 679
currency: GBP	383 020	382 962
currency: CHF	231 448	242 240
other currencies	120 206	48 144
Total	117 257 213	107 246 427

34. SALE AND REPURCHASE AGREEMENTS

Liabilities from securities sold with buy-back clause

	31.12.2024	31.12.2023
a) to the Central Bank	194 162	0
b) to banks	0	0
c) to customers	0	0
d) interest	61	0
Total	194 223	0

35. DEBT SECURITIES ISSUED

35a. Liabilities from debt securities

	31.12.2024	31.12.2023
Bonds	5 153 379	3 183 111
Mortgage bonds	798 461	0
Valuation of the Bank's bonds designated to fair value hedging	52 463	49 305
Interest	120 472	85 433
Total	6 124 775	3 317 849

35b. Liabilities from debt securities by final legal maturity

	31.12.2024	31.12.2023
to 1 month	0	0
above 1 month to 3 months	0	0
above 3 months to 1 year	52 463	0
above 1 year to 5 years	5 069 071	2 220 916
above 5 years	882 769	1 011 500
Interest	120 472	85 433
Total	6 124 775	3 317 849

35c. Change of debt securities

	01.01.2024 - 31.12.2024	01.01.2023 - 31.12.2023
Balance at the beginning of the period	3 317 849	243 753
Increases, on account of:	3 368 571	3 130 201
issue of Banking Securities	2 131 700	2 660 611
issue of mortgage bonds by Millennium Bank Hipoteczny	800 000	0
issue of bonds by the Millennium Leasing	0	280 000
Valuation of Bank's bonds designated to fair value hedge	3 159	49 305
interest accrual	433 712	140 285
Reductions, on account of:	(561 645)	(56 105)
repurchase of Banking Securities	(128 731)	0
Other changes including FX differences	(34 240)	0
interest payment	(398 674)	(56 105)
Balance at the end of the period	6 124 775	3 317 849

35d. Debt securities by type

As at 31.12.2024	Balance sheet value	Including interests	Final legal maturity	Market
Bank Millennium - BMCN_012040	117 955	4 186	2040-01-25	Vienna MTF
Bank Millennium - BMCN_082036	497 997	8 997	2036-08-25	Vienna MTF
Bank Millennium - MILP-2027/09	2 238 911	60 693	2027-09-18	Luxembourg SE
Bank Millennium - MILP-2029/09	2 175 303	30 449	2029-09-25	Luxembourg SE
Millennium Mortgage Bank - PLMLNBH00014	300 536	1 101	2027-06-11	Warsaw - Catalyst
Millennium Mortgage Bank - PLMLNBH00022	504 217	5 190	2029-11-05	Warsaw - Catalyst
Millennium Leasing - CLN 23-38	289 856	9 856	2038-10-20	Vienna MTF
Total	6 124 775	120 472		

As at 31.12.2023	Balance sheet value	Including interests	Final legal maturity	Market
Bank Millennium - BMCN_012040	251 341	8 841	2040-01-25	Vienna MTF
Bank Millennium - BMCN_082036	494 107	5 107	2036-08-25	Vienna MTF
Bank Millennium - MILP-2027/09	2 282 505	61 589	2027-09-18	Luxembourg SE
Millennium Leasing - CLN 23-38	289 896	9 896	2038-10-20	Vienna MTF
Total	3 317 849	85 433		

36. SUBORDINATED DEBT

36a. Subordinated debt

	31.12.2024	31.12.2023
Amount of subordinated bonds in PLN - BKMO_071227R	700 000	700 000
Currency	PLN	PLN
Interest rate	8.08%	8.12%
Maturity	2027-12-07	2027-12-07
Interest	3 719	3 738
Amount of subordinated bonds PLN in PLN - BKMO_300129W	830 000	830 000
Currency	PLN	PLN
Interest rate	8.17%	8.94%
Maturity	2029-01-30	2029-01-30
Interest	28 611	31 307
Balance sheet value of subordinated debt	1 562 330	1 565 045

36b. Change of subordinated debt

	01.01.2024 - 31.12.2024	01.01.2023 - 31.12.2023
Balance at the beginning of the period	1 565 045	1 568 083
Increases, on account of:	125 557	141 686
interest accrual	125 557	141 686
Reductions, on account of:	(128 272)	(144 724)
interest payment	(128 272)	(144 724)
Balance at the end of the period	1 562 330	1 565 045

During 2024 and 2023 the Group did not have any delays in the payment of principal and interest instalments, nor did it infringe any contractual provisions resulting from its subordinated liabilities.

Provision for legal risk connected with fx mortgage loans

37. PROVISIONS

37a. Provisions

	31.12.2024	31.12.2023
Provision for commitments and guarantees given	53 583	42 367
Provision for pending legal issues, including:	2 847 003	1 403 105
Provision for legal risk connected with fx mortgage loans	2 798 472	1 355 329
Total	2 900 586	1 445 472

37b. Change of provision for commitments and guarantees given

	01.01.2024 - 31.12.2024	01.01.2023 - 31.12.2023
Balance at the beginning of the period	42 367	39 617
Charge of provision	52 289	40 884
Release of provision	(40 993)	(37 917)
FX rates differences	(80)	(217)
Balance at the end of the period	53 583	42 367

37c. Change of provision for pending legal issues

	01.01.2024 - 31.12.2024	01.01.2023 - 31.12.2023
Balance at the beginning of the period	1 403 105	976 552
Charge of provision	13 553	30 208
Release of provision	(9 186)	(11 936)
Utilisation of provision	(420 111)	(112 313)
Creation of provisions for legal risk connected with FX mortgage loans*	1 857 142	532 886
Reclassification of provisions	2 500	(12 292)
Balance at the end of the period	2 847 003	1 403 105

* Creation of provisions for legal risk related to foreign currency mortgage loans is described in more detail in Chapter 13 “Legal risk related to foreign currency mortgage loans”.

38. OTHER LIABILITIES

38a. Other liabilities

	31.12.2024	31.12.2023
Short-term	1 789 093	2 768 141
Accrued costs - bonuses, salaries	77 425	52 196
Accrued costs - other	246 303	206 827
Provisions for return of insurance fees	98 921	186 661
Interbank settlements	482 843	745 986
Provisions for potential return of fees in the event of early repayment of the loan	70 600	76 400
Settlement of transactions on financial instruments	0	0
Other creditors, including:	524 413	1 126 179
- liabilities due to legally invalidated foreign currency mortgage loans	244 094	288 253
- settlements for card transactions	7	192 141
- payments towards leasing installments	102 797	104 713
- insurance settlements	16 342	59 775
Liabilities to public sector	42 747	63 574
Deferred income	25 764	61 824
Liabilities due to lease	80 973	80 792
Provisions for unused employee holiday	20 122	17 445
Provisions for retirement benefits	4 408	3 388
Settlement due to brokerage activity	2 585	1 861
Other	111 989	145 008
Long-term	486 575	483 989
Provisions for retirement benefits	46 758	44 940
Liabilities due to lease	183 465	197 829
Accrued costs	0	4 196
Commitment to pay - BGF*	227 409	209 209
Other	28 943	27 815
Total	2 275 668	3 252 130
including other financial liabilities**	1 669 295	2 481 639

* - The Bank uses the option of contributing some of the fees paid to the BGF in the form of a payment obligation, which involves recognizing a commitment to pay and simultaneously recording encumbered assets in the form of debt securities held on a separate account created for this purpose.

** - other financial liabilities includes all of the other liabilities excluding the Liabilities to public sector, Deferred income, Provisions for return, Commitment to pay - BGF, and other items.

38b. Liabilities due to lease

	31.12.2024	31.12.2023
Liabilities due to lease (gross)	285 424	295 402
Unrealised financial costs	(20 987)	(16 780)
Current value of minimum lease instalments	264 437	278 622
Liabilities due to lease (gross) by maturity		
Under 1 year	89 931	87 749
From 1 year to 5 years	187 258	178 312
Above 5 years	8 235	29 340
Total	285 424	295 401
Liabilities due to lease (net) by maturity		
Under 1 year	80 973	80 792
From 1 year to 5 years	175 414	168 812
Above 5 years	8 051	29 017
Total	264 438	278 621

38c. Change of provisions for unused employee holiday

	01.01.2024 - 31.12.2024	01.01.2023 - 31.12.2023
Balance at the beginning of the period	17 445	14 113
Charge of provisions/ reversal of provisions	2 461	3 367
Utilisation of provisions	(26)	(35)
Other	242	0
Balance at the end of the period	20 122	17 445

38d. Change of provisions for retirement benefits

	01.01.2024 - 31.12.2024	01.01.2023 - 31.12.2023
Balance at the beginning of the period	48 328	33 817
Charge of provisions/ reversal of provisions	6 227	4 937
Utilisation of provisions/ reclassification of provision	(1 456)	(1 497)
Actuarial gains (losses)	(1 928)	11 071
Other	(5)	0
Balance at the end of the period	51 166	48 328

39. EQUITY

39a. Capital

The share capital of the Bank Millennium S.A. (equal to the Group's share capital) is PLN 1,213,116,777 divided into 1,213,116,777 shares of PLN 1 par value each, as presented by the table below.

SHARE CAPITAL

Par value of one share = 1 PLN.

Series/ issue	Share type	Type of preference	Number of shares	Value of series/issue (PLN)	Manner of capital coverage	Registration date	Right to dividend
A	registered founder	x2 as to voting	106 850	106 850	cash	30.06.1989	30.06.1989
B1	registered ordinary		150 000	150 000	cash	13.06.1990	01.01.1990
B2	registered ordinary		150 000	150 000	cash	13.12.1990	01.01.1990
C	bearer ordinary		4 693 150	4 693 150	cash	17.05.1991	01.01.1991
D1	bearer ordinary		1 700 002	1 700 002	cash	31.12.1991	01.01.1992
D2	bearer ordinary		2 611 366	2 611 366	cash	31.01.1992	01.01.1992
D3	bearer ordinary		1 001 500	1 001 500	cash	10.03.1992	01.01.1992
E	bearer ordinary		6 000 000	6 000 000	cash	28.05.1993	01.01.1992
F	bearer ordinary		9 372 721	9 372 721	cash	10.12.1993	01.01.1993
G	bearer ordinary		8 000 000	8 000 000	cash	30.05.1994	01.10.1993
H	bearer ordinary		7 082 129	7 082 129	cash	24.10.1994	01.10.1994
Increasing of par value of shares from 1 to 4 PLN				122 603 154	surplus	24.11.1994	
1:4 split			122 603 154			05.12.1994	
I	bearer ordinary		65 000 000	65 000 000	cash	12.08.1997	01.10.1996
J	bearer ordinary		196 120 000	196 120 000	capitals of Bank Gdański S.A.	12.09.1997	01.10.1996
K	bearer ordinary		424 590 872	424 590 872	cash	31.12.2001	01.01.2001
L	bearer ordinary		363 935 033	363 935 033	cash	26.02.2010	01.01.2009
Total number of shares			1 213 116 777				
Total share capital				1 213 116 777			

In the reporting period a conversions of 8000 ordinary registered shares into the bearer shares took place. As a consequence number of registered shares as of 31.12.2024 amounted to 99,480 of which 61,600 are founders' shares, privileged so that one share entitles to two votes at the Annual General Meeting.

According to the information available to the Bank, with respect to shareholders holding more than 5% of votes at the General Meeting, the Bank's shareholders are the following entities

Shareholder 31.12.2024	Number of shares	% share in share capital	Number of votes	% share in votes at Shareholders' Meeting
Banco Comercial Portugues S.A.	607 771 505	50.10	607 771 505	50.10
Nationale-Nederlanden Otwarty Fundusz Emerytalny	112 638 286	9.29	112 638 286	9.29
Allianz Polska Otwarty Fundusz Emerytalny	108 832 510	8.97	108 832 510	8.97
Otwarty Fundusz Emerytalny PZU „Złota Jesień”	65 599 757	5.41	65 599 757	5.41

The data contained in the table has been determined according to the rules described below. With regard to Banco Comercial Portugues S.A. this data collected in connection with the registration of shareholders entitled to participate in the Ordinary General Meeting of Shareholders held on March 27, 2024. In the scope of Nationale-Nederlanden Otwarty Fundusz Emerytalny Allianz Polska Otwarty Fundusz Emerytalny oraz Otwartego Funduszu Emerytalnego PZU „Złota Jesień” the number of shares and their participation in the share capital of the Bank were calculated on the basis of the annual structure of assets of the above mentioned Funds as at 31 December 2024 (announced on the websites respectively: www.nn.pl , www.allianz.pl and www.pzu.pl) In terms of the calculations made on the basis of the annual structures of the above mentioned funds, the volume-weighted average price (VWAP) of the Bank's shares was assumed at PLN 8.9290.

Shareholder 31.12.2023	Number of shares	% share in share capital	Number of votes	% share in votes at Shareholders' Meeting
Banco Comercial Portugues S.A.	607 771 505	50.10	607 771 505	50.10
Nationale-Nederlanden Otwarty Fundusz Emerytalny	107 970 039	8.90	107 970 039	8.90
Allianz Polska Otwarty Fundusz Emerytalny	100 990 351	8.32	100 990 351	8.32
Otwarty Fundusz Emerytalny PZU „Złota Jesień”	65 492 207	5.40	65 492 207	5.40

39b. Accumulated other comprehensive income

Other comprehensive income arises on the recognition of:

- effect of valuation (at fair value) of financial assets FVTOCI in the net amount, i.e. after having accounted for deferred tax. These values are taken off revaluation reserve at the moment of excluding the valued assets from the books of account - in full or in part or at the moment of recognising impairment (the effect of valuation is then put through the profit and loss account), the effect on capital instruments valuation is not transferred to the profit and loss account.
- effect of valuation (at fair value) of derivatives hedging cash flows in the net amount, i.e. having accounted for deferred tax. Revaluation reserve records such part of profits or losses connected with the derivatives hedging cash flows which is an effective hedge, while the ineffective part of the profits or losses connected with such hedging instrument is recognised in the profit and loss account.
- actuarial gains (losses) at their net value, i.e. after deferred tax. Aforementioned gains or losses result from the discounting of future liabilities arising from a provision created for retirement benefits. Valuation is done using the projected unit cost method. The parameters that have a significant impact on the amount of current liabilities are: the rate of mobility (rotation) of employees, the discount rate, the rate of wage growth. These values are not reclassified to the profit and loss account.

Accumulated other comprehensive income

	31.12.2024	31.12.2023
Effect of valuation (gross)	(74 052)	(268 531)
Deferred income tax	14 068	51 019
Net effect of valuation	(59 984)	(217 512)

The sources of revaluation reserve are as follows (data in PLN thousand):

Revaluation reserve on FVTOCI assets 1.01.2024 - 31.12.2024

	Gross value	Deferred tax	Total
Revaluation reserve at the beginning of the period	(214 495)	40 752	(173 743)
Transfer to income statement of the period as a result of sale	(143)	27	(116)
Change connected with maturity of securities	0	0	0
Profit/loss on revaluation of FVTOCI debt securities, recognized in equity	155 414	(29 529)	125 885
Profit/loss on revaluation of FVTOCI shares, recognized in equity	7 847	(1 491)	6 356
Revaluation reserve at the end of the period	(51 377)	9 759	(41 618)

Revaluation reserve on FVTOCI assets 1.01.2023 - 31.12.2023

	Gross value	Deferred tax	Total
Revaluation reserve at the beginning of the period	(891 937)	169 467	(722 470)
Transfer to income statement of the period as a result of sale	12 353	(2 347)	10 006
Change connected with maturity of securities	70 973	(13 485)	57 488
Profit/loss on revaluation of FVTOCI debt securities, recognized in equity	589 694	(112 043)	477 651
Profit/loss on revaluation of FVTOCI shares, recognized in equity	4 422	(840)	3 582
Revaluation reserve at the end of the period	(214 495)	40 752	(173 743)

Revaluation reserve on cash flows hedge financial instruments 1.01.2024 - 31.12.2024

	Gross value	Deferred tax	Total
Revaluation reserve at the beginning of the period	(54 193)	10 297	(43 896)
Gains or losses on valuation of financial instruments recognized in equity	29 212	(5 550)	23 662
Transfer to income statement during period	221	(42)	179
Revaluation reserve at the end of the period	(24 760)	4 705	(20 055)

Revaluation reserve on cash flows hedge financial instruments 1.01.2023 - 31.12.2023

	Gross value	Deferred tax	Total
Revaluation reserve at the beginning of the period	(406 060)	77 151	(328 909)
Gains or losses on valuation of financial instruments recognized in equity	354 113	(67 281)	286 832
Transfer to income statement during period	(2 246)	427	(1 819)
Revaluation reserve at the end of the period	(54 193)	10 297	(43 896)

Revaluation reserve due to actuarial gains (losses) 1.01.2024 - 31.12.2024

	Gross value	Deferred tax	Total
Revaluation reserve at the beginning of the period	157	(30)	127
Change in the obligations arising from the provision for retirement benefits	1 928	(366)	1 562
Revaluation reserve at the end of the period	2 085	(396)	1 689

Revaluation reserve due to actuarial gains (losses) 1.01.2023 - 31.12.2023

	Gross value	Deferred tax	Total
Revaluation reserve at the beginning of the period	11 228	(2 133)	9 095
Change in the obligations arising from the provision for retirement benefits	(11 071)	2 103	(8 968)
Revaluation reserve at the end of the period	157	(30)	127

39c. Retained earnings

	Supplementary capital	Reserve capital	General banking risk fund	Retained earnings	TOTAL
Retained earnings at the beginning of the period 01.01.2024	472 698	3 257 933	228 902	792 276	4 751 809
appropriation of profit, including:					
transfer to reserve capital/covering financial loss		557 592		(557 590)	2
charge due to transfer of own shares to employees		0		0	0
net profit/ (loss) of the period				719 209	719 209
Retained earnings at the end of the period 31.12.2024	472 698	3 815 525	228 902	953 895	5 471 020

	Supplementary capital	Reserve capital	General banking risk fund	Retained earnings	TOTAL
Retained earnings at the beginning of the period 01.01.2023	472 698	4 299 365	228 902	(824 873)	4 176 092
appropriation of profit, including:					
transfer to reserve capital/covering financial loss		(1 041 432)		1 041 432	0
charge due to transfer of own shares to employees		0		0	0
net profit/ (loss) of the period				575 717	575 717
Retained earnings at the end of the period 31.12.2023	472 698	3 257 933	228 902	792 276	4 751 809

40. FINANCIAL LIABILITIES BY CONTRACTUAL MATURITY

31.12.2024	below 1 month	from 1 month to 3 months	from 3 months to 1 year	from 1 year to 5 years	above 5 years	TOTAL
Deposits from banks	314 232	2 591	0	0	0	316 823
Deposits from customers	91 601 487	14 877 597	9 757 852	1 251 544	48 645	117 537 125
Liabilities from securities sold with buy-back clause	194 254	0	0	0	0	194 254
Debt securities	16 607	15 288	656 985	6 680 684	2 028 705	9 398 269
Subordinated debt	0	28 611	128 090	1 018 593	830 000	2 005 294
Liabilities from trading derivatives - notional value	3 556 879	1 399 841	2 081 440	6 013 031	263 740	13 314 931
Liabilities from hedging derivatives - notional value	468 280	1 077 044	192 070	5 856 460	0	7 593 854
Commitments granted - financial	11 754 379	0	0	0	0	11 754 379
Commitments granted - guarantee	1 686 880	0	0	0	0	1 686 880
TOTAL	109 592 998	17 400 972	12 816 437	20 820 312	3 171 090	163 801 809

31.12.2023	below 1 month	from 1 month to 3 months	from 3 months to 1 year	from 1 year to 5 years	above 5 years	TOTAL
Deposits from banks	559 021	3 102	2 477	0	0	564 600
Deposits from customers	81 984 188	12 164 714	11 572 894	1 776 691	35 721	107 534 208
Liabilities from securities sold with buy-back clause	0	0	0	0	0	0
Debt securities	21 968	5 106	451 628	3 784 272	2 467 295	6 730 269
Subordinated debt	0	31 307	134 779	1 170 252	830 000	2 166 338
Liabilities from trading derivatives - notional value	2 755 171	2 737 730	5 093 097	4 773 421	173 335	15 532 754
Liabilities from hedging derivatives - notional value	1 708 280	1 945 044	117 070	3 117 280	0	6 887 674
Commitments granted - financial	11 709 292	0	0	0	0	11 709 292
Commitments granted - guarantee	1 676 248	0	0	0	0	1 676 248
TOTAL	100 414 168	16 887 003	17 371 945	14 621 916	3 506 351	152 801 383

15. Supplementary Information

15.1. 2023 DIVIDEND

Bank Millennium has a dividend policy of distribution between 35% and 50% of net profit, taking into account supervisory recommendations. Considering that in the Recovery Plan and the Capital Protection Plan, the Bank adopted the assumption that no dividend would be paid from the 2023 profit, as well as taking into account the recommendation of the Polish Financial Supervision Authority formulated in the letter of 22 February 2024 regarding the non-payment of dividend, the Management Board of the Bank presented a proposal and the Ordinary General Meeting of the Bank, held on March 27, 2024, decided to allocate the entire profit earned in 2023 in the amount of PLN 510,259,398.40 to reserve capital.

15.2. DATA ABOUT ASSETS, WHICH SECURE LIABILITIES

As at 31 December 2024 following assets of the Group constituted collateral of liabilities (PLN'000):

No.	Type of assets	Portfolio	Secured liability	Par value of assets	Balance sheet value of assets
1.	Treasury Bonds DS0727	Held to maturity	Securing the Fund for Protection of Funds Guaranteed as part of the Bank Guarantee Fund	267 000	247 461
2.	Treasury Bonds PS0527	Held to maturity	Security of payment obligation to BFG contribution - guarantee fund	142 000	139 128
3.	Treasury Bonds DS0726	Held to maturity	Security of payment obligation to BFG contribution compulsory resolution fund	150 000	144 743
4.	Treasury Bonds PS0425	Held to Collect and for Sale	pledge on the Bank's account related to a securitization transaction	550 000	545 358
5.	Treasury Bonds WZ0525	Held to Collect and for Sale	pledge on the Bank's account related to a securitization transaction	127 000	128 110
6.	Treasury Bonds PS0527	Held to maturity	financial and registered pledge on the Bank's account in the brokerage house	188 850	185 031
7.	Treasury Bonds PS0527	Held to maturity	financial pledge on the Bank's account in the brokerage house	583 659	571 855
8.	Treasury Bonds WZ0126	Held to maturity	pledge on the Millennium Leasing account related to a securitization transaction	311 835	321 623
9.	Cash	receivables	initial settlement deposit in KDPW CCP (MAGB)	11 000	11 000
10.	Cash	receivables	ASO guarantee fund (PAGB)	795	795
11.	Cash	receivables	appropriate security deposit at KDPW CCP (MATS)	321	321
12.	Cash	receivables	Settlement on transactions concluded	24 657	24 657
13.	Deposits placed	Deposits in banks	Settlement on transactions concluded	144 662	145 063
14.	Treasury Bonds WZ1127	Held to Collect and for Sale	mortgage bonds Millennium Bank Hipoteczny	15 000	14 960
15.	Treasury Bonds WZ0525	Held to Collect and for Sale	mortgage bonds Millennium Bank Hipoteczny	5 000	5 044
16.	Treasury Bonds WZ1129	Held to Collect and for Sale	mortgage bonds Millennium Bank Hipoteczny	15 000	14 657
17.	Treasury Bonds WZ0126	Held to Collect and for Sale	mortgage bonds Millennium Bank Hipoteczny	5 000	5 152
18.	Treasury Bonds WZ0528	Held to Collect and for Sale	mortgage bonds Millennium Bank Hipoteczny	10 000	9 955
19.	Treasury Bonds WZ1128	Held to Collect and for Sale	mortgage bonds Millennium Bank Hipoteczny	10 000	9 880
20.	Mortgage loans	Held to maturity	mortgage bonds Millennium Bank Hipoteczny *	1 673 857	1 707 557
TOTAL				4 235 636	4 232 351

* the carrying amount of secured liabilities (issued mortgage bonds) amounted to PLN 804,752 thousand as at the reporting date.

Additionally, as at 31 December 2024, the Group had concluded short-term (usually settled within 7 days) sales transactions of Treasury securities with a repurchase agreement, the subject of which were securities with a value of PLN 194,088 thousand.

As at 31 December 2023 following assets of the Group constituted collateral of liabilities (PLN'000):

No.	Type of assets	Portfolio	Secured liability	Par value of assets	Balance sheet value of assets
1.	Treasury Bonds DS0727	Held to maturity	Securing the Fund for Protection of Funds Guaranteed as part of the Bank Guarantee Fund	255 000	228 434
2.	Treasury Bonds DS0726	Held to maturity	Securing the Fund for Protection of Funds Guaranteed as part of the Bank Guarantee Fund	52 000	48 267
3.	Treasury Bonds PS0527	Held to maturity	Security of payment obligation to BFG contribution - guarantee fund	142 000	136 644
4.	Treasury Bonds DS0726	Held to maturity	Security of payment obligation to BFG contribution - compulsory resolution fund	135 000	125 307
5.	Treasury Bonds PS0425	Held to Collect and for Sale	pledge on the Bank's account related to a securitization transaction	572 500	544 528
6.	Treasury Bonds WZ0525	Held to Collect and for Sale	pledge on the Bank's account related to a securitization transaction	220 500	221 887
7.	Treasury Bonds PS0524	Held to Collect and for Sale	pledge on the Bank's account related to a securitization transaction	50 000	50 425
8.	Treasury Bonds PS0527	Held to maturity	financial and registered pledge on the Bank's account in the brokerage house	64 850	62 404
9.	Treasury Bonds PS0527	Held to maturity	financial pledge on the Bank's account in the brokerage house	583 659	561 643
10.	Treasury Bonds PS0527	Held to maturity	financial pledge on the Bank's account in the brokerage house	124 000	119 323
11.	Treasury Bonds PS0527	Held to maturity	pledge on the Millennium Leasing account related to a securitization transaction	317 000	310 127
12.	Cash	receivables	initial settlement deposit in KDPW CCP (MAGB)	11 000	11 000
13.	Cash	receivables	ASO guarantee fund (PAGB)	1 927	1 927
14.	Cash	receivables	settlement of concluded transactions	47 909	47 909
15.	Deposits placed	Deposits in banks	settlement of concluded transactions	159 804	160 135
TOTAL				2 737 149	2 629 958

As at 31 December 2023, the Group did not have concluded transactions of sale of treasury securities with repurchase agreements.

The Bank is also obliged to maintain the obligatory reserve on the current account with the NBP, the amount of which depends on the average balance of funds of customer deposit accounts and the reserve rate set by the NBP. From the Bank's point of view, the funds held as part of the obligatory reserve constitute restricted assets. The value of the provision maintained at the end of the financial year is presented in **note (18)**.

15.3. SECURITIES COVERED BY TRANSACTIONS WITH A BUY-BACK CLAUSE (SBB)

The following securities (presented in the Group's balance sheet) were the subject of repurchase transactions (SBB), in PLN thousand:

As at 31.12.2024 r. Type of security	Nominal value	Balance sheet value
Treasury bonds	193 346	194 088
TOTAL	193 346	194 088

As at 31.12.2023 r. Type of security	Nominal value	Balance sheet value
Treasury bonds	0	0
TOTAL	0	0

As a result of concluding repurchase transactions involving securities presented in the table above, the Group is exposed to risks similar to those in the case of holding securities with the same characteristics in its own portfolio.

15.4. OFFSETTING OF ASSETS AND LIABILITIES ON THE BASIS OF ISDA AGREEMENTS

The majority of the Group's derivatives portfolio arises due to conclusion by the Bank framework ISDA agreements (International Swaps and Derivatives Agreements). Provisions included in the agreements define comprehensive procedures in case of infringement (mainly difficulties in payments), and provide possibility to cancel a deal, making settlements with counterparty base on offset amount of mutual receivables and liabilities. To date, the Bank has not exercised that option, however, in order to meet information requirements as described in IFRS 7 the following table presents the fair values of derivative instruments (both classified as held for trading and dedicated to hedge accounting) as well as cash collaterals under ISDA framework agreements with a theoretical maximum amount resulting from the settlement on the basis of compensation.

PLN'000	Amounts to be received	Amounts to be paid
Valuation of derivatives	366 724	208 941
Amount of cash collaterals accepted/granted	(266 489)	(145 063)
Financial assets and liabilities covered by framework ISDA agreements allowing compensation	100 235	63 878
Theoretical maximum amount of compensation	(48 920)	(48 920)
Financial assets and liabilities covered by framework ISDA agreements allowing compensation taking into account theoretical amount of compensation	51 315	14 958

15.5. ADDITIONAL EXPLANATIONS TO THE CASH FLOW STATEMENT

For the purpose of the cash flow statement the following financial assets are classified by the Group as cash or its equivalents (PLN'000):

PLN'000	31.12.2024	31.12.2023
Cash and balances with the Central Bank	5 178 984	5 094 984
Receivables from interbank deposits*	288 391	612 467
Debt securities issued by the State Treasury*	8 697 375	12 791 896
of which FVTOCI and HTC	8 697 375	12 789 106
of which held for trading	0	2 790
Total	14 164 750	18 499 347

* Financial assets with maturity below three months

For the purpose of the cash flow statement the following classification of activity types was adopted:

1. Operating activities - cover the basic scope of operations connected with services provided by the Group's units covering events whose purpose is to earn profit and not being investment or financial activity,
2. Investment activities cover operations connected with the purchasing and selling of fixed assets, in particular financial assets not included in the "for trading" category, shares and shares in subsidiaries, tangible and intangible fixed assets,
3. Financial activities cover activities connected with raising of funds in the form of capital or liabilities, as well as servicing sources of funding.

15.6. INFORMATION ON CUSTODY ACTIVITY

As of 31.12.2024 the Custody Department of Bank Millennium S.A. maintained 12,843 accounts in which Customers' assets were kept with the total value of PLN 69 billion. Net revenue from the custody business for 2024 amounted to PLN 4.9 million. The Custody Department serves as a depository bank for 22 mutual funds including 21 of Millennium TFI S.A.

15.7. SHARE BASED PAYMENTS

In 2012, the Group implemented a policy specifying the principles of remuneration for persons having a significant impact on the risk profile of the Group, as amended.

In accordance with the policy, the Group's employees who have a significant impact on its risk profile receive variable remuneration, part of which is paid in the form of financial instruments.

Until 2018, the financial instrument took the form of phantom shares. From 2019, the Group, by decision of the General Meeting of Shareholders of the Bank on August 27, 2019, introduced a 3-year incentive program to reward eligible persons previously identified as having a significant impact on the risk profile (Risk Taker). As part of it, the Own Shares purchased by the Bank were, in accordance with the applicable Risk Takers' remuneration policy, intended as a financial instrument for free acquisition in an appropriate number by designated Risk Takers during the Program Period.

In bonus programs effective from January 1, 2020, financial instruments were awarded to Risk Takers I - Members of the Management Board of Bank Millennium SA.

For 2020, Risk Takers I - Members of the Management Board of Bank Millennium SA were not awarded a bonus.

In 2023, the Personnel Committee of the Supervisory Board decided to convert own shares granted to Members of the Management Board in the 2019 and 2021 program in the form of own shares into phantom shares. Under the 2022 and 2023 program, phantom shares were granted as a financial instrument.

Variable remuneration - financial instruments for:	2019	2020	2021	2022	2023
Kind of transactions in the light of IFRS 2	Own Share-based payment transactions			Cash-settled share-based payments	Cash-settled share-based payments
Commencement of vesting period	1 January 2019	1 January 2020	1 January 2021	1 January 2022	1 January 2023
The date of announcing the program		27 August 2019		1 January 2022	1 January 2023
Starting date of the program in accordance with the definition of IFRS 2	Date of the Personnel Committee meeting taking place after closing of financial year				
Number of granted instruments	Determined at the grant date of the program in accordance with the definition of IFRS 2				
Maturity date	3 years since the date of granting program	5 years since the date of granting program			
Vesting date*	31 December 2019	31 December 2020	31 December 2021	31 December 2022	31 December 2023
Vesting conditions	Employment in the Bank 2019, results of the Bank and individual performance	Employment in the Bank 2020, results of the Bank and individual performance	Employment in the Bank 2021, results of the Bank and individual performance	Employment in the Bank 2022, results of the Bank and individual performance	Employment in the Bank 2023, results of the Bank and individual performance
Program settlement	<p>Program 2023: On the settlement day, the participant will be paid an amount of cash constituting the product of the phantom shares held by the participant and the arithmetic average price of the Bank's shares on the WSE at the closing of 20 consecutive sessions preceding the settlement day. Phantom shares are settled in 5 equal annual instalments starting from the date of the Personnel Committee at which they were allocated.</p> <p>Programs 2019-2021: On the settlement date of the program, the participant was granted own shares; a deferred tranche of the program in 2024.</p>				
Program valuation	The fair value of the program is determined at each balance sheet date according to the rules adopted for determining the value of the program on the settlement date.				

* Confirmed by decisions of the Bank's Personnel Committees assessing the work of eligible employee

Financial instruments granted to members of the Management Board of the Bank, for the year:	2020	2021 Phantom shares	2022 Phantom shares	2023 Phantom shares
Date of shares assigning	-	13.04.2022	03.11.2023	07.05.2024
Number of shares	-	255 980	282 060	586 821
granted	-	-	-	-
deferred	-	191 985	225 648	306 172
In retention	-	63 995	56 412	280 649
Value as at assigning date (PLN)	-	1 680 000	1 968 750	5 588 336
granted	-	-	-	-
deferred	-	1 260 000	1 575 000	2 915 698
In retention	-	420 000	393 750	2 672 638
Fair value as at 31.12.2024 (PLN)	-	2 278 222	2 510 334	5 222 707

In retention - the number of phantom shares includes the second deferred tranche for 2021, the first tranche for 2022 and the part granted for 2023. These shares are granted to Members of the Management Board, but are subject to retention for 12 months, i.e. until May 7, 2025.

At the publication date of the Annual Report, the Personnel Committee of the Supervisory Board has not taken a decision on the amount of variable remuneration for the members of the Management Board for 2024.

15.8. ADDITIONAL INFORMATION AND OTHER ESSENTIAL EVENTS BETWEEN THE DATE, FOR WHICH THE FINANCIAL REPORT WAS PREPARED AND ITS PUBLICATION DATE

REFORM OF BENCHMARKS

WIBOR

In May 2022, the Polish government announced that WIBOR would be replaced by a different (lower) rate from 1 January 2023. In June 2022, a Working Group was established, including commercial banks, GPW Benchmark (Administrator of WIBOR), KNF.

In July 2022, the National Working Group on Reference Rate Reform (NWG) was established in connection with the planned reform of reference rates in Poland. The objective of the NGR's work to introduce a new interest rate benchmark and replace the currently used WIBOR index with it while ensuring the compliance with BMR, including in particular ensuring credibility, transparency and reliability in the development and application of the new benchmark.

The National Working Group involves representatives of the Ministry of Finance, the National Bank of Poland, the Office of the Financial Supervision Authority, the Bank Guarantee Fund, the Polish Development Fund, the Warsaw Stock Exchange, the National Depository for Securities, Bank Gospodarstwa Krajowego, the GPW Benchmark, as well as representatives of credit institutions, i.e. in particular, banks, financial institutions, including investment funds, insurance companies, factoring and leasing companies, entities that are bond issuers, including corporate and municipal bonds, clearing houses.

The work of the National Working Group is coordinated and supervised by a Steering Committee including representatives of key institutions: Financial Supervision Authority, the National Bank of Poland, the Ministry of Finance, the Bank Guarantee Fund, as well as the GPW Benchmark - the administrator of the reference rates, BondSpot S.A - and the Polish Bank Association (Polish: Związek Banków Polskich).

The NWG's activities are executed in a project formula, where project streams have been identified and where Bank Millennium representatives are actively contributing to the work.

The National Working Group initially selected the WIRON index to become the key interest rate benchmark under the BMR and to be used in financial contracts, financial instruments and as the preferred alternative benchmark to WIBOR.

In connection with this, Bank Millennium S.A. established, by resolution of the Bank's Management Board of 24 August 2022, an internal project reporting to the Management Board (Deputy Chairman of the Management Board - CFO and Member of the Management Board overseeing the areas of retail and corporate products), in order to duly manage the WIBOR to WIRON transition process and to implement the work in accordance with the roadmap. This work involves representatives from a significant number of the Bank's business units, including, in particular, representatives responsible for product areas and risk management issues, including, in particular, interest rate risk and operational risk. The structure of the project includes the division into streams covering products and processes where the WIBOR benchmark is applied, the management of the project by a dedicated project manager and the periodical reporting of statuses on the individual streams.

The Bank uses the WIBOR reference rate in the following products (in PLN million as of 31 December 2024):

- mortgage loans: **20 461,76** mortgage loans based on WIBOR (excluding **13 900,74** mortgage loans currently with temporary fixed rate where the clients have the option to switch to variable rate indexed to WIBOR after the end of such temporary fixed rate initial period);
- loan products, factoring and corporate discounting products: **19 044,11**;
- debt instruments (**13 169,30**);
 - Assets: 11 036,53
 - Liabilities: 2 132,77
- derivative instruments: **13 491,95**

The Bank also applies instruments based on WIBOR benchmarks in hedge accounting, details of the hedging relationships used by the Group, the items designated as hedged and hedging and the presentation of the result on these transactions are presented in Note 24 "Derivatives - Hedge accounting" in Chapter 14 "Notes to the Consolidated Financial Statements.

In March 2023, the Steering Committee of the National Working Group on Benchmark Reform adopted recommendations on new products, both banking, leasing and factoring, as well as previously published ones on bonds and derivatives.

In July 2023, the NWG SC adopted a Recommendation on applying a fallback rate for WIBOR benchmark in interest rate derivatives.

In August 2023, The NWG Steering Committee has adopted a Recommendation on the rules and methods of conversion of WIBOR-based debt instruments.

In April 2024, the Steering Committee of the National Working Group for benchmark reform adopted a paper on Methods of applying the RFR and selected rules for calculating compound rates.

On 29 March 2024, the Steering Committee of the National Working Group for benchmark reform unanimously decided to commence a review and analysis of risk-free-rate (RFR) replacement choices for WIBOR benchmark, including both WIRON and other possible interest rate indices or benchmarks.

In June 2024, the NWG launched a public consultation on the review and evaluation of alternative interest rate indices as a basis for reviewing the September 2022 NGR SC decision to select WIRON as the optimal replacement for the WIBOR benchmark index. The subject of the consultation was the WIRON, WIRON+, WIRF, WIRF+ and WRR indices, which participants in the consultation were able to assess from the perspective of criteria concerning the quality of the indices, their characteristics, their potential for the development of the financial market and the market for banking products. Participants also had the opportunity to comment on the current market and regulatory environment and related initiatives that could help strengthen the new index, the market it describes and the instruments based on it.

On 9 July 2024, the National Working Group announced that the collection of opinions as part of the public consultation process had ended on 1 July 2024.

In October 2024, The Steering Committee of the National Working Group on Benchmark Reform announced the launch of additional round of public consultations until October 31st, 2024. With a view to meeting the deadline set for the end of 2027 for the conversion of benchmarks in Poland, the NWG Steering Committee has decided to include four indices from the WIRF family in the next round of public consultations.

In December 2024, the NWG Steering Committee decided to select the proposed index marked with technical name WIRF- and based on unsecured deposits of Credit Institutions and Financial Institutions as the ultimate interest rate benchmark to replace the WIBOR benchmark. The next step for the NWG SC will be to update the Roadmap as part of the current schedule of activities aimed at replacing the WIBOR benchmark with the ultimate WIRF- benchmark, whose final name is to be chosen in the course of further work. The NWG SC is also planning to review and update, in the near future, the NWG's recommendations issued so far, in particular the standards for the application of a new RFR benchmark in new banking, leasing and factoring products and financial instruments, as well as the standards for voluntary conversion for legacy portfolio of contracts and financial instruments that use the WIBOR benchmark.

WIRF- is ultimately to become the key interest rate benchmark as defined in the BMR which can be applied in financial contracts (e.g. credit agreements), financial instruments (e.g. debt securities or derivatives) and by investment funds (e.g. to determine the asset management fees).

In the current phase of the project, the Bank monitors on an ongoing basis the changing situation, market development, communication of the administrator, as well as consultations and decisions of the Steering Committee of the National Working Group, and makes appropriate decisions in this respect, depending on the changing situation.

In addition, according to the project of changes of the Roadmap announced by the Steering Committee of the National Working Group in October 2023 and was confirmed by the NWG in April 2024, the final moment of conversion would happen by end of 2027. Currently, the Roadmap is being updated to reflect the provisions of the NGR SC with regard to the revision of the benchmark reform schedule. Therefore, a regulatory event has been postponed and should occur in Q3/Q4 2026. However, there is currently a) no information regarding the potential regulatory event referred to in Article 23c(1) of the BMR; b) lack of a regulation of the Minister of Finance referred to in Article 61c of the Act of 5 August 2015 on macro-prudential supervision of the financial system and crisis management in the financial system concerning a replacement or at least a draft of such a regulation and thus information, whether the Minister of Finance will designate one or several WIBOR replacements; c) lack of information on the amount of the adjustment spread or the method of calculating this spread, d) whether there will be corresponding adjustment changes to existing contracts related to this (and if so, which ones). Therefore given the current stage of the work of the National Working Group and the planned postponement of the maximum dates for the implementation of the Roadmap, indicating a final conversion date at the end of 2027, it is currently not possible to estimate the financial impact of the WIBOR reform.

There were no other significant events affecting the financial statements and future results of the Group between the date on which the report was prepared and the date of its publication.

Date	Name and surname	Position/Function	Signature
24.02.2025	Joao Bras Jorge	Chairman of the Management Board	Signed by a qualified electronic signature
24.02.2025	Fernando Bicho	Deputy Chairman of the Management Board	Signed by a qualified electronic signature
24.02.2025	Wojciech Haase	Member of the Management Board	Signed by a qualified electronic signature
24.02.2025	Andrzej Gliński	Member of the Management Board	Signed by a qualified electronic signature
24.02.2025	Wojciech Rybak	Member of the Management Board	Signed by a qualified electronic signature
24.02.2025	Antonio Pinto Junior	Member of the Management Board	Signed by a qualified electronic signature
24.02.2025	Jarosław Hermann	Member of the Management Board	Signed by a qualified electronic signature