Capital Adequacy, Risk, Remuneration Policy Report of Bank Millennium Capital Group for 2022

TABLE OF CONTENTS

1. INTRODUCTION

Pursuant to the requirements set forth in Part Eight of the Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, arket risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012 ("CRR 2"), this document ("Disclosures") presents qualitative and quantitative information pertaining to the comprehensive image of the risk profile of the Bank Millennium S.A. (the "Bank") Capital Group (the "Group") as at 31 December 2022.

Pursuant to Article 432.1 of CRR 2, the Group may omit in its Disclosures any information that is not regarded as material. The Group regards as immaterial any information the omission or misstatement of which could not change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. The Group did not consider any information covered by the disclosure obligation based on CRR 2 and other regulations as not material.

Pursuant to Article 432.2, the Group may omit in its disclosures any items of information which is regarded as proprietary or confidential. Information is regarded as proprietary if the Group believes that disclosing it publicly would undermine its competitive position. Information is regarded as confidential if the Group has made an obligation to a customer or other counterparty binding it to confidentiality. The Group did not consider any information covered by the disclosure obligation based on CRR 2 and other regulations as proprietary or confidential.

It should be noted that this material does not cover the entire scope of information to be disclosed, as defined in Part Eight of CRR. Information not included in these Disclosures has been presented in the documents listed below, and the Disclosures contain an appropriate reference to these documents:

- Report of the Bank Millennium SA Capital Group for 12 months ended 31 December 2022, hereinafter referred to as "Financial Report",
- Management Board Report on the Activity of Bank Millennium and Capital Group of Bank Millennium for 2022, hereinafter referred to as: "Management Board Report",
- ESG Report of Bank Millennium and the Bank Millennium Group for 2022.

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

Disclosed informations are compliant with the tempates and the scope defined in:

i. Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of regulation (EU) No 575/2013 of the European Parliament and of the Council and repealing Commission Implementing Regulation (EU) No 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Implementng Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295 (further referred as to: ITS 2021/637);
ii. Guidelines amending Guidelines EBA/GL/2020/12 on uniform disclosures under Articke 473a of Regulation (EU) No 575/2013 (CRR) on the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds to ensure compliance with the CRR 'quick fix' in response to the COVID-19 pandemic (further referred as to: EBA/GL/2020/12);

iii. Commission Implementing Regulation (EU) 2022/631 of 13 April 2022 amending the implementing technical standards laid down in Implementing Regulation (EU) 2021/637 as regards the disclosure of exposures to interest rate risk on positions not held in the trading book;
iv. Commission Implementing Regulation (EU) 2022/2453 of 30 November 2022 amending the implementing technical standards laid down in Implementing Regulation (EU) 2021/637 as regards the disclosure of environmental, social and governance risks.

Amounts in tables are presented in PLN thousands, unless otherwise stated.

This Report was approved by the Bank's Management Board on April 25, 2023, and the changes were approved on April 24, 2024. The changes result from the award of variable remuneration to members of the Bank's Management Board in November 2023 and concern Tables 84 and 88 in Chapter 11.3.

2. CAPITAL ADEQUACY

Capital management and planning

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

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

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

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

Regulatory capital adequacy

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

- Pillar II FX mortgage loans buffer (P2R buffer) - KNF decision regarding order to maintain additional own funds to secure risk resulting from FX mortgage loans granted to households, under the art. 138.2.2 of Banking Act. A value of that buffer is defined for particular banks by KNF every year as a result of Supervisory Review and Evaluation Process (SREP) and relates to risk that is in KNF's opinion - inadequately covered by minimum own funds requirements, set in CRR art. 92. At present, the buffer was set by KNF in the decisions issued in the end of 2022 in the level of 1.95 p.p. (Bank) and 1.94 p.p. (Group) as for Total Capital Ratio (TCR), which corresponds to capital requirements over Tier 1 ratio of 1.47 p.p. in Bank and of 1.46 p.p. in Group, and which corresponds to capital requirements over CET 1 ratio of 1.10 p.p. in Bank and 1.09 p.p. in Group[1];
- Combined buffer – defined in Act on macroprudential supervision over the financial system and crisis management – that consists of:
    - Capital conservation buffer at the level of 2.5%;
    - Other systemically important institution buffer (OSII) – at the level of 0.25%, and the value is set by KNF each year[2];
    - Systemic risk buffer at the level of 0% from March 2020;
    - Countercyclical buffer at the 0% level.

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

[1] That decision replaces the previous recommendation from 2021, to maintain own funds for the coverage of additional capital requirements at the level of 2.82 pp (Bank) and 2.79 pp (Group) as for TCR, which should have consisted of at least 2.11 pp (Bank) and 2.09 pp (Group) as for Tier 1 capital and which should have consisted of at least 1.58 pp (Bank) and 1.56 pp (Group) as for CET1 capital.
[2] In November 2020 KNF informed about identification the Bank as other systemically important institution and imposition other systematically important institution buffer of 0.25%.

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

Table 1 Minimum capital ratios as at the 2022 end (in percent)

Capital ratio	**31.12.2022**	
CET1 ratio	Bank	Group
Minimum	4,50%	4,50%
P2R Buffer	1,10%	1,09%
TSCR CET1 (Total SREP Capital Requirements)	5,60%	5,59%
Capital Conservation Buffer	2,50%	2,50%
OSII Buffer	0,25%	0,25%
Systemic risk buffer	0,00%	0,00%
Countercyclical capital buffer	0,00%	0,00%
Combined buffer	2,75%	2,75%
OCR CET1 (Overall Capital Requirements CET1)	8,35%	8,34%
T1 ratio	Bank	Group
Minimum	6,00%	6,00%
P2R Buffer	1,47%	1,46%
TSCR T1 (Total SREP Capital Requirements)	7,47%	7,46%
Capital Conservation Buffer	2,50%	2,50%
OSII Buffer	0,25%	0,25%
Systemic risk buffer	0,00%	0,00%
Countercyclical capital buffer	0,00%	0,00%
Combined buffer	2,75%	2,75%
OCR T1 (Overall Capital Requirements T1)	10,22%	10,21%
TCR ratio	Bank	Group
Minimum	8,00%	8,00%
P2R Buffer	1,95%	1,94%
TSCR TCR (Total SREP Capital Requirements)	9,95%	9,94%
Capital Conservation Buffer	2,50%	2,50%
OSII Buffer	0,25%	0,25%
Systemic risk buffer	0,00%	0,00%
Countercyclical capital buffer	0,00%	0,00%
Combined buffer	2,75%	2,75%
OCR TCR (Overall Capital Requirements TCR)	12,70%	12,69%

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

Capital risk, expressed in the above capital targets/limits, is measured, and monitored in a regular manner. Capital limits were defined on the basis of the minimum regulatory capital levels. They are the basis of setting safety zones and risk appetite. Capital ratios in a given 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 Polish Financial Supervision Authority (KNF) 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 KNF) 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 2022, further work was carried out on credit risk models for the remaining credit portfolios covered by the IRB method roll-out plan: other retail exposures and corporate exposures.

Internal capital

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

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

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

In 2022, both above capital targets were met with a surplus.

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

Capital ratios and capital adequacy - current situation, evaluation and trends

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

Table 2 Capital ratios of Bank Millennium Group S.A. (in PLNm, in percent)

	31.12.2022	31.12.2021	31.12.2020
Risk-weighted assets	48 497,3	49 442,8	51 138,0
Own Funds requirements, including:	3 879,8	3 955,4	4 091,0
- Credit risk and counterparty credit risk	3 380,6	3 479,8	3 677,0
- Market risk	18,0	32,3	26,7
- Operational risk	474,5	433,0	382,6
- Credit Valuation Adjustment CVA	6,7	10,3	4,8
Own Funds, including:	6 991,1	8 436,3	9 969,0
Common Equity Tier 1 Capital	5 469,9	6 906,3	8 439,0
Tier 2 Capital	1 521,2	1 530,0	1 530,0
Total Capital Ratio (TCR)	**14,42%**	**17,06%**	**19,49%**
Tier 1 Capital ratio (T1)	**11,28%**	**13,97%**	**16,50%**
Common Equity Tier 1 Capital ratio (CET1)	**11,28%**	**13,97%**	**16,50%**
MREL ratio	**14,45%**	**16,99%**	**19,49%**
Leverage ratio	**4,72%**	**6,46%**	**8,30%**

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

Table 2a Capital adequacy of Bank Millennium Group S.A. (in percent, in percentage point)

Capital adequacy	31.12.2022	31.12.2021	31.12.2020
Total Capital Ratio (TCR)	**14,42%**	**17,06%**	**19,49%**
Minimum required level (OCR)	12,69%	13,54%	14,10%
Surplus(+) / Deficit(-) of TCR capital adequacy (p.p.)	1,73	3,52	5,39
Minimum reccomended level TCR (OCR+P2G)	14,44%	13,54%	14,10%
Surplus(+) / Deficit(-) on recommended level (p.p.)	-0,02	3,52	5,39
Tier 1 Capital ratio (T1)	**11,28%**	**13,97%**	**16,50%**

Minimum required level (OCR)	10,21%	10,84%	11,27%
Surplus(+) / Deficit(-) of T1 capital adequacy (p.p.)	1,07	3,13	5,23
Minimum reccomended level T1 (OCR+P2G)	11,96%	10,84%	11,27%
Surplus(+) / Deficit(-) on recommended level (p.p.)	-0,68	3,13	5,23
Common Equity Tier 1 Capital ratio (CET1)	**11,28%**	**13,97%**	**16,50%**
Minimum required level (OCR)	8,34%	8,81%	9,13%
Minimum reccomended level CET1 (OCR+P2G)	10,09%	8,81%	9,13%
Surplus(+) / Deficit(-) on recommended level (p.p.)	1,19	5,16	7,37
MREL ratio	**14,45%**	**16,99%**	**19,49%**
Minimum required level	15,60%	15,60%	
Surplus(+) / Deficit(-) of MREL (p.p.)	-1,15	1,39	
Leverage ratio	**4,72%**	**6,46%**	**8,30%**
Minimum required level	3,00%	3,00%	3,00%
Surplus(+) / Deficit(-) of Leverage ratio (p.p.)	1,72	3,46	5,3

Capital ratios of the Group

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

In 2022, risk-weighted assets (RWA) went down by almost PLN 945 million (by 1.9%). The biggest yearly change was credit risk RWA (fall by ca PLN 1.240 million, by 2.9%). One of the driver of that fall were completed loans securitisation transactions. This was partially offset by an operational risk RWA rise (by ca PLN 519 million), what stems from including in calculation higher operational results from the last three years (without provisions). Changes of market risk and CVA (credit valuation adjustment) RWA were not so material.

In 2022 Own Funds fell by ca PLN 1.445 million (by 17.1%), mainly because of net financial loss caused by legal risk provisions and costs of assistance program “Credit holidays”, and a decrease of revaluation reserve – securities valued at fair value through Other Comprehensive Income and affecting Own Funds.

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

In the second half of 2022 (until December), the Bank and the Group did not meet all capital limits for the combined buffer requirement, which was announced in Current Report No. 21/2022. In accordance with the regulations, the Bank developed a Capital Protection Plan, which was submitted to the KNF and approved on October 28, 2023. The plan assumes regaining capital adequacy in the second half of 2023.

The Group uses transitional arrangements for IFRS 9 and temporary treatment in accordance to art. 468 of CRR. As at 31.12.2022, if these arrangement and treatments had not been applied, capital ratios were as follows:

- TCR: 13.29%
- T1 ratio: 10.14%
- CET1 ratio: 10.14%
- Leverage ratio: 4.25%.

Leverage ratio of the Group

Leverage ratio stood at the safe level of 4.72%, and it significantly exceeds the regulatory minimum (3%). The decrease in the ratio observed in 2022 resulted mainly from the decrease in Tier 1 Capital, caused by the same factors as in the case of a decrease in own funds.

MREL requirements / ratio

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

The Bank is still to meet MREL requirements due to the net loss booked in recent periods and the fact that an issue of senior non-preferred bonds on the Polish market initially planned for 4Q21 was not possible to execute due to a gap in the Polish bond law and later due to the cumulation of unfavourable market conditions (markets were effectively shut for issuers of SNP bonds from the CEE region) and looming risk of Poland’s government enforcement of costly extraordinary measures on the banking sector (credit holidays and replacement of WIBOR, among others). Following the changes in the Polish bond law in May 2022, the Bank also started preparations for a domestic issue, but due to the above mentioned external factors, the decision to officially start the domestic offering was also put on hold.

In connection with the above, the Bank prepared a Eurobond issue program with a total nominal value not exceeding EUR 3 billion, which was announced in January 2022 in the current report.

With regard to the MREL requirements, the Bank plans to cover the shortfall by the end of 2023 through a combination of organic capital generation and the issue of debt instruments, if required and market conditions allow.

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

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

Capital ratios of the Bank over the last three years were as follows:

Table 3 Capital ratios of Bank Millennium S.A. (in PLNm, in percent)

	31.12.2022	31.12.2021	31.12.2020
Risk-weighted assets	48 046,0	48 895,7	50 757,4
Own Funds requirements, including:	3 843,7	3 911,7	4 060,6
- Credit risk and counterparty credit risk	3 386,7	3 477,7	3 688,3
- Market risk	18,0	32,3	26,6
- Operational risk	432,3	391,4	340,7
- Credit Valuation Adjustment CVA	6,7	10,3	4,9
Own Funds, including:	6 980,1	8 397,1	9 726,6
Common Equity Tier 1 Capital	5 458,9	6 867,1	8 196,6
Tier 2 Capital	1 521,2	1 530,0	1 530,0
Total Capital Ratio (TCR)	**14,53%**	**17,17%**	**19,16%**
Tier 1 Capital ratio (T1)	**11,36%**	**14,04%**	**16,15%**
Common Equity Tier 1 Capital ratio (CET1)	**11,36%**	**14,04%**	**16,15%**
MREL ratio (1)	**14,45%**	**17,17%**	**19,16%**
Leverage ratio	**4,74%**	**6,45%**	**8,06%**

(1) MREL ratio for Group

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

Table 3a Capital adequacy of Bank Millennium S.A. (in percent, in percentage point)

Capital adequacy	31.12.2022	31.12.2021	31.12.2020
Total Capital Ratio (TCR)	**14,53%**	**17,17%**	**19,16%**
Minimum required level (OCR)	12,70%	13,57%	14,16%
Surplus(+) / Deficit(-) of TCR capital adequacy (p.p.)	1,83	3,6	5
Minimum reccomended level TCR (OCR+P2G)	14,42%	13,57%	14,16%
Surplus(+) / Deficit(-) on recommended level (p.p.)	0,11	3,60	5,00
Tier 1 Capital ratio (T1)	**11,36%**	**14,04%**	**16,15%**
Minimum required level (OCR)	10,22%	11,31%	11,31%
Surplus(+) / Deficit(-) of T1 capital adequacy (p.p.)	1,14	2,73	4,84
Minimum reccomended level T1 (OCR+P2G)	11,94%	11,31%	11,31%
Surplus(+) / Deficit(-) on recommended level (p.p.)	-0,58	2,73	4,84
Common Equity Tier 1 Capital ratio (CET1)	**11,36%**	**14,04%**	**16,15%**
Minimum required level (OCR)	8,35%	8,83%	9,16%
Minimum reccomended level CET1 (OCR+P2G)	10,07%	8,83%	9,16%
Surplus(+) / Deficit(-) on recommended level (p.p.)	1,29	5,21	6,99
MREL ratio	**14,45%**	**17,17%**	**19,16%**
Minimum required level	15,55%	15,55%	
Surplus(+) / Deficit(-) of MREL (p.p.)	-1,10	1,62	
Leverage ratio	**4,74%**	**6,45%**	**8,06%**
Minimum required level	3,00%	3,00%	3,00%
Surplus(+) / Deficit(-) of Leverage ratio (p.p.)	1,74	3,45	5,06

Capital ratios of the Bank

As at 2022 end, Common Equity Tier 1 Capital ratio and Total Capital Ratio, decreased in one year period by ca 2.68 pp and by ca 2.64 pp respectively.

In 2022, risk-weighted assets (RWA) went down by almost PLN 850 million (by 1.7%). The biggest yearly change was credit risk RWA (fall by ca PLN 1.137 million, by 2.6%). One of the driver of that fall were completed loans securitisation transactions. This was partially offset by an operational risk RWA rise (by ca PLN 511 million), what stems from including in calculation higher operational results from the last three years (without provisions). Changes of market risk and CVA (credit valuation adjustment) RWA were not so material.

In 2022 Own Funds fell by ca PLN 1.417 million (by 16.9%), mainly because of net financial loss caused by legal risk and assistance program "Credit holidays" provisions, and a decrease of revaluation reserve – a value of securities valued at fair value through Other Comprehensive Income and affecting Own Funds.

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

The Bank uses transitional arrangements for IFRS 9 and temporary treatment in accordance to art. 468 of CRR. As at 31.12.2022, if these arranfement and treatments had not been applied, capital ratios were as follows:

- TCR: 13.48%
- T1 ratio: 10.31%
- CET1 ratio: 10.31%
- Leverage ratio: 4.32%.

Leverage ratio of the Bank

Leverage ratio stood at the safe level of 4.74%, and it significantly exceeds the regulatory minimum (3%). The decrease in the ratio observed in 2022 resulted mainly from the decrease in Tier 1 Capital, caused by the same factors as in the case of a decrease in own funds.

Securitization transaction

Information on that is presented in the chapter 13 "Securitisation".

3. RISK MANAGEMENT GOALS AND STRATEGY

Rules management goals

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

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

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

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

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

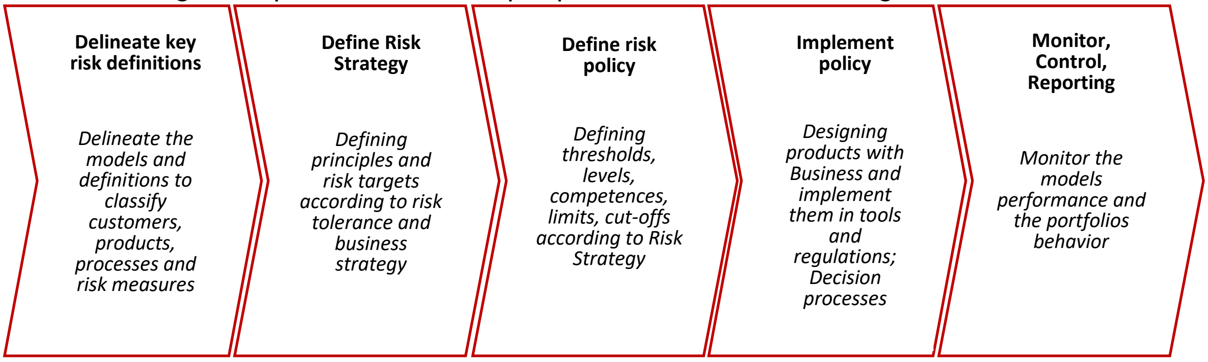
- Loan growth in specific products / segments
- Structure of the loan portfolio
- Asset quality indicators
- Cost of risk
- Capital requirements / Economic capital
- Amount and structure of liquidity needed.

Risk management model

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

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

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



Segregation of duties in risk management

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

- The Supervisory Board is responsible for overseeing the compliance of the Bank's risk-taking policy with the Bank'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 Bank's Risk Strategy, including the Bank's Risk tolerance.
- The Management Board is responsible for the effectiveness of the risk management system. internal capital estimation process, for reviewing the internal capital calculation and maintenance process and the internal control systems;
- The Credit Committee, the Capital, Assets and Liabilities Committee, and the Liabilities at Risk Committee are responsible for current management of different areas of banking risk, within the framework determined by the Management Board;
- The Risk Committee and the Processes and Operational Risk Committee are responsible for defining the policy and for monitoring and control of different areas of banking risk, within the framework determined by the Management Board;
- The AML Committee is responsible for oversight of the anti-money laundering and terrorist financing process at the Bank and cooperation in the area of combating financial crime;
- The Validation Committee is responsible for confirmation of risk models validation results and follow-up in the implementation of the measures defined by the Models Validation Office;
- The Sustainable Development Committee is responsible for making key decisions in the field of sustainable development in the Bank Millennium Group, in the field of environmental, social and governance factors;
- The Litigation Sub-Committee is responsible for giving opinions and making decisions in cases related to court proceedings, in which the value of the dispute or the direct effect on the value of assets as a result of a court decision exceeds PLN 1 million or as a result of several cases of the same nature, excluding cases belonging to the Bank's debt restructuring and debt recovery portfolio managed by the Corporate Debt Collection Department and the Retail Restructuring and Debt Collection Department. The Litigation Subcommittee is also competent to consider disputes from the portfolio of the Retail Restructuring and Debt Collection Department, the nature of which corresponds to the nature of litigation supervised by the Litigation Risk Subcommittee and issues related to the determination of the terms of the settlement as to the effects of legal relationships at the pre-litigation stage or in circumstances indicating a significant likelihood of a dispute (e.g. in the process of negotiating foreign currency mortgage loans and amicable settlements with borrowers), which, if materialized, would fall within the competence of the Litigation Subcommittee, excluding matters managed by the Corporate Debt Collection Department;
- The Risk Department is responsible for risk management, including identifying, measuring. analysing, monitoring and reporting on risk within the Group. The Risk Department prepares also risk management

policies and procedures as well as provides information and proposes courses of action necessary for the Capital, Assets and Liabilities Committee, Risk Committee and the Management Board to make decisions with respect to risk management;

- The Rating Department is mainly responsible for risk rating assignment for corporate clients (based on the evaluation of clients' creditworthiness) as well as for rating monitoring and potential revision during the period of its validity. Rating assignment process is independent from credit decision process;
- The Corporate Credit Underwriting Department, Mortgage Credit Underwriting Department and Consumer Finance Credit Underwriting Department have responsibility, within the Corporate Customer segment and Retail Customer segment, respectively, for the credit decision process, including analysing customers' financial situation, preparing credit proposals for the decision-making levels and making credit decisions within specified limits;
- The Retail Liabilities Monitoring and Collection Department and Retail Liabilities Restructuring and Recovery Department have responsibility for monitoring repayment of overdue debts by retail customers and their collection;
- The Corporate Recovery Department develops specific strategies with respect to each debtor from recovery portfolio, which aims to maximize timely collection of the outstanding debt and minimize the risk incurred by the Group. This approach is constantly revised to reflect updated information, and the best practices and experiences regarding collection of overdue debts;
- The Treasury Control and Analyses Office has responsibility for monitoring the use of part of the Group's limits, including counterparty and stop-loss limits, the Group's FX position, results of active trading and control of operations of the treasury segment;
- The Models Validation Office has responsibility for qualitative and quantitative models analysis and validation, independent from the function of models development; development of the models validation and monitoring tools; activities connected with issuing opinions on the adequacy of the models for the segment, for which they were developed; preparing reports for the Validation Committee needs;
- The Office for Sustainable Development is responsible for supervision and coordination of the process of implementing the principles of sustainable development in the Bank and the Capital 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 is responsible for ensuring compliance with legal regulations, related regulatory standards, market rules and standards, as well as internal regulations and codes of conduct, and for the 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.

Risk management strategy

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

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

1. Risk profile – current risk profile in amount or type of risk the Group is currently exposed. The Group should also has a forward looking view how their risk profile may change under both expected and stress economic scenarios in accordance with risk appetite.

2. Risk appetite – the maximum amount or type of risk the Group is prepared to accept/tolerate to achieve its financial and strategic objective. To that end, three zones are defined in accordance with warning / action required level.

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

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

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

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

- 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
- Program of anti-money laundering and terrorism financing.

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

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

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

Risk management information system

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

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

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

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

Risk exposure reports for management purposes are addressed to:

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

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

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

Other information

In respect to individual disclosures made pursuant to Article 435.1 of CRR. below is presented the Table EU OVA.

Table no 4 EU OVA - Institution risk management approach (according to ITS/2021/637)

Legal basis	Row number	Information
Point (f) of Article 435(1) CRR	(a)	Disclosure of concise risk statement approved by the management body Statement on capital adequacy, risk and remuneration policy in the chapter "Statement of Management Board"
Point (b) of Article 435(1) CRR	(b)	Information on the risk governance structure for each type of risk Information below the table
Point (e) of Article 435(1) CRR	(c)	Declaration approved by the management body on the adequacy of the risk management arrangements. The declarations on the adequacy of risk management arrangements providing assurance that the risk management systems put in place are adequate with regard to the profile and strategy are presented at the end of this document.

Point (c) of Article 435(1) CRR	(d)	Disclosure on the scope and nature of risk disclosure and/or measurement systems. Information below the table
Point (c) of Article 435(1) CRR	(e)	Disclose information on the main features of risk disclosure and measurement systems. Information below the table
Point (a) of Article 435(1) CRR	(f)	Strategies and processes to manage risks for each separate category of risk. Information below the table
Points (a) and (d) of Article 435(1) CRR	(g)	Information on the strategies and processes to manage, hedge and mitigate risks, as well as on the monitoring of the effectiveness of hedges and mitigants. Information below the table

Regarding the below information:

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

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

Statements on the adequacy of the risk management arrangements to ensure that the risk management systems in place are appropriate in terms of the profile and strategies are included at the end of this document.

The overview of the overall risk profile, along with key indicators and figures, is included in the risk management chapters in the Annual Financial Report and the Management Report.

Disclosing information on governance arrangements (art. 435.2 CRR), below is presented the Table EU OVB.

Table no 5 EU OVB - Disclosure on governance arrangements (according to ITS/2021/637)

Legal basis	Row number	Information
Point (a) of Article 435(2) CRR	(a)	The number of directorships held by members of the management body. Every Board Member holds 1 directorship
Point (b) of Article 435(2) CRR	(b)	Information regarding the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise. The subject described in the chapter 11
Point (c) of	(c)	Information on the diversity policy with regard of the members of the management body.

Article 435(2) CRR		The subject described below the table
Point (d) of Article 435(2) CRR	(d)	Information whether or not the institution has set up a separate risk committee and the frequency of the meetings. The Bank has established a separate risk committee: Bank Millennium SA Risk Committee. The Committe meets with monthly or more frequent, if needed.
Point (e) Article 435(2) CRR	(e)	Description on the information flow on risk to the management body. The description earlier in that chapter in the part "Management information system on risk"

Diversification strategy for members of the management body

CURRENT STATE

The Group has a Policy of selecting and assessing the suitability of Supervisory Board Members and a Policy of selecting and assessing the suitability of Members of the Management Board and persons performing key functions. Their practical implementation ensures the implementation of the Bank's diversity in terms of its expertise, understood as knowledge, skills and experience as well as personal competences of members of the governing bodies individually and collectively.

On March 24, 2021, the General Meeting of Shareholders assessed its suitability and appointed the Supervisory Board, which on the same day assessed its suitability and appointed the Bank's Management Board for a three-year term of office.

ASSESSMENT OF THE DIVERSITY OF THE SUPERVISORY BOARD

On March 24, 2021, the General Meeting of Shareholders appointed the Supervisory Board for a period of three years. The council has 12 members, including 3 women. Two women were elected as two new members of the Board. In this way, the share of women in the Supervisory Board increased by 1. It should also be emphasized that three nationalities are represented in the Supervisory Board. There is also a wide variety of backgrounds, careers and experiences.

The General Meeting of Shareholders positively assessed the suitability of the Supervisory Board, confirming a very broad and beneficial variety of competences of candidates in terms of criteria such as:

a) competences, understood as knowledge, skills and experience in the field of:

i. Bank management (including knowledge of the financial market, legal requirements and regulatory framework, strategic planning, knowledge of the risk management system - including risk management, accounting and financial audit, supervision and internal audit, interpretation of financial information)

ii. Risk management (including business model risk, credit risk, market risk, organizational risk, liquidity and funding risk, capital risk, management risk, systemic risk)

iii. Management of the Bank's business lines,

b) Personal competence, including independence of judgment.

ASSESSMENT OF DIVERSITY OF THE MANAGEMENT BOARD

On March 24, 2021, the Supervisory Board appointed the Management Board for a three-year term of office. The board consists of 7 men. The Management Board combines a group of Polish and international managers with diverse professional experience, a different environment and seniority in the organization. The Supervisory Board positively assessed the suitability of the Bank's Management Board, confirming the very broad and beneficial diversity of competences of candidates individually and collectively in terms of the following criteria:

a) competences, understood as knowledge, skills and experience in the field of:

i. Bank management (including knowledge of the financial market, legal requirements and regulatory framework, strategic planning, knowledge of the risk management system - including risk management, accounting and financial audit, supervision and internal audit, interpretation of financial information)

ii. Risk management (including business model risk, credit risk, market risk, organizational risk, liquidity and funding risk, capital risk, management risk, systemic risk)

iii. Management of the Bank's business lines,

b) Personal competence, including independence of judgment.

OBJECTIVES OF IMPLEMENTING THE PRINCIPLES OF DIVERSITY AND EQUALITY

Members of the Supervisory Board, both women and men, receive the same monthly amount for their work in the Supervisory Board regardless of the number of meetings. The position of chairman is remunerated higher than the position of members. Additionally, participation in supervisory board committees is remunerated for the meeting.

In terms of diversity, the Bank will strive to ensure greater participation of women in the structure of the governing bodies of both the Supervisory Board and the Management Board, striving to achieve a minimum of 30% of the under-represented gender.

The Bank introduces the rule that for each vacancy in the Management Board and Supervisory Board that appears, it will ensure at least 30% of women among the candidates on the final list of candidates. If there is no internal candidate for the Management Board, the Bank will look for an external candidate.

4. CRR SCOPE OF APPLICATION AND OWN FUNDS

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

Table no 6 EU LI1 - Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories (according to ITS/2021/637) (in PLN thous.)

			Carrying values of items				
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitization framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
ASSETS							
Cash, cash balances at central banks	9 536 090	9 536 090	9 516 050				
Financial assets held for trading	363 519	363 519	24 323	323 722		24 210	
Derivatives	339 196	339 196		323 722			
Equity instruments	113	113	113				
Debt securities	24 210	24 210	24 211			24 210	
Non-trading financial assets mandatorily at fair value through profit or loss, other than Loans and advances to customers	201 036	201 036	201 036			109 528	
Equity instruments	128 979	128 979	128 979			226	
Debt securities	72 057	72 057	72 057			109 302	
Financial assets at fair value through other comprehensive income	16 505 606	16 505 606	16 505 606				
Equity instruments	24 396	24 396	24 396				

Debt securities	16 481 210	16 481 210	16 481 210				
Loans and advances to customers	76 565 163	76 565 163	74 458 418		1 797 127		
Mandatorily at fair value through profit or loss	97 982	97 982	97 982				
Valued at amortised cost	76 467 181	76 467 181	74 360 436		1 797 127		26 234
Financial assets at amortised cost other than Loans and advances to customers	4 631 170	4 631 170	4 703 931	4 853			
Debt securities	3 893 212	3 893 212	3 893 212				
Deposits, loans and advances to banks and other monetary institutions	733 095	733 095	810 719				
Repurchase agreements	4 863	4 863		4 853			
Derivatives – Hedge accounting	135 804	135 804		135 804			
Investments in subsidiaries, joint ventures and associates	0	0					
Tangible assets	572 810	572 810	572 688				
Intangible assets	436 622	436 622	436 529				
Tax assets	805 624	805 624	618 426				
Current tax assets	4 232	4 232					
Deferred tax assets	801 392	801 392	618 426				
Other assets	1 177 134	1 177 134	1 205 210				
Non-current assets and disposal groups classified as held for sale	11 391	11 391					
Total assets	**110 941 969**	**110 941 969**	**108 242 218**	**464 379**	**1 797 127**	**133 738**	
LIABILITIES							
Financial liabilities held for trading	385 062	385 062					
Derivatives	380 278	380 278					
Liabilities from short sale of securities	4 784	4 784					
Financial liabilities measured at amortised cost	100 577 923	100 577 923					

Liablities to banks and other monetary institutions	727 571	727 571
Liabilities to customers	98 038 516	98 038 516
Repurchase agreements	0	0
Debt securities issued	243 753	243 753
Subordinated debt	1 568 083	1 568 083
Derivatives – Hedge accounting	554 544	554 544
Provisions	1 016 169	1 016 169
Pending legal issues	976 552	976 552
Commitments and guarantees given	39 617	39 617
Tax liabilities	32 533	32 533
Current tax liabilities	32 533	32 533
Deferred tax liabilities	0	0
Other liabilities	2 881 332	2 881 332
Total Liabilities	**105 447 563**	**105 447 563**
EQUITY		
Share capital	1 213 117	1 213 117
Own shares	-21	-21
Share premium	1 147 502	1 147 502
Accummulated other comprehensive income	-1 042 284	-1 042 284
Retained earnings	4 176 092	4 176 092
Total equity	**5 494 406**	5 494 406
Total equity and total liabilities	**110 941 969**	**110 941 969**

Table no 7 EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements (according to ITS/2021/637) (in PLN thous.)

		Total	Items subject to			
			Credit risk framework	Securitisation framework	CCR framework	Market risk framework
1	**Assets carrying value amount under the scope of prudential consolidation (as per template LI1)**	110 941 969	108 242 218	1 797 127	464 379	133 738
2	**Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)**					
3	**Total net amount under the scope of prudential consolidation**	110 941 969	110 483 309	1 797 127	464 379	133 738
4	**Off-balance-sheet amounts**	12 830 458	12 824 739			
5	*Differences in valuations*					
6	*Differences due to different netting rules, other than those already included in row 2*					
7	*Differences due to consideration of provisions*					
8	*Differences due to the use of credit risk mitigation techniques (CRMs)*					
9	*Differences due to credit conversion factors*		-7 155 105			
10	*Differences due to Securitisation with risk transfer*		-2 707 361			
11	*Other differences*		-59 142			
12	**Exposure amounts considered for regulatory purposes**	123 772 427	113 386 439	1 797 127	464 379	133 738

Table no 8 EU LI3 - Outline of the differences in the scopes of consolidation (entity by entity) (according to ITS/2021/637)

Name of the entity	Method of accounting consolidation	Method of prudential consolidation					Description of the entity
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
MILLENNIUM BANK HIPOTECZNY S.A.	Full consolidation	X					*credit institution*
MILLENNIUM LEASING Sp. z o.o.	Full consolidation	X					*leasing services*
MILLENNIUM CONSULTING S.A.	Full consolidation	X					*consulting services*
MILLENNIUM TFI S.A.	Full consolidation	X					*investment funds management*
MILLENNIUM SERVICE Sp. z o.o.	Full consolidation	X					*rental and management of real estate, insurance and brokers activity*
MILLENNIUM GOODIE Sp. z o.o.	Full consolidation	X					*web portals ctivity*
MILLENNIUM TELECOMMUNICATION SERVICES Sp. z o.o.	Full consolidation	X					*financial operations on capital market, consulting services*
MILLENNIUM FINANCIAL SERVICES Sp. z o.o.	Full consolidation	X					*The entity does not operate yet*
PIAST EXPERT Sp. z o.o. in liquidation	Full consolidation	X					*marketing services*
LUBUSKIE FABRYKI MEBLI S.A. in liquidation	Equity method			X			*furniture manufacturer*

The Group recognizes its entities in the financial statements using the full consolidation method, with exemption of non material entity Lubuskie Fabryki Meblo S.A. in liquididation. The method of accounting consolidation is the same as method of regulatory consolidation.

Table no 9 EU LIA -Explanations of differences between accounting and regulatory exposure amounts (according to ITS/2021/637)

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

- the value of off-balance sheet exposures for regulatory purposes compared to the value of off-balance sheet exposures disclosed in the financial statements is adjusted as a result of the application of credit conversion factors;
- differences resulting from the inclusion of securitization with risk transfer in the valuation of on-balance and off-balance sheet transactions.

Disclosing other qualitative information on the scope of application, below is presented the Table EU LIB.

Table no 10 EU LIB - Other qualitative information on the scope of application (according to ITS/2021/637)

Legal basis	Row number	Information
Article 436(f) CRR	(a)	Impediment to the prompt transfer of own funds or to the repayment of liabilities within the group The Group believes that there are currently no and does not anticipate any significant practical or legal obstacles to the prompt transfer of own funds or repayment of liabilities by the parent and its subsidiaries.
Article 436(g) CRR	(b)	Subsidiaries not included in the consolidation with own funds less than required There are no such units
Article 436(h) CRR	(c)	Use of derogation referred to in Article 7 CRR or individual consolidation method laid down in Article 9 CRR The Group does not benefit from the fact that competent authorities waive the application of prudential requirements on an individual basis pursuant to Art. 7 of CRR. The Group also does not use the permits of the competent authorities referred to in Art. 9 of CRR.
Article 436(g) CRR	(d)	Aggregate amount by which the actual own funds are less than required in all subsidiaries that are not included in the consolidation As at December 31, 2022, no capital shortages in relation to the applicable capital requirements were disclosed in any of the Group's companies.

Information on the determination of the additional valuation adjustment for prudent valuation in accordance with Commission Delegated Regulation (EU) 2016/101 on prudent valuation are presented below.

Table no 11 EU PV1 - Other qualitative information on the scope of application (according to ITS/2021/637)

The Bank does not use the primary method of determining the additional prudential valuation adjustment (PVA) in accordance with Chapter III of the Commission Delegated Regulation (EU) 2016/101, therefore table EU PV1 is not presented.

The below table presents own funds components of Group as at 31 December, 2022.

Table no 12 EU CC1 - Composition of regulatory own funds (in PLN thous., in percents) (according to ITS/2021/637)

Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	2 360 619
	of which: Instrument type 1	2 360 619
	of which: Instrument type 2	
	of which: Instrument type 3	
2	Retained earnings	0
3	Accumulated other comprehensive income (and other reserves)	3 919 473
EU-3a	Funds for general banking risk	228 902
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	
5	Minority interests (amount allowed in consolidated CET1)	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**6 508 994**
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	-18 244
8	Intangible assets (net of related tax liability) (negative amount)	-436 622
9	Empty set in the EU	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	328 908
12	Negative amounts resulting from the calculation of expected loss amounts	-208 002
13	Any increase in equity that results from securitised assets (negative amount)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	
15	Defined-benefit pension fund assets (negative amount)	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-18 900
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	

18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
20	Empty set in the EU	
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-26 234
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	
EU-20c	of which: securitisation positions (negative amount)	-26 234
EU-20d	of which: free deliveries (negative amount)	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-89 780
22	Amount exceeding the 17,65% threshold (negative amount)	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	
24	Empty set in the EU	
25	of which: deferred tax assets arising from temporary differences	
EU-25a	Losses for the current financial year (negative amount)	-1 014 566
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	
26	Empty set in the EU	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	444 392
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	-1 039 047
29	**Common Equity Tier 1 (CET1) capital**	**5 469 947**
Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	
31	of which: classified as equity under applicable accounting standards	
32	of which: classified as liabilities under applicable accounting standards	
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) CRR	
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	
35	of which: instruments issued by subsidiaries subject to phase out	

36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	
Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	
41	Empty set in the EU	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	
42a	Other regulatory adjustments to AT1 capital	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	
44	**Additional Tier 1 (AT1) capital**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**5 469 947**
Tier 2 (T2) capital: instruments		
46	Capital instruments and the related share premium accounts	1 521 178
47	Amount of qualifying items referred to in Article 484 (5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	
EU-47a	Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2	
EU-47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	
49	of which: instruments issued by subsidiaries subject to phase out	
50	Credit risk adjustments	
51	**Tier 2 (T2) capital before regulatory adjustments**	**1 521 178**
Tier 2 (T2) capital: regulatory adjustments		
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	
53	Direct, indirect and synthetic goldings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
54a	Empty set in the EU	

55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	
56	Empty set in the EU	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	
EU-56b	Other regulatory adjustments to T2 capital	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**0**
58	**Tier 2 (T2) capital**	**1 521 178**
59	**Total capital (TC = T1 + T2)**	**6 991 125**
60	**Total Risk exposure amount**	**48 497 286**
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	**11,28%**
62	Tier 1 (as a percentage of total risk exposure amount)	**11,28%**
63	Total capital (as a percentage of total risk exposure amount)	**14,42%**
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	8,34%
65	of which: capital conservation buffer requirement	2,50%
66	of which: countercyclical buffer requirement	0,00%
67	of which: systemic risk buffer requirement	0,00%
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0,25%
EU-67b	of which: additional own funds requirements to cover risks other than the risk of excessive leverage	1,09%
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)**	1,44%
National minima (if different from Basel III)		
69	NA	
70	NA	
71	NA	
Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	225 382
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	
74	Empty set in the EU	
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	618 426
Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	

78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)	
80	Current cap on CET1 instruments subject to phase out arrangements
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)
82	Current cap on AT1 instruments subject to phase out arrangements
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)
84	Current cap on T2 instruments subject to phase out arrangements
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)

Table no 13 EU CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements (in PLN thous.) (according to ITS/2021/637)

		Balance sheet as in published financial statements and under regulatory scope of consodildation
		As at period end
Assets		
1	Cash, cash balances at central banks	9 536 090
2	Financial assets held for trading	363 519
3	Non-trading financial assets mandatorily at fair value through profit or loss, other than Loans and advances to customers	201 036
4	Financial assets at fair value through other comprehensive income	16 505 606
5	Loans and advances to customers	76 565 163
6	Financial assets at amortised cost other than Loans and advances to customers	4 631 170
7	Derivatives – Hedge accounting	135 804
8	Investments in subsidiaries, joint ventures and associates	0
9	Tangible assets	572 810
10	Intangible assets	436 622
11	Tax assets	805 624
12	Other assets	1 177 134
13	Non-current assets and disposal groups classified as held for sale	11 391
	Total assets	**110 941 969**
LIABILITIES		
1	Financial liabilities held for trading	385 062
2	Financial liabilities measured at amortised cost	100 577 923
3	Derivatives - hedge accounting	554 544
4	Provisions	1 016 169
5	Tax liabilities	32 533
6	Other liabilities	2 881 332
	Total Liabilities	**105 447 563**
EQUITY		
1	Capital	1 213 117
2	Own shares	-21
3	Share premium	1 147 502
4	Accumulated other comprehensive income	-1 042 284
5	Retained earnings	4 176 092
	Total equity	**5 494 406**
	Total equity and total liabilities	**110 941 969**

Accounting consolidation scope and regulatory consolidation scope are the same.

Table no 14 EU INS1 – Insurance participations (according to ITS/2021/637)

Considering that Bank does not have holdings of own funds instruments of an insurance undertaking, a re-insurance undertaking or an insurance holding company, the table is not presented.

Table no 15 EU INS2 - Financial conglomerates information on own funds and capital adequacy ratio (according to ITS/2021/637)

Considering that Bank is not a financial conglomerate, the table is not presented.

5. OWN FUNDS REQUIREMENTS

5.1. OWN FUNDS REQUIREMENTS AND RISK EXPOSURE AMOUNTS – COMPOSITION AND CHANGES

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

As at the 31st December, 2022, total risk exposure amount was calculated as the sum of the following items:

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

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

Table no 16 EU OV1 - Overview of risk-weighted assets (in PLN thous.) (according to ITS/2021/637)

		Total risk exposure amounts (TREA)		Total own funds requirements
		2022-12-31	2022-09-30	2022-12-31
1	Credit risk (excluding CCR)	41 783 058	45 884 208	3 342 645
2	Of which the standardised approach (i)	29 080 792	32 414 145	2 326 463
3	Of which the Foundation IRB (F-IRB) approach			
4	Of which slotting approach			
EU-4a	Of which equities under the simple riskweighted approach			
5	Of which the Advanced IRB (A-IRB) approach (ii)	12 702 266	13 470 063	1 016 181
6	Counterparty credit risk - CCR	302 831	428 764	24 226
7	Of which the standardised approach	207 492	229 423	16 599
8	Of which internal model method (IMM)			
EU-8a	Of which exposures to a CCP	11 930	14 071	954
EU-8b	Of which credit valuation adjustment - CVA	83 409	155 225	6 673
9	Of which other CCR		30 044	

15	Settlement risk			
16	Securitisation exposures in the non-trading book (after the cap)	582 156		46 573
17	Of which SEC-IRBA approach			
18	Of which SEC-ERBA (including IAA)			
19	Of which SEC-SA approach			
EU-19a	Of which 1250% / deduction	327 929		26 234
20	Position, foreign exchange and commodities risks (Market risk)	225 532	342 501	18 043
21	Of which the standardised approach	225 532	342 501	18 043
22	Of which IMA			
EU-22a	Large exposures			
23	Operational risk	5 931 639	5 931 639	474 531
EU-23a	Of which basic indicator approach			
EU-23b	Of which standardised approach	5 931 639	5 931 639	474 531
EU-23c	Of which advanced measurement approach			
24	*Amounts below the thresholds for deduction (subject to 250% risk weight)*	*1 546 065*	*1 774 452*	*123 685*
29	**Total**	**48 497 286**	**52 587 111**	**3 879 783**

(i) That amount includes PLN 177.8 m RWA stemming from transitional arrangements connected to implementation of IFRS9, defined in Regulation EU 2020/873 amending EU regulations as regards certain adjustments in response to the COVID-19 pandemic

(ii) That amount includes PLN 604.9 m RWA stemming from Competent Authorities decision on an conservative charge of 5% RWA on exposures classified under IRB approach (description in the point 2 of the Report).

In the fourth quarter of 2022, total risk-weighted assets decreased by approx. 7.8% (by PLN 4,090 million), mainly in the area of credit risk (decrease by approx. PLN 4,101 million).

In 2022, total risk-weighted assets (RWA) decreased by 1.9% (by approx. PLN 946 million). This change was mainly influenced by the decrease in RWA for credit risk together with counterparty credit risk (by 2.9%, by approx. PLN 1.2 billion). As regards credit risk, there was a significant decrease in RWA on exposures to enterprises, largely due to securitization transactions carried out (by 14.7% or almost PLN 1.9 billion), with a slight increase in RWA of retail clients (by 1.3%, approx. PLN 340 million). RWA for other exposures increased by approx. PLN 310 million (8.0%). RWA for operational risk increased as a result of an increase in the average three-year operating result in business lines, which does not include the created provisions. The analysis of RWA changes is presented in the table below.

Table no 17 Analysis of RWA's main changes in 2022 (in PLN millions, in percent)

Item	Change in 2022	
Total RWA, including	-946	-1,9%
Credit risk RWA (along with z CCR) [1)]	-1 241	-2,9%
including retail exposures RWA	339	1,3%
including corporate exposures RWA	-1 893	-14,7%
including other RWA	313	8,0%

Market risk RWA	-179	-44,2%
RWA CVA [2)]	-45	-35,1%
Operational risk RWA	519	9,6%

1) CCR - counterparty credit risk
2) CVA - credit valuation adjustment

5.2. CAPITAL REQUIREMENTS FOR CREDIT RISK – STANDARDISED METHOD

The Group calculates and maintains own funds requirements for credit risk calculated under standardised method for the pollowing portfolios: Central governments or central banks, Regional governments or local authorities, Public sector entities, Multilateral development banks, International organizations, Institutions, Corporates, Retail with exception for exposures secured by mortgages on residential real estate and revolving retail exposures, Items associated with particularly high risk, Covered bonds, Collective investments undertakings, Equity exposures, Other exposures.

The Table EU CRD on qualitative disclosure requirements related to standardised model is presented below.

Table no 18 EU CRD - Qualitative disclosure requirements related to standardised model (in accordance with ITS 2021/637)

Legal basis	Row number	Information
Article 444 (a) CRR	(a)	Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) nominated by the institution, and the reasons for any changes over the disclosure period; When calculating own funds requirements for entities other than financial institutions and government entities, the Group does not use ratings assigned by approved external credit risk assessment agencies (ECAI). This is because of the negligible number of borrowers and counterparties with an ECAI rating. When calculating own funds requirements for governments, central banks, international organizations, multilateral development banks and institutions, the Group uses publicly available information on ECAI ratings assigned by recognized external rating agencies: Fitch, Moody's, Standard & Poor's.
Article 444 (b) CRR	(b)	The exposure classes for which each ECAI or ECA is used; ECAIs assignments are used for the following exposure categories: Governments, Central Banks, International Organizations, Multilateral Development Banks and Institutions.
Article 444 (c) CRR	(c)	A description of the process used to transfer the issuer and issue credit ratings onto comparable assets items not included in the trading book; The credit ratings of the issuer or obligor are mapped to the main rating scale of the Bank, which is used for all debtors of the Bank.
Article 444 (d) CRR	(d)	The association of the external rating of each nominated ECAI or ECA (as referred to in row (a)) with the risk weights that correspond with the credit quality steps as set out in Chapter 2 of Title II of Part Three CRR (except where the institution complies with the standard association published by the EBA). Group uses a standard classification system.

Table no 19 EU CR4 - Standardised approach - Credit risk exposure and CRM effects (in accordance with ITS 2021/637) (in PLN thosus., in percents) (i)

Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWAs	RWAs density (%)
Central governments or central banks	28 706 195	0	31 696 487	176 197	1 325 599	4,16%
Regional government or local authorities	69 352	190 575	69 352	40 841	22 039	20,00%
Public sector entities	143 377	13 215	143 142	5 372	74 257	50,00%
Multilateral development banks	536 115	0	536 115	0	0	0,00%
International organisations	0	0	0	0	0	n.d.
Institutions	921 401	91 221	1 487 789	48 815	430 092	27,99%
Corporates	11 186 826	6 826 832	8 974 914	1 507 662	9 435 851	90,01%
Retail	16 532 928	440 729	15 769 493	184 521	11 606 712	72,75%
Secured by mortgages on immovable property	5 185 386	970 228	4 655 793	328 041	2 180 777	43,76%
Exposures in default	1 238 648	14 908	1 165 422	13 388	1 329 531	112,79%
Exposures associated with particularly high risk	51	0	51	0	76	150,00%
Covered bonds	0	0	0	0	0	n.d.
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	n.d.
Collective investment undertakings	0	0	0	0	0	n.d.
Equity	225 382	0	225 382	0	225 382	100,00%
Other items	1 161 463	0	1 161 463	0	515 157	44,35%
TOTAL	65 907 122	8 547 707	65 885 403	2 304 837	27 145 472	39,81%

(i) The table does not include PLN 177.8 m RWA stemming from transitional arrangements connected to implementation of IFRS9, defined in Regulation EU 2020/873 amending EU regulations as regards certain adjustments in response to the COVID-19 pandemic

Table no 20 EU CR5 - Standardised approach (in accordance with ITS 2021/637) (in PLN thous.)

Exposure classes	Risk weight															Total
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	
Central governments or central banks	31 324 117	0	0	0	19 922	0	0	0	0	0	0	528 646	0	0	0	31 872 685
Regional government or local authorities	0	0	0	0	110 193	0	0	0	0	0	0	0	0	0	0	110 193
Public sector entities	0	0	0	0	0	0	148 514	0	0	0	0	0	0	0	0	148 514
Multilateral development banks	536 115	0	0	0	0	0	0	0	0	0	0	0	0	0	0	536 115
International organisations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Institutions	0	397 185	0	0	497 137	0	639 121	0	0	3 161	0	0	0	0	0	1 536 604
Corporates	0	0	0	0	0	0	0	0	0	10 480 785	1 792	0	0	0	0	10 482 577
Retail exposures	0	0	0	0	0	0	0	0	15 954 014	0	0	0	0	0	0	15 954 014
Exposures secured by mortgages on immovable property	0	0	0	0	0	3 508 115	813 101	0	7 390	614 734	40 493	0	0	0	0	4 983 833
Exposures in default	0	0	0	0	0	0	0	0	0	877 367	301 443	0	0	0	0	1 178 810
Exposures associated with particularly high risk	0	0	0	0	0	0	0	0	0	0	51	0	0	0	0	51
Covered bonds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Exposures to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Units or shares in collective investment undertakings	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Equity exposures	0	0	0	0	0	0	0	0	0	225 382	0	0	0	0	0	225 382
Other items	0	0	0	0	93 014	0	279 784	0	0	347 255	0	0	0	0	441 411	1 161 463
TOTAL	31 860 232	397 185	0	0	720 266	3 508 115	1 880 519	0	15 961 404	12 548 682	343 779	528 646	0	0	441 411	68 190 240

5.3. CAPITAL REQUIREMENTS FOR CREDIT RISK - IRB METHOD

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

As at 31 December, 2022, average risk weights under IRB method are as follows:

- Total RRE portfolio: 27.9%
- RRE FX: 46.3%
- RRE PLN: 24.2%
- QRRE: 46.3%.

Information in that chapter are disclosed in line with requirements of the Table EU CRE – qualitative disclosure requirements related to IRB approach.

Table no 21 EU CRE - Qualitative disclosure requirements related to IRB approach (in accordance with ITS 2021/637)

Legal basis	Row number	Information
Article 452 (a) CRR	a)	The competent authority's permission of the approach or approved transition Description in the point 5.3.1
Article 452 (c) CRR	b)	The control mechanisms for rating systems at the different stages of model development, controls and changes, which shall include information on: (i) the relationship between the risk management function and the internal audit function; (ii) the rating system review; (iii) procedure to ensure the independence of the function in charge of reviewing the models from the functions responsible for the development of the models; (iv) the procedure to ensure the accountability of the functions in charge of developing and reviewing the models Description in the point 5.3.3
Article 452 (d) CRR	c)	The role of the functions involved in the development, approval and subsequent changes of the credit risk models; Description in the point 5.3.3
Article 452 (e) CRR	d)	The scope and main content of the reporting related to credit risk models; Description in the point 5.3.3

Article 452 (f) CRR	e)	A description of the internal ratings process by exposure class, including the number of key models used with respect to each portfolio and a brief discussion of the main differences between the models within the same portfolio, covering: (i) the definitions, methods and data for estimation and validation of PD, which shall include information on how PDs are estimated for low default portfolios, whether there are regulatory floors and the drivers for differences observed between PD and actual default rates at least for the last three periods; (ii) where applicable, the definitions, methods and data for estimation and validation of LGD, such as methods to calculate downturn LGD, how LGDs are estimated for low default portfolio and the time lapse between the default event and the closure of the exposure; (iii) where applicable, the definitions, methods and data for estimation and validation of credit conversion factors, including assumptions employed in the derivation of those variables. Description in the point 5.3.2

5.3.1. Approval to use the IRB Approach

As at 31 December 2022, the Banco Comercial Portugues Group (the parent owner of Bank Millennium SA) has obtained the described below approvals of the Competent Authorities pertaining to the use of the IRB Approach by the Group and Bank Millennium SA (“IRB Decisions”). First two IRB decisions were issued by Banco de Portugal (the consolidating regulator of the Banco Comercial Portugues Group) in cooperation with the Polish Financial Supervision Commission (KNF – local regulator), and the last one decisions (issued in July 2017) was issued by European Central Bank (EBC) with cooperation of KNF.

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

The approval issued at the end of 2014 entails:

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

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

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

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

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

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

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

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

From 2018, Bank Millennium S.A. Group successively implements the multi-stage process of implementing changes to the IRB method, related to the requirements for the new definition of default. In the first phase, in line with the "two-step approach" approved by the Supervision, the Group in 2020 successfully implemented solutions for the new definition of default on the production environment. Then, in 2021, a recalibration and reconstruction of all credit risk models included in the rating system subject to the current supervisory approval was performed, taking into account the new definition of default. In the fourth quarter of 2021, the Group submitted requests to Competent Authorities under the procedure set out in Commission Delegated Regulation (EU) No 529/2014. Until the supervisory processes in this respect are completed, the Group is obliged to include an additional conservative charge on estimating the RWA for exposures classified under the IRB method[3]. The level of this mark-up, calculated on the basis of the supervisory algorithm, was set at 5% above the value resulting from the IRB method.

In April 2021, the Bank received a joint supervisory decision regarding the IRB approach, issued by the ECB in cooperation with KNF. This decision concerns:

1) lifting the Bank's obligation to maintain the multiplier of 1.3 imposed on LGD parameters due to a positive assessment of the implementation of the conditions of the 2017 decision,

2) issuing additional recommendations on improving the models used for RRE portfolios and QRRE.

3) using a multiplier of 1.2 to estimate the LGD parameter for the nondefault RRE and QRRE portfolio and the floor for in-default parmetres equal to 1.1 * EL BE (LGD in-default> = 1.1 * EL BE), until recognition by the Competent Authorities that certain recommendations issued in the decision have been met.

5.3.2. Internal rating systems

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

[3] ECB-SSM-2020-PTBCP-2 letter dated 15.01.2020

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

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

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

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

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

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

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

The rating for governments, central banks, international organizations, multilateral development banks and Institutions may be assigned based on a rating awarded by recognized rating agencies, mapped to the Master Scale. Should the above-mentioned entities have more than one classification awarded by recognized rating agencies (split rating) the rating corresponding to the second best risk shall be taken into account at all times.

In case of retail customers, rating awarded through a behavioral model (behavioral rating) by default takes precedence over a rating awarded through an application model (application rating) if behavioral rating only is awarded. Within application ratings, the risk rating based on the Credit Information Bureau (BIK) rating, if assigned, is by definition more important.

In case of corporate customers, awarded rating comes from 3 components: a quantitative module based on an analysis of data from financial statements, a module of qualitative evaluation of customers based on non-financial information and a behavioral module assessing existing nature of co-operation between customer and Millennium Bank Group (including Bank Millennium). The rating should be assigned at the same time to all members of the economic group, that is to say, the group of connected clients.

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

Procedural ratings by default take precedence over application ratings.

After premises necessary to award any of the procedural ratings 13 or 14 are no longer satisfied, these ratings 13 and 14 expire immediately. Rating 15 expires when there are no indications of default and the quarantine period is over. During the quarantine period, the client should demonstrate appropriate behavior or financial situation.

Description of the internal ratings process

1. Central governments and central banks
   This exposure class is excluded permanently from the IRB approach.
2. Institutions
   This exposure class is excluded permanently from the IRB approach.
3. Corporates, including SMEs, specialized lending and purchased corporate receivables
   Exposure classes subject to the IRB roll-out plan.
4. Retail exposures
5. Equity exposures

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

5.3.2.1 PD models

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

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

The presented rating principles apply to all categories of retail exposures: retail exposures to individuals secured by residential real estate, qualifying revolving retail exposures and other retail exposures.

The class of retail exposures to individuals secured by residential real estate include exposures which are mortgage loans or home equity loans granted to retail clients (small businesses and private individuals) and secured by mortgage.

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

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

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

a) Data input;
b) Verification of data;

c) Awarding of the final risk grade (automated decision).

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

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

- internal sources (Bank's IT systems);
- external sources (Credit Information Bureau - BIK);
- data received from customers.

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

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

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

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

Additional information on PD models:

Bank uses the following models for the portfolios:

Portfolio	PD models
Residential retail secured exposures (RRE)	RRE application model Behavioral model (BeScore) Procedural ratings model
QRRE	Application model for customers with MilleBIK Application model for customers without BIK Behavioral model (BeScore) Procedural ratings model
Other retail	Application model for customers with MilleBIK Application model for customers without BIK Application model for installment loans Application model for Biznes customers Behavioral model (BeScore) Procedural ratings model
Corporate exposures	Rating model for corporate clients Procedural ratings model

The Bank uses one PD estimation methodology common to all portfolios. It assumes making estimates based on the long-term average default (minimum of 5 historical years and PD forecasts for the next year). Estimation is made at the level of a given portfolio, and then, based on the calibration function, a PD is assigned to the given scoring score from the model. The exceptions in this respect are procedural ratings 13 and 14, for which there is a direct estimation.

The PD models used to calculate capital requirements are subject to periodic, independent validation. Each new version of the model is pre-validated before being released in the production environment. The implementation of the model is also independently validated (implementation validation). In order to verify the correctness of PD estimates, a number of tests and statistical measures are used, described in the PD model validation methodology. The areas examined include both qualitative and quantitative verification of the model, in particular: compliance with regulations, data quality, model assumptions, discriminatory power, quality of fit of the PD parameter, stability and concentration measures

5.3.2.2 LGD models

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

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

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

For this reason, the Bank estimated the LGD parameters on the basis of a database that includes all cases of default resulting from the quantitative and qualitative premises of the definition of default coming from the period specified for a given calibration. When selecting this period, a time series is taken into account, taking into account both the latest data and observations both from the period of recession / economic slowdown and times of economic prosperity.

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

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

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

Pools are identified by regression trees. Loss given default is estimated at the transaction level, while the probability of recovery is calculated at the customer level

For the capital requirement calculation, the LGD parameters are calculated in two versions:

1) Downturn LGD - parameters reflecting the period of economic downturn.
2) EL BE - parameters reflecting the expected economic loss, apply only to the in-default portfolio.

Downturn LGD parameters were estimated on a sample composed of observations from the worst identified period of economic slowdown and were increased by the estimation error. The period of economic slowdown was determined based on the analysis of the time series of marco-economic variables and the realized LGD values.

The EL BE parameters are used for the observations for which a default event has already occurred. They reflect the Bank's expected economic loss, assuming the current macroeconomic conditions.

The difference between the Downturn LGD parameter and the EL BE parameter is an estimate of the unexpected loss associated with a given default.

In order to avoid the instability of the parameters, the minimum number of observations that must occur in a given month and in the pool has been defined to be able to estimate the individual LGD component parameters (recovery probability and recovery rate). This means that the maximum recovery period depends on the number of observations for the largest mids, i.e. months from the default date.

In 2021, the Bank thoroughly redeveloped the LGD models to take into account regulatory changes (in particular the new definition of default (NDD), guidelines for estimating PD and LGD parameters, regulatory implementing technical standards (RTS) and guidelines for estimates reflecting the downturn period (LGD Downturn) and the ECB Guidelines for Internal Models). Maximum recovery period for a given segment, after which no more flows and recoveries are taken into account was implemented in the calibration of the new models. In the RRE model, the biggest change is the inclusion of direct collateral values in the LGD estimation. Thus, that model includes new parameters - the probability of the use of the obligation and the recovery ratio from the collateral. The new models were submitted for approval by the supervision authority in October 2021, however, the inspection related to them was postponed to the second quarter of 2023. Only after obtaining the approval of the supervision authority will it be possible to implement the new models into production.

The models used to calculate capital requirements (in the current use) are subject to periodic validation and monitoring (once a year). Each new version of the model is subject to initial validation. The implementation of the model for the purposes of estimating capital requirements is also independently validated. In order to verify the correctness of the LGD model estimates, a number of statistical tests and measures are used, described in the LGD model validation methodology and in the monitoring methodology. The validated areas include the discriminant power of the model, estimation errors (backtest), model stability, predictive power of the model and individual variables, concentration measures and qualitative analysis.

5.3.2.3 Exposure at Default (EAD) models / CCF models

The EAD model is a statistical model, built for the retail exposures. When estimating EAD, the exposure at default was compared with the limit value and the balance sheet exposure observed for each of the 12 months prior to the default event. The calculation of balance sheet equivalent (CCF) parameters was performed for product groups for which there was a possibility of off-balance sheet exposure and the Bank had a significant number of observations allowing for statistical inference, i.e. for overdraft limits and credit cards (QRRE portfolio), as well as for the RRE portfolio, for which the Bank developed a new EAD model in 2021. Until approval for its use is obtained, in the process of estimating capital requirements, a conservative value of the CCF parameter equal to 100% is adopted for the RRE portfolio. For the guarantee portfolio, due to the limited number of empirical observations that make it impossible to carry out statistical analyzes, the conservative CCF value equal to 100% was assumed, similarly to the RRE portfolio.

EAD model estimation is based on estimating individual model components and then assembling them. These components are:

- CCF Best Estimate parameter representing the long-term average, calculated on the basis of the time window covering various phases of the business cycle,
- CCF Downturn parameter representing the parameter value in an economic downturn,
- estimation error.

The final value of the parameter used in the capital requirement estimation process is determined as the greater of the CCF Best Estimate and CCF Downturn values and includes the estimation error. Parameters are estimated on a pooled basis using a decision tree model where pooling variables are customer and exposure characteristics.

Models used in the process of calculation of capital requirements are subject to periodic validation and monitoring (every year). Each new version of the model is subject to initial validation. The model implementation for the purposes of capital requirements calculation is also validated. In order to verify the correctness of the EAD model estimates, a number of statistical tests and measures are used, described in the EAD model validation methodology. These are: measures of the discriminant power of the model, measures of estimation error, measures of model stability, tests of significance of pooling variables as well as measures of concentration.

In 2021, the Bank redeveloped the EAD model for cards for account limits and credit cards and, as mentioned earlier, created a new model for the RRE segment. The new models have been estimated based on the new definition of default and are compliant with the EBA/RTS/2018/04 regulations and the ECB Guide to internal models. The new models were submitted for approval by the supervision authority in October 2021, however, the inspection related to them was postponed to the second quarter of 2023. Only after obtaining the approval of the supervision authority will it be possible to implement the new models into production.

5.3.2.4 Quantitative information

Exposure and adjustment values

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

Table no 22 EU CR6 - IRB approach - Credit risk exposures by exposure class and PD range (in accordance with ITS 2021/637) (in percents, in PLN thous.) (i)

A-IRB, Portfolio	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
Qualifying revolving exposures (QRRE)												
	0,00 do <0,15	423 370	2 031 342	63,27%	1 708 641	0,08%	377 233	65,48%	59 237	3,47%	895	-1 280
	0,00 do <0,10	423 370	2 031 342	63,27%	1 708 641	0,08%	377 233	65,48%	59 237	3,47%	895	-1 280
	0,10 do <0,15	0	0	0,00%	0	0,00%	0	0,00%	0		0	0
	0,15 do <0,25	177 894	313 200	70,34%	398 197	0,19%	76 843	71,69%	31 139	7,82%	549	-1 309
	0,25 do <0,50	173 705	211 206	73,44%	328 805	0,39%	57 403	74,97%	47 844	14,55%	961	-1 985
	0,50 do <0,75	192 071	165 867	75,73%	317 690	0,71%	50 106	77,84%	77 028	24,25%	1 756	-2 899
	0,75 do <2,50	398 319	208 657	158,46%	563 205	1,71%	81 626	80,21%	272 584	48,40%	7 760	-8 948
	0,75 do <1,75	211 774	126 975	78,27%	311 156	1,28%	45 900	79,66%	121 296	38,98%	3 173	-4 376
	1,75 do <2,5	186 545	81 681	80,19%	252 049	2,25%	35 726	80,89%	151 288	60,02%	4 587	-4 572
	2,50 do <10,00	413 718	122 692	155,14%	507 978	6,05%	69 427	81,35%	591 537	116,45%	25 178	-17 294
	2,50 do <5,00	172 540	53 800	83,59%	217 513	3,80%	29 301	81,80%	189 825	87,27%	6 724	-5 555
	5,00 do <10,00	241 178	68 892	71,54%	290 465	7,74%	40 126	82,13%	401 712	138,30%	18 454	-11 739
	10,00 to <100,00	251 986	24 345	149,17%	270 828	24,50%	34 100	84,74%	589 144	217,53%	56 655	-34 827
	10,00 do <20,00	176 741	19 304	89,98%	194 111	15,49%	23 537	84,23%	406 296	209,31%	25 326	-14 052
	20,00 do <30,00	13 571	1 500	30,58%	14 030	26,43%	1 395	82,34%	35 325		3 053	-2 899
	30,00 do <100,00	61 673	3 542	28,61%	62 687	51,98%	9 168	86,86%	147 523	235,33%	28 276	-17 876
	100,00 (default)	165 464	10 142	0,00%	165 464	100,00%	22 943	73,61%	211 646	127,91%	121 802	-96 140
QRRE	**Total**	**2 196 525**	**3 087 452**		**4 260 807**		**769 681**		**1 880 158**	**44,13%**	**215 557**	**-164 681**
Exposures secured on immovable property SME (RRE SME)												
	0,00 do <0,15	2 048	4	100,00%	2 051	0,08%	14	33,72%	112	5,45%	1	-1
	0,00 do <0,10	2 048	4	100,00%	2 051	0,08%	14	33,72%	112	5,45%	1	-1

	0,10 do <0,15	0	0	0,00%	0	0,00%	0	0,00%	0		0	0
	0,15 do <0,25	8 110	718	100,00%	8 827	0,21%	19	33,83%	1 014	11,48%	6	-5
	0,25 do <0,50	5 709	69	100,00%	5 779	0,39%	21	33,58%	1 024	17,72%	8	-7
	0,50 do <0,75	10 902	242	100,00%	11 144	0,71%	36	33,55%	3 003	26,95%	27	-51
	0,75 do <2,50	9 359	339	200,00%	9 698	1,63%	39	33,72%	4 491	46,31%	53	-47
	0,75 do <1,75	5 856	339	100,00%	6 195	1,28%	24	33,64%	2 481	40,04%	27	-17
	1,75 do <2,5	3 503	0	100,00%	3 504	2,25%	15	33,85%	2 011	57,39%	27	-30
	2,50 do <10,00	9 693	331	200,00%	10 024	5,43%	23	33,96%	9 223	92,01%	184	-133
	2,50 do <5,00	4 459	296	100,00%	4 755	3,80%	10	33,88%	3 709	77,99%	61	-30
	5,00 do <10,00	5 234	35	100,00%	5 269	6,91%	13	33,81%	5 514	104,66%	123	-103
	10,00 to <100,00	2 518	0	100,00%	2 518	19,93%	8	33,80%	3 532	140,30%	170	-97
	10,00 do <20,00	2 275	0	100,00%	2 275	15,49%	6	33,84%	3 287	144,49%	119	-69
	20,00 do <30,00	0	0	0,00%	0	0,00%	0	0,00%	0		0	0
	30,00 do <100,00	243	0	0,00%	243	61,49%	2	33,50%	245		50	-28
	100,00 (default)	974	0	0,00%	974	100,00%	5	99,44%	1 210	124,30%	968	-357
RRE SME	**Razem**	**49 312**	**1 702**		**51 014**		**165**		**23 609**	**46,28%**	**1 417**	**-698**
Exposures secured on immovable property non-SME (RRE non-SME)												
	0,00 do <0,15	26 369 747	592 868	100,00%	26 962 615	0,08%	128 948	41,33%	2 362 308	8,76%	8 916	-24 148
	0,00 do <0,10	26 369 747	592 868	100,00%	26 962 615	0,08%	128 948	41,33%	2 362 308	8,76%	8 916	-24 148
	0,10 do <0,15	0	0	0,00%	0	0,00%	0	0,00%	0		0	0
	0,15 do <0,25	3 463 387	49 231	100,00%	3 512 619	0,19%	15 476	43,09%	610 595	17,38%	2 838	-7 224
	0,25 do <0,50	1 992 952	23 185	100,00%	2 016 138	0,39%	9 070	43,59%	609 236	30,22%	3 430	-8 101
	0,50 do <0,75	1 440 291	11 251	100,00%	1 451 541	0,71%	6 484	44,16%	677 043	46,64%	4 560	-9 684
	0,75 do <2,50	1 932 327	12 372	200,00%	1 944 698	1,65%	8 403	44,60%	1 581 177	81,31%	14 398	-23 044
	0,75 do <1,75	1 187 217	6 375	100,00%	1 193 592	1,28%	5 237	44,36%	828 217	69,39%	6 785	-11 851
	1,75 do <2,5	745 109	5 997	100,00%	751 106	2,25%	3 166	44,99%	752 959	100,25%	7 613	-11 193
	2,50 do <10,00	993 139	5 797	200,00%	998 937	5,47%	3 972	44,42%	1 582 520	158,42%	24 332	-30 761

	2,50 do <5,00	535 537	2 219	100,00%	537 756	3,80%	2 179	44,43%	721 523	134,17%	9 095	-12 845
	5,00 do <10,00	457 602	3 578	100,00%	461 180	7,42%	1 793	44,44%	860 997	186,69%	15 237	-17 916
	10,00 to <100,00	505 937	1 992	200,00%	507 929	26,05%	2 107	45,52%	1 280 275	252,06%	60 634	-47 347
	10,00 do <20,00	312 792	1 671	100,00%	314 463	15,49%	1 253	45,18%	797 746	253,68%	22 047	-23 187
	20,00 do <30,00	0	0	0,00%	0	0,00%	0	0,00%	0		0	0
	30,00 do <100,00	193 145	321	100,00%	193 466	43,32%	854	46,06%	482 529	249,41%	38 587	-24 161
	100,00 (default)	967 334	435	100,00%	967 769	100,00%	4 009	62,84%	1 490 476	154,01%	608 188	-420 578
RRE non-SME	**Total**	**37 665 115**	**697 132**		**38 362 247**		**178 469**		**10 193 629**	**26,57%**	**727 296**	**-570 889**
Total (all portfolios)		**40 671 393**	**3 812 623**		**43 455 343**		**984 530**		**13 970 347**	**32,15%**	**1 061 728**	**-818 538**

(i) The table does not include PLN 604.9m RWA stemming from Competent Authorities decision on an conservative charge of 5% RWA on exposures classified under IRB approach.

The below table presents the scope of application of internal ratings based and standardised method of own funds requirements calculation.

Table no 23 EU CR6-A - Scope of the use of IRB and SA approaches (in accordance with ITS 2021/637) (in percents, in PLN thous.)

		Exposure value as defined in Article 166 CRR for exposrues subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to a roll-out plan (%)	Percentage of total exposure value subject to IRB Approach (%)
1	Central governments or central banks	0	29 679 193	100,00%	0,00%	0,00%
1.1	*Of which Regional governments or local authorities*		260 419	100,00%	0,00%	0,00%
1.2	*Of which Public sector entities*		176 463	100,00%	0,00%	0,00%
2	Institutions	0	1 929 597	100,00%	0,00%	0,00%
3	Corporates	0	21 666 870	20,86%	79,14%	0,00%
3.1	*Of which Corporates - Specialised lending, excluding slotting approach*		0	0,00%	0,00%	0,00%
3.2	*Of which Corporates - Specialised lending under slotting approach*		826 540	0,00%	100,00%	0,00%
4	Retail	43 697 238	67 485 443	3,03%	32,22%	64,75%
4.1	*of which Retail - Secured by real estate SMEs*		283 248	81,75%	0,24%	18,01%

4.2	*of which Retail - Secured by real estate non-SMEs*		42 517 829	0,00%	9,77%	90,23%
4.3	*of which Retail - Qualifying revolving*		5 283 977	0,00%	0,00%	100,00%
4.4	*of which Retail - Other SMEs*		3 201 510	56,53%	43,47%	0,00%
4.5	*of which Retail - Other non-SMEs*		16 198 878	0,00%	100,00%	0,00%
5	Equity	0	225 382	100,00%	0,00%	0,00%
6	Other non-credit obligation assets	0	4 460 258	100,00%	0,00%	0,00%
7	**Total**	**43 697 238**	**125 446 741**	**34,16%**	**31,00%**	**34,83%**

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

Table no 24 EU CR8 - RWEA flow statements of credit risk exposures under IRB approach (in accordance with ITS 2021/637) (in PLN thous.)

Date: 31 December 2022 (reporting period); 30 September 2022 (previous reporting period)

		Risk weighted exposure amount
1	**Risk weighted exposure amount as at the end of the previous reporting period**	**12 828 631**
2	Asset size (+/-)	-306 096
3	Asset quality (+/-)	-435 531
4	Model updates (+/-)	0
5	Methodology and policy (+/-)	0
6	Acquisitions and disposals (+/-)	0
7	Foreign exchange movements (+/-)	-180 503
8	Other (+/-)	190 895
9	**Risk weighted exposure amount as at the end of the reporting period**	**12 097 396**

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

Table no 25 EU CR9 - IRB approach - Back-testing of PD per exposure class - fixed PD scale (in accordance with ITS 2021/637) (in percents, in PLN thous.)

Exposure class	PD range		Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
				Of which number of obligors which defaulted in the year				
Qualifying revolving exposures (QRRE)								
	0,00 to <0,15		627 576	753	0,12%	0,08%	0,08%	0,07%
		0,00 to <0,10	627 576	753	0,12%	0,08%	0,08%	0,07%
		0,10 to <0,15	0	0	0,00%	0,00%	0,00%	0,00%
	0,15 to <0,25		141 901	623	0,44%	0,19%	0,19%	0,23%
	0,25 to <0,50		107 118	628	0,59%	0,39%	0,39%	0,41%
	0,50 to <0,75		88 292	790	0,89%	0,71%	0,71%	0,66%
	0,75 to <2,50		135 289	2 069	1,53%	1,71%	1,70%	1,28%
		0,75 to <1,75	77 114	1 062	1,38%	1,28%	1,28%	1,10%
		1,75 to <2,5	58 175	1 007	1,73%	2,25%	2,25%	1,56%
	2,50 to <10,00		103 473	3 563	3,44%	6,05%	6,06%	3,08%
		2,50 to <5,00	45 536	1 313	2,88%	3,80%	3,80%	2,37%
		5,00 to <10,00	57 937	2 250	3,88%	7,74%	7,84%	3,69%
	10,00 to <100,00		37 673	5 116	13,58%	24,50%	25,04%	13,76%
		10,00 to <20,00	27 103	2 017	7,44%	15,49%	15,49%	7,25%
		20,00 to <30,00	1 515	280	18,48%	26,43%	26,43%	8,97%

	30,00 to <100,00	9 055	2 819	31,13%	51,98%	53,40%	27,61%
100,00 (default)		29 111	0	0,00%	100,00%	100,00%	0,00%
Exposures secured on immovable property SME (RRE SME)							
0,00 to <0,15		20	0	0,00%	0,08%	0,08%	0,00%
	0,00 to <0,10	20	0	0,00%	0,08%	0,08%	0,00%
	0,10 to <0,15	0	0	0,00%	0,00%	0,00%	0,00%
0,15 to <0,25		10	0	0,00%	0,21%	0,20%	2,31%
0,25 to <0,50		19	0	0,00%	0,39%	0,39%	0,00%
0,50 to <0,75		38	0	0,00%	0,71%	0,71%	0,00%
0,75 to <2,50		39	0	0,00%	1,63%	1,83%	0,50%
	0,75 to <1,75	17	0	0,00%	1,28%	1,28%	0,00%
	1,75 to <2,5	22	0	0,00%	2,25%	2,25%	1,25%
2,50 to <10,00		14	0	0,00%	5,43%	6,92%	0,00%
	2,50 to <5,00	4	0	0,00%	3,80%	3,80%	0,00%
	5,00 to <10,00	10	0	0,00%	6,91%	8,17%	0,00%
10,00 to <100,00		7	0	0,00%	19,93%	15,49%	0,00%
	10,00 to <20,00	7	0	0,00%	15,49%	15,49%	0,00%
	20,00 to <30,00	0	0	0,00%	0,00%	0,00%	0,00%
	30,00 to <100,00	0	0	0,00%	61,49%	0,00%	0,00%
100,00 (default)		9	0	0,00%	100,00%	100,00%	0,00%
Exposures secured on immovable property non-SME (RRE non-SME)							
0,00 to <0,15		153 387	549	0,36%	0,08%	0,08%	0,13%
	0,00 to <0,10	153 387	549	0,36%	0,08%	0,08%	0,13%
	0,10 to <0,15	0	0	0,00%	0,00%	0,00%	0,00%
0,15 to <0,25		17 082	146	0,85%	0,19%	0,19%	0,36%
0,25 to <0,50		9 753	88	0,90%	0,39%	0,39%	0,46%
0,50 to <0,75		7 201	105	1,46%	0,71%	0,71%	0,84%

0,75 to <2,50		9 568	186	1,94%	1,65%	1,65%	1,56%
	0,75 to <1,75	5 898	101	1,71%	1,28%	1,28%	1,18%
	1,75 to <2,5	3 670	85	2,32%	2,25%	2,25%	2,15%
2,50 to <10,00		4 585	167	3,64%	5,47%	5,53%	3,27%
	2,50 to <5,00	2 427	82	3,38%	3,80%	3,80%	2,61%
	5,00 to <10,00	2 158	85	3,94%	7,42%	7,47%	3,95%
10,00 to <100,00		1 433	200	13,96%	26,05%	25,90%	14,66%
	10,00 to <20,00	818	49	5,99%	15,49%	15,49%	7,68%
	20,00 to <30,00	0	0	0,00%	0,00%	0,00%	0,00%
	30,00 to <100,00	615	151	24,55%	43,32%	39,74%	40,26%
100,00 (default)		4 062	0	0,00%	100,00%	100,00%	0,00%

Table no 26 IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR) (in accordance with ITS 2021/637)

Considering that the Group does not estimate PD according to point (f) of Article 180(1) CRR, the table is not present.

Table no 27 EU CR10 - Specialised lending and equity exposures under the simple risk weighted approach (in accordance with ITS 2021/637)

Considering that the Group does not calculate risk weighted exposure amount for specialised lending and equity exposures under the simple weighted approach, the table is not present.

5.3.3. Rating systems control and review

The Group has implemented the principle of strict separation of commercial functions generating credit risk (which are performed in the Business Area) and client risk and exposure evaluation functions (which are performed by units in the Risk Area). In the area of retail exposures, the final risk grade (rating) is awarded automatically. In respect to corporate exposures, risk grades are awarded to clients and changed when necessary during their term by the specialized Ratings Department.

Management of rating models, including the performance of control function,. is regulated in internal procedures pertaining to model development, model calibration and model monitoring. Responsibility for these actions has been assigned to designated model owners.

Table no 28 EU CRE, b) Rating systems review and independence of the function in charge of reviewing the models from the function responsible for the development of the models (according to ITS 2021/637)

In order to ensure the appropriate control and review of the rating systems (adequate estimation of risk parameters and correct course of the rating and credit decision process), a validation and monitoring process has been introduced.

The monitoring process (review of rating systems) is performed by the unit responsible for model development. Monitoring is carried out on a regular basis in accordance with the established monitoring schedule. The risk model monitoring process is based on the Bank's internal methodologies. The conclusions from periodic monitoring serve as the basis for issuing possible recommendations for the improvement of model performance.

The validation process is performed by a unit independent from the organizational units responsible for model development. The model validation process is based on internal regulations developed by the Bank for individual models.

Table no 28 EU CRE, b) Procedure to ensure the accountability of the functions in charge of developing and reviewing the models (according to ITS 2021/637)

The model development functions are performed by the owners of the models and rating systems. They report to the Head of the Risk Department. The developed models are sent to the validation unit for initial validation. Internal model approval is required prior to model implementation. Internal model approval is performed by the Validation Committee. In the case of material models and models used to calculate capital requirements, ratification of the decision of the Validation Committee by the Risk Committee is also required.

Table no 28 EU CRE, c) The role of the functions involved in the development. approval and subsequent changes of the credit risk models (according to ITS 2021/637)

The following units handle the monitoring and validation process:

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

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

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

The Chairman of the Validation Committee is obliged to submit to the Risk Committee for ratification and, if necessary, other committees responsible for credit risk control, the conclusions of the Validation Committee with regard to the relevant credit risk models and rating systems used to calculate the capital requirements and the status of any corrective actions.

Table no 28 EU CRE, d) The scope and main content of the reporting related to credit risk models (according to ITS 2021/637)

The Bank stores the documentation of implemented models, rating system, monitoring and validation reports and minutes on decisions made by the Validation Committee and the Risk Committee.

The scope of model documentation as well as monitoring and validation reports is specified in the Bank's internal regulations. The documentation contains qualitative and quantitative elements that allow for the reconstruction and verification of the quality of operation of the models. In particular, the documentation includes, among others, the main assumptions of the models, data sources, methods and final results of the model, along with an assessment of their quality. Validation reports include in particular the results of qualitative and quantitative analyzes, conclusions drawn on their basis, the final evaluation of the models, as well as possible recommendations to improve the operation of the models.

Table no 28 EU CRE, b) The relationship between the risk management function and the internal audit function (according to ITS 2021/637)

The Internal Audit Department (hereinafter: IAC) as an independent third line of defense unit within the function ensuring adequacy and effectiveness of the risk management system and internal control system, regularly reviews the rating systems in accordance with the annual Audit Plans approved by the Supervisory Board. They cover the credit area, in particular the issues of estimating the value of risk parameters: PD, LGD, CCF and the expected loss ratio EL. Audit reviews also include the assessment of the organization of model management processes, their monitoring and validation, as well as the most important elements of internal and external reporting (including disclosures regarding capital adequacy). The reviews are carried out based on the Audit Charter and Audit Manual approved by the Audit Committee of the Supervisory Board. The research is carried out on the basis of specialized audit programs. In addition, as part of the advisory function, the DAW carries out reviews of the correctness of classification of changes to the IRB method under the procedures specified in the Commission Delegated Regulation (EU) No 529/2014.

5.3.4. Use of internal estimates

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

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

- Management information system

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

- Risk Appetite

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

- Concentration limits

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

- Decision-making powers

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

- Evaluation of borrowing capacity and creditworthiness

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

- Loan prices and pricing policy

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

- Economic capital

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

5.4. Internal capital

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

Table no 29 EU OVC - ICAAP information (according to ITS/2021/637)

Information in this point relate to the used method of internal capital adequacy assessment.

The Group and the Bank carry out the internal capital adequacy assessment process (ICAAP), based among others on the models of internal (economic) capital.

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

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

The Group and the Bank defined the below risk types as material, presented together with methods of internal capital estimation. The last risk materiality assessment was completed in the end of 2022.

Table no 30 Material risk types and methodologies to estimate internal capital to material risk types

Lp	Risk category and type	Internal capital calculation method
1	Credit risk default risk	Modified Credit Risk + model
2	Counterparty credit risk	Modified Credit Risk + model
3	Sovereign credit risk	Modified Credit Risk + model
4	Funding cost risk	Method of hard-to-measure risks internal capital calculation
5	External fraud risk	Method of operational risk internal capital calculation
6	ICT - security risk [1)]	Method of operational risk internal capital calculation
7	ICT - availability and continuity risk	Method of operational risk internal capital calculation
8	Compliance and conduct risk	Method of operational risk internal capital calculation
9	Data protection risk	Method of operational risk internal capital calculation

10	Litigation risk	Method of litigation risk internal capital calculation
11	Interest rate risk in banking book - gap risk	Model of interest rate risk in banking book internal capital calculation
12	Economic risk	Method of hard-to-measure risks internal capital calculation
13	Strategic risk	Method of hard-to-measure risks internal capital calculation
14	Business risk - IT Strategy risk	Method of hard-to-measure risks internal capital calculation
15	Reputational risk	Method of hard-to-measure risks internal capital calculation
16	Geo-political risks	Method of hard-to-measure risks internal capital calculation
17	Financial system protection schemes risk	Method of hard-to-measure risks internal capital calculation
18	Assistant program "credit holidays" risk	Method of assistant program "credit holidays" risk internal capital calculation
19	Mortgage denominated in FX loans risk (RRE FX risk)	Modified Credit Risk + model / Methodology of calculation of additional own funds requirements to cover RRE FX risk

1) ICT – Information and Communication technologies

Completing risk materiality assessment in 2022, 12 main risk categories were defined in total, and within them several dozen types of risk, including many types of non-financial and hard-to-measure risks. Tha Bank / Group follow BCP Group risk taxonomy.

Defined risk categories include:

1. Credit risk
2. Concentration risk
3. Liquidity risk
4. Market risk
5. Real estate risk
6. Operational risk - processes
7. Operational risk – ICT (Information and Communication Technologies)
8. Operational risk - compliance and legal risk
9. Interest rate risk
10. Business risk
11. Reputational risk
12. Other risk types

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

In the calculation of internal capital, the Group and the Bank present a conservative approach to the correlation between individual types of risk (the fact that different types of risk do not materialize into losses at the same time), without taking into account the effect of diversification.

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

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

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

2. Measurement (quantification) of risk.

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

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

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

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

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

Capital adequacy assessment carried out at the end of 2022 indicates a sufficient level of this adequacy, which is shown in a significant surplus of capital resources (equivalent to regulatory own funds) as compared to economic risk (internal capital value).

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

6. CREDIT RISK

Qualitative information on credit risk are disclosed in Financial Report and in Management Report (chapters on credit risk), according to requirements of the below Table.

Table no 36 EU CRA - General qualitative information about credit risk (in accordance with ITS 2021/637)

Legal basis	Row number	Information
Article 435.1 (f) CRR	a)	In the concise risk statement in accordance with point (f) of Article 435(1) CRR, how the business model translates into the components of the institution's credit risk profile. Description in the Financial report and the Management Board Report (chapters on credit risk)
Article 435.1 (a,d) CRR	b)	When discussing their strategies and processes to manage credit risk and the policies for hedging and mitigating that risk in accordance with points (a) and (d) of Article 435(1) CRR, the criteria and approach used for defining the credit risk management policy and for setting credit risk limits. Description in the Financial report and the Management Board Report (chapters on credit risk)
Article 435.1 (b) CRR	c)	When informing on the structure and organisation of the risk management function in accordance with point (b) of Article 435(1) CRR, the structure and organisation of the credit risk management and control function. Description in the Financial report and the Management Board Report (chapters on credit risk)
Article 435.1 (b) CRR	d)	When informing on the authority, status and other arrangements for the risk management function in accordance with point (b) of Article 435(1) CRR, the relationships between credit risk management, risk control, compliance and internal audit functions. Description in the Financial report and the Management Board Report (chapters on credit risk)

6.1. ASSETS QUALITY

Chapter 9 "Financial risk management" in part 3 "Credit risk" in the Financial Report presents a description of the credit risk management process, including the methodology of its measurement and the policy of limit control and risk reduction.

At the same time, the decription of the policy policy applicable to impairment and creating impairment charges was presented in that chapter. It contains, among others, a detailed description of:

- Organization of the process to identify and measure impairment of credit exposures in order to determine adjustments for specific and general credit risk

- Individual analysis of credit receivables impairment
- Collective analysis of a credit portfolio.

The Chapter "Risk management" in part "Credit risk" of the Management Report presents the basic principles of credit policy and the most important initiatives implemented in 2022. This chapter also includes an assessment of the level of credit risk and key asset quality indicators in various dimensions. It also presents the assessment of the degree of concentration of the loan portfolio broken down by product types and industries.

The Group considers its loan portfolio quality as high. As at 31 December, 2022, the Group presents the gross NPL ratio (non-performing gross loans in total gross loans) of 4.45% (as at 31.12.2021 it was 4.39%).

Below are presented qualitative informations on assets credit quality, in line with regulatory requirements.

Table no 37 EU CRB - Additional disclosure related to the credit quality of assets (in accordance with ITS 2021/637)

Legal basis	Row number	Information
	a)	The scope and definitions of 'past-due' and 'impaired' exposures used for accounting purposes and the differences, if any, between the definitions of past due and default for accounting and regulatory purposes as specified by the EBA Guidelines on the application of the definition of default in accordance with Article 178 CRR. The definition of 'past due' exposures for accounting and regulatory purposes is not different and represents a delay in the performance by the customer of any material credit obligation exceeding 90 days (90 days are counted consecutively, ie the next 90 days with a significant credit obligation past due). The definitions of 'impaired' and 'defaulted' exposures have been harmonized for the purposes of integrated credit risk management.
	b)	The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this. Not all past due exposures (more than 90 days) are considered impaired. Separate materiality threshold criteria for the past due amount are used to calculate past due for the purpose of determining impaired exposures.
	c)	Description of methods used for determining general and specific credit risk adjustments. organisation of the credit risk management and control function. These methods are presented in the Financial Report and in the Management Board Report (chapters on credit risk).
	d)	The institution's own definition of a restructured exposure used for the implementation of point (d) of Article 178(3) CRR specified by the EBA Guidelines on defaultin accordance with Article 178 CRR when different from the definition of forborne exposure defined in Annex V to Commission Implementing Regulation (EU) 680/2014. The Bank does not use its own definition of a restructured exposure. It is in line with Art. 178 CRR and other regulations indicated above.

The Group discloses the information on performing and non-performing exposures and related provisions in the below table. That table is equivalent to the Template no 4 of EBA Guidelines on disclosure of non-performing and forborne exposures from 17.12.2018 (EBA/GL/2018/10).

Table no 33 EU CR1 - Performing and non-performing exposures and related provisions (in accordance with ITS 2021/637) (in PLN thous.)

		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005	**Cash balances at central banks and other demand deposits**	**8 782 157**	**8 782 157**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**		**0**	**0**
010	**Loans and advances**	**76 058 701**	**69 252 747**	**3 466 149**	**3 483 526**	**3 330 350**	**3 330 350**	**-736 616**	**-372 443**	**-415 597**	**-1 684 474**	**0**	**-1 619 873**		**52 657 859**	**951 701**
020	*Central banks*	0	0	0	0	0	0	0	0	0	0	0	0		0	0
030	*General governments*	199 761	198 718	0	0	0	0	-1 554	-1 554	-1	-0	0	-0		164 624	0
040	*Credit institutions*	551 393	551 393	0	0	0	0	-281	-281	0	0	0	0		0	0
050	*Other financial corporations*	137 913	136 629	14	14	14	14	-83	-48	-34	-12	0	-12		18 175	0
060	*Non-financial corporations*	18 136 878	16 631 170	637 618	637 627	622 402	622 402	-175 072	-115 812	-59 260	-238 773	0	-238 747		11 640 168	347 486
070	*Of which SMEs*	5 940 326	5 283 148	273 842	273 844	273 743	273 743	-53 467	-36 623	-16 844	-90 942	0	-90 960		4 786 017	159 477
080	*Households*	57 032 757	51 734 837	2 828 516	2 845 885	2 707 934	2 707 934	-559 625	-254 748	-356 302	-1 445 690	0	-1 381 115		40 834 892	604 214

090	**Debt securities**	**20 446 484**	**20 374 428**	**4 996**	**4 996**	**4 996**	**4 996**	**-6**	**-6**	**0**	**-4 996**	**0**	**-4 996**	**0**	**0**
100	*Central banks*	2 528 310	2 528 310	0	0	0	0	0	0	0	0	0	0	0	0
110	*General governments*	16 988 666	16 988 666	0	0	0	0	-6	-6	0	0	0	0	0	0
120	*Credit institutions*	77 492	77 492	0	0	0	0	0	0	0	0	0	0	0	0
130	*Other financial corporations*	852 017	779 960	0	0	0	0	0	0	0	0	0	0	0	0
140	*Non-financial corporations*	0	0	4 996	4 996	4 996	4 996	0	0	0	-4 996	0	-4 996	0	0
150	**Off-balance-sheet exposures**	**12 843 091**	**11 805 668**	**26 984**	**26 984**	**26 984**	**26 984**	**29 786**	**19 591**	**10 194**	**9 831**	**0**	**9 831**	**0**	**0**
160	*Central banks*	0	0	0	0	0	0	0	0	0	0	0	0	0	0
170	*General governments*	214 352	213 852	0	0	0	0	463	460	4	0	0	0	0	0
180	*Credit institutions*	84 506	84 506	0	0	0	0	7	7	0	0	0	0	0	0
190	*Other financial corporations*	28 753	28 753	100	100	100	100	92	92	0	62	0	62	0	0
200	*Non-financial corporations*	8 417 161	7 602 851	18 202	18 202	18 202	18 202	18 599	15 914	2 685	5 000	0	5 000	0	0
210	*Households*	4 098 319	3 875 706	8 683	8 683	8 683	8 683	10 625	3 119	7 506	4 769	0	4 769	0	0
220	***Total***	**118 130 433**	**110 214 999**	**3 498 129**	**3 515 506**	**3 362 330**	**3 362 330**	**-706 836**	**-352 858**	**-405 403**	**-1 679 639**	**0**	**-1 615 038**	**52 657 859**	**951 701**

The Group discloses the information on maturity of exposures of loans and advances and debt securities in the below table.

Table no 34 EU CR1-A - Maturity of exposures (in accordance with ITS 2021/637) (in PLN thous.)

		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	3 271 861	12 786 798	24 030 217	35 416 026	1 060 261	76 565 163
2	Debt securities	0	8 223 843	11 066 280	1 180 565	0	20 470 689
3	***Total***	3 271 861	21 010 641	35 096 497	36 596 591	1 060 261	97 035 852

The Group discloses the information on changes in the stock of non-performing loans and advances in the below table.

Table no 35 EU CR2 – Changes in the stock of non-performing loans and advances (in accordance with ITS 2021/637) (in PLN thous.)

		Gross carrying amount
010	**Initial stock of non-performing loans and advances**	2 288 263
020	Inflows to non-performing portfolios	681 202
030	Outflows from non-performing portfolios	-140 187
040	Outflows from non-performing portfolios closed accounts	-323 136
050	Outflows from non-performing portfolios change of balances	-127 766
060	**Final stock of non-performing loans and advances**	2 378 376

Table no 36 EU CR2 – Changes in the stock of non-performing loans and advances and related net accumulated recoveries (in accordance with ITS 2021/637) (in PLN thous.)

Taking into account that the NPE ratio did not exceed 5% at the end of 2022, in accordance with ITS 2021/637, the above table is not presented.

The Group discloses the information on credit quality of forborne exposures in the below table. That table is equivalent to the Template no 1 of EBA Guidelines on disclosure of non-performing and forborne exposures from 17.12.2018 (EBA/GL/2018/10).

Table no 37 EU CQ1 - Credit quality of forborne exposures (in accordance with ITS 2021/637) (in PLN thous.)

		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
005	Cash balances at central banks and other demand deposits	0	0	0	0	0	0	0	0
010	Loans and advances	139 927	1 364 734	1 364 734	1 364 732	-16 006	-599 199	517 551	444 858
020	*Central banks*	0	0	0	0	0	0	0	0
030	*General governments*	0	0	0	0	0	0	0	0
040	*Credit institutions*	0	0	0	0	0	0	0	0
050	*Other financial corporations*	0	0	0	0	0	0	0	0
060	*Non-financial corporations*	17 674	209 195	209 195	209 193	-589	-104 796	93 888	78 255
070	*Households*	122 254	1 155 539	1 155 539	1 155 539	-15 417	-494 403	423 663	366 603
080	Debt Securities	0	0	0	0	0	0	0	0
090	Loan commitments given	180	5 411	5 411	5 411	1	1 240	0	0
100	***Total***	**140 108**	**1 370 144**	**1 370 144**	**1 370 142**	**-16 005**	**-597 959**	**517 551**	**444 858**

Table no 38   EU CQ2 - Quality of forbearance (in accordance with ITS 2021/637) (in PLN thous.)

Taking into account that the NPE ratio did not exceed 5% at the end of 2022, in accordance with ITS 2021/637, the above table is not presented.

The Group discloses the information on credit quality of performing and non-performing exposures by past-due days in the below table. That table is equivalent to the Template no 3 of EBA Guidelines on disclosure of non-performing and forborne exposures from 17.12.2018 (EBA/GL/2018/10).

Table no 39   EU CQ3 - Credit quality of performing and non-performing exposures by past-due days (in accordance with ITS 2021/637) (in PLN thous.)

		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	8 782 157	8 782 157	0	0	0	0	0	0	0	0	0	0
010	Loans and advances	76 058 701	75 550 266	508 435	3 483 526	1 936 031	209 126	296 050	368 853	523 830	93 820	55 815	3 483 526
020	*Central banks*	0	0	0	0	0	0	0	0	0	0	0	0
030	*General governments*	199 761	199 758	3	0	0	0	0	0	0	0	0	0
040	*Credit institutions*	551 393	551 393	0	0	0	0	0	0	0	0	0	0
050	*Other financial corporations*	137 913	137 913	0	14	6	0	0	7	2	0	0	14
060	*Non-financial corporations*	18 136 878	18 086 294	50 585	637 627	466 334	34 183	52 171	40 997	6 755	3 292	637 627	18 136 878

070	*Of which SMEs*	5 940 326	5 932 846	7 479	273 844	208 558	11 250	12 941	26 480	9 367	2 253	2 994	273 844
080	*Households*	57 032 757	56 574 910	457 847	2 845 885	1 469 692	174 943	262 155	316 676	482 832	87 065	52 523	2 845 885
090	Debt securities	20 446 484	20 446 484	0	4 996	4 996	0	0	0	0	0	0	4 996
100	*Central banks*	2 528 310	2 528 310	0	0	0	0	0	0	0	0	0	0
110	*General governments*	16 988 666	16 988 666	0	0	0	0	0	0	0	0	0	0
120	*Credit institutions*	77 492	77 492	0	0	0	0	0	0	0	0	0	0
130	*Other financial corporations*	852 017	852 017	0	0	0	0	0	0	0	0	0	0
140	*Non-financial corporations*	0	0	0	4 996	4 996	0	0	0	0	0	0	4 996
150	Off-balance-sheet exposures	12 843 091	0	0	26 984	0	0	0	0	0	0	0	26 984
160	*Central banks*	0	0	0	0	0	0	0	0	0	0	0	0
170	*General governments*	214 352	0	0	0	0	0	0	0	0	0	0	0
180	*Credit institutions*	84 506	0	0	0	0	0	0	0	0	0	0	0
190	*Other financial corporations*	28 753	0	0	100	0	0	0	0	0	0	0	100
200	*Non-financial corporations*	8 417 161	0	0	18 202	0	0	0	0	0	0	0	18 202
210	*Households*	4 098 319	0	0	8 683	0	0	0	0	0	0	0	8 683
220	***Total***	***118 130 433***	***104 778 908***	***508 435***	***3 515 506***	***1 941 027***	***209 126***	***296 050***	***368 853***	***523 830***	***93 820***	***55 815***	***3 515 506***

Table no 40 EU CQ4 – Quality of non-performing exposures by geography (in accordance with ITS 2021/637)

The information on quality of non-performing exposures by geography is not present due to the fact that non-domestic original exposures in all non-domestic countries in all exposure classes are less than 10% of the total (domestic and non-domestic) original exposures.

The Group discloses the information on credit quality of loans and advances to non-financial corporations by industry in the below table.

Table no 41 EU CQ5 - Credit quality of loans and advances to non-financial corporations by industry (in accordance with ITS 2021/637) (in PLN thous.)

		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which loans and advances subject to impairment		
				Of which defaulted			
010	Agriculture, forestry and fishing	118 828	7 992	7 992	118 828	-6 718	0
020	Mining and quarrying	76 548	770	770	76 548	-904	0
030	Manufacturing	4 659 559	159 625	159 625	4 659 553	-109 016	0
040	Electricity, gas, steam and air conditioning supply	101 569	662	662	101 569	-1 406	0
050	Water supply	159 433	7 480	7 480	159 433	-3 412	0
060	Construction	1 199 186	53 002	53 002	1 199 186	-37 056	0
070	Wholesale and retail trade	5 649 511	119 321	119 321	5 649 507	-87 002	0
080	Transport and storage	2 984 096	93 131	93 131	2 984 045	-48 746	0
090	Accommodation and food service activities	213 194	74 111	74 111	213 194	-42 154	0

100	Information and communication	1 075 424	5 677	5 677	1 075 424	-13 063	0
110	Financial and insurance actvities	128 171	4 805	4 805	128 171	-2 748	0
120	Real estate activities	884 282	13 943	13 943	884 282	-10 281	0
130	Professional, scientific and technical activities	374 448	16 128	16 128	374 443	-15 109	0
140	Administrative and support service activities	599 111	47 547	47 547	599 111	-14 424	0
150	Public administration and defense, compulsory social security	110	0	0	110	0	0
160	Education	49 305	1 921	1 921	49 305	-1 825	0
170	Human health services and social work activities	132 386	2 498	2 498	132 386	-3 228	0
180	Arts, entertainment and recreation	39 997	16 922	16 922	39 997	-8 583	0
190	Other services	329 347	12 093	12 093	329 347	-8 170	0
200	***Total***	***18 774 505***	***637 627***	***637 627***	***18 774 439***	***-413 846***	***0***

Table no 42 EU CQ6 - Collateral valuation - loans and advances (in accordance with ITS 2021/637) (in PLN thousands)

Taking into account that the NPE ratio did not exceed 5% at the end of 2022, in accordance with ITS 2021/637, the above table is not presented.

The Group discloses the information on collateral obtained by taking possession and execution processes in the below table. That table is equivalent to the Template no 9 of EBA Guidelines on disclosure of non-performing and forborne exposures from 17.12.2018 (EBA/GL/2018/10).

Table no 43 EU CQ7 - Collateral obtained by taking possession and execution processes (in accordance with ITS 2021/637) (in PLN thous.)

		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
010	Property, plant and equipment (PP&E)	0	0
020	Other than PP&E	11 528	-137
030	*Residential immovable property*	77	-44
040	*Commercial Immovable property*	0	0
050	*Movable property (auto, shipping, etc.)*	11 451	-93
060	*Equity and debt instruments*	0	0
070	*Other collateral*	0	0
080	***Total***	**11 528**	**-137**

Table no 44 EU CQ8 - Collateral obtained by taking possession and execution processes - vintage breakdown (in accordance with ITS 2021/637) (in PLN thousands)

Taking into account that the NPE ratio did not exceed 5% at the end of 2022, in accordance with ITS 2021/637, the above table is not presented.

6.2. CREDIT RISK MITIGATION TECHNIQUES

The Group presents below the qualitative information on credit risk mitigation techniques, according to regulatory requirements.

Table no 45 EU CRC - Qualitative disclosure requirements related to CRM techniques** (in **accordance with ITS 2021/637)

Legal basis	Row number	Information
Article 453 (a) CRR	a)	A description of the core the policies and processes for on- and off-balance sheet netting and an indication of the extent to which institutions make use of balance sheet netting; The Group does not use on- and off-balance sheet netting.
Article 453 (b) CRR	b)	The core features of policies and processes for eligible collateral evaluation and management eligible collateral evaluation and management; Description in the text below the table.
Article 453 (c) CRR	c)	A description of the main types of collateral taken by the institution to mitigate credit risk; Description in the text below the table.
Article 453 (d) CRR	d)	For guarantees and credit derivatives used as credit protection, the main types of guarantor and credit derivative counterparty and their creditworthiness used for the purposes of reducing capital requirements, excluding those used as part of synthetic securitisation structures; In calculating capital requirements, the Group uses guarantees to reduce the amount of capital requirements. The main guarantors are: • BGK (De minimis) • Societe Generale (foreign currency housing loans of the former Eurobank) • State Treasury The Group does not use credit derivatives to lower capital requirements
Article 453 (e) CRR	e)	Information about market or credit risk concentrations within the credit mitigation taken; Description in the text below the table.

EU CRC, b) Policies and processes for eligible collateral evaluation and management

Policy of collateral management

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

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

Collateral is valid until the repayment of all the Group's receivables resulting from the secured credit transaction. The validity or maturity date of the collateral should not be earlier than the full repayment date of the secured credit transaction. If the credit risk mitigating instrument matures earlier than the credit transaction, a substitution process must be specified in the contract with the client to avoid lowering the original protection.

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

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

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

- ensure that the contractual terms of collateral are satisfied, which includes confirmation of legal certainty,
- update the value of collateral,
- verify that the collateral exists (local visits).

Collateral valuation

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

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

Mortgage collateral is valued on the basis of valuations prepared by expert appraisers verified by the Group’s specialized units.

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

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

Monitoring and update of collateral value

Real estate collateral

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

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

- valuation by an expert appraiser.

The value of the real estate as collateral should be monitored on a regular basis, at least once a year for commercial properties and once every three years for residential properties. Property valuation should be verified when there is information that the value of the property may have fallen significantly relative to overall market prices. Statistical methods can be used to monitor property values and identify properties that require verification.

Financial collateral

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

Material collateral

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

EU CRC, c) The description of main types of collateral

The Group accepts the listed below types of collateral. The types of collateral are subject to evaluation taking into account the legal form, legal environment, market realities, economic situation, order in satisfying oneself from collateral, previous experience as to the effectiveness of satisfying oneself with a given type and type of collateral and the assessment of the collateral provider.

Table no 46 Eligible credit risk mitigants

Mitigant Type	Forms of Mitigation
Financial Collaterals	Term deposit at Bank or another bank
	Structured products sold by Bank
	Polish State Treasury bonds admitted to organized trading
	Polish Treasury bills
	Shares included in WIG20 index
	Investment fund participation units sold by entities of the Bank's group
	Financial life insurance policies, including savings policies and unit linked, sold by Bank
Real Estate collaterals	Residential real estate
	Commercial real estate
Physical collaterals	Vehicles, including cars, construction equipment on a car chassis, other vehicles
	Separate specialist equipment and machines
	Technological line
	Airplane, helicopter, boat / ship
	Inventories
Receivables	Factoring
	Receivables from contracts / lease agreements
	Receivables from permanent cooperation
Guarantees and sureties	Bank guarantee
	State Treasury guarantees

Sureties

In the process of calculating own funds requirements to cover credit risk. the Group primarily uses collateral on residential and commercial real estate, cash collateral, guarantees and collateral on State Treasury debt securities.

EU CRC, e) Market or credit risk concentrations within the credit mitigation taken

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

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

Both of these factors contribute to increase of average LTV ratio (the ratio of loan to value of collateral) and the resulting increase in the value of loans, where the value of the LTV is greater than 100% and a deterioration of capital adequacy.

The first risk factor increases the DTI ratio (the ratio of debt-to-income for a customer) and it leads also to deterioration of liquidity.

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

The below table presents the overview of CRM techniques.

Table no 47 EU CR3 - CRM techniques overview: Disclosure of the use of credit risk mitigation techniques (in accordance with ITS 2021/637) (in PLN thous.)

		Unsecured carrying amount	Secured carrying amount			
				Of which secured by collateral	Of which secured by financial guarantees	
						Of which secured by credit derivatives
1	Loans and advances	85 903 294	53 609 560	51 416 901	2 192 659	0
2	Debt securities	20 446 479	0	0	0	0
3	Total	106 349 773	53 609 560	51 416 901	2 192 659	0
4	*Of which non-performing exposures*	847 351	951 701	906 668	45 032	0
EU-5	*Of which defaulted*	847 351	951 701	906 668	45 032	0

Table no 48 EU CR7 - IRB approach - Effect on the RWEAs of credit derivatives used as CRM techniques (in accordance with ITS 2021/637)

The table is not presented, becauses the Group does not use credit risk derivatives as CRM techniques.

The below table discloses the information on the scope of use of CRM techniques in IRB method.

Table no 49 EU CR7-A - IRB approach - Disclosure of the extent of the use of CRM techniques (in accordance with ITS 2021/637) (in percents, in PLN thous.)

	A-IRB	Total exposures	Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWEAs	
			Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)		**RWEA without substitution effects (reduction effects only)**	**RWEA with substitution effects (both reduction and sustitution effects)**
			Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)				Part of exposures covered by Other funded credit protection (%)				Part of exposures covered by Guarantees (%)	Part of exposures covered by Guarantees (%)		
					Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)		Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)				
		a	b	c	d	e	f	g	h	i	j	k	l	m	n
1	Central governments and central banks														
2	Institutions														
3	Corporates														
3.1	*Of which Corporates – SMEs*														
3.2	*Of which Corporates – Specialised lending*														
3.3	*Of which Corporates – Other*														
4	Retail	42 674 068	0,00%	68,16%	68,16%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0	12 097 396

4.1	*Of which Retail – Immovable property SMEs*	51 014	0,00%	100,00%	10,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0	23 609
4.2	*Of which Retail – Immovable property non-SMEs*	38 362 247	0,00%	75,69%	75,69%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0	10 193 629
4.3	*Of which Retail – Qualifying revolving*	4 260 807	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0	1 880 158
4.4	*Of which Retail – Other SMEs*	0	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0	0
4.5	*Of which Retail – Other non-SMEs*	0	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0	0
5	Total	**42 674 068**	**0,00%**	**68,16%**	**68,16%**	**0,00%**	**0,00%**	**0,00%**	**0,00%**	**0,00%**	**0,00%**	**0,00%**	**0,00%**	**0**	**12 097 396**

(i) The table does not include PLN 604.9m RWA stemming from Competent Authorities decision on an conservative charge of 5% RWA on exposures classified under IRB approach.

6.3. EXPOSURE TO COUNTERPARTY CREDIT RISK

Counterparty credit risk means the current or prospective risk to earnings, capital and liquidity arising from the risk of a trading counterparty defaulting before the settlement date of a transaction, which includes the potential impact of climate related risks, namely the physical and transition risks.

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

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

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

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

Qualitative disclosures regarding counterparty credit risk are presented in the below table.

Table no 50 EU CCRA - Qualitative disclosure related to CCR (in accordance with ITS 2021/637)

Legal basis	Row number	Information
Art. 439 a) CRR	a)	Description of the methodology used to assign internal capital and credit limits for counterparty credit exposures, including the methods to assign those limits to exposures to central counterparties The description below the table
Art. 439 b) CRR	b)	Description of policies related to guarantees and other credit risk mitigants, such as the policies for securing collateral and The description below the table
Art. 439 c) CRR	c)	Description of policies with respect to Wrong-Way risk as defined in Article 291 of the CRR The Group defines wrong-way risk as the present or anticipated risk to the results, own funds and liquidity resulting from the risk when the exposure to a counterparty is inversely correlated with the credit quality of that counterparty. The Group has not identified the exposure to correlation risk as significant.
Art. 431 (3) and (4) CRR	d)	Any other risk management objectives and relevant policies related to CCR Not available
Art. 439 d) CRR	e)	The amount of collateral the institution would have to provide if its credit rating was downgraded The description below the table

EU CCRA, a) Internal capital for counterparty credit risk

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

EU CCRA, a) Credit limits for counterparty credit exposures. including limits to exposures to central counterparties

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

Limits for banks

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

Limits for non-bank customers

The Group also concludes derivatives contracts upon orders from its customers. With respect to treasury transaction limits (including derivatives) concluded with non-bank customers, granting such limits to a customer is a pre-requisite[4] for the Bank to perform a derivative transaction for the customer. The Bank requires a customer applying for a treasury limit to have credit capacity for requested treasury limit and additionally for the amount equal to a specific portion of the requested treasury limit, to have a risk rating and natural exposure, that is cash flows under sales and purchases in a convertible currency other than PLN.

Limits for central counterparties

The Bank has established limits on exposures to central counterparties whose services it uses.

EU CCRA, b) Guarantees and the policies for securing collateral and establishing credit reserves

The Group does not use guarantees in transactions exposed to counterparty credit risk.

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

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

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[4] It is possible to conclude transaction under cash deposit, in case of lack of treasury transaction limit

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

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

EU CCRA, e) The amount of collateral the institution would have to provide if its credit rating was downgraded

As at December 31, 2022, the Bank was the guarantor of the loan agreement concluded between Millennium Leasing and the European Investment Bank (EIB) ("Financial Agreement") concluded on December 15, 2017. The loan amount was EUR 100 million and was used in 4 tranches in 2018 .

In December 2022, Millennium Leasing fully repaid the loan under Financial Agreement.

In January 2023, as a consequence of the repayment of the above-mentioned loan, the Bank obtained confirmation from the EIB that there were no claims and therefore the Bank's guarantees (in the amount of EUR 50 million) expired.

The below table presents amount of exposures and risk-weighted exposure amounts for counterparty credit risk by method of calculation.

Table no 51 EU CCR1 - Analysis of CCR exposure by approach (in accordance with ITS 2021/637) (in PLN thous.)

		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU-1	EU - Original Exposure Method (for derivatives)	0	0		1.4	0	0	0	0
EU-2	EU - Simplified SA-CCR (for derivatives)	0	0	-	1.4	0	0	0	0
1	SA-CCR (for derivatives)	558 269	157 674		1.4	1 002 320	1 002 320	1 002 320	219 186
2	IMM (for derivatives and SFTs)			0	0	0	0	0	0
2a	*Of which securities financing transactions netting sets*			0		0	0	0	0
2b	*Of which derivatives and long settlement transactions netting sets*			0		0	0	0	0
2c	*Of which from contractual cross-product netting sets*			0		0	0	0	0
3	Financial collateral simple method (for SFTs)					0	0	0	0
4	Financial collateral comprehensive method (for SFTs)					4 853	170	170	170
5	VaR for SFTs					0	0	0	0
6	**Total**					**1 007 173**	**1 002 489**	**1 002 489**	**219 356**

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

Table no 52 EU CCR2 - Transactions subject to own funds requirements for CVA risk (in accordance with ITS 2021/637) (in PLN thous.)

		Exposure value	RWEA
1	Total transactions subject to the Advanced method	0	0
2	(i) VaR component (including the 3× multiplier)		0
3	(ii) stressed VaR component (including the 3× multiplier)		0
4	Transactions subject to the Standardised method	445 872	83 409
EU-4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	0	0
5	**Total transactions subject to own funds requirements for CVA risk**	**445 872**	**83 409**

Exposures to counterparty credit risk break downed to regulatory risk weights ae shiwed in the below table.

Table no 53 EU CCR3 - Standardised approach – CCR exposures by regulatory exposure class and risk weights (in accordance with ITS 2021/637) (in PLN thous.)

	Exposure classes	Risk weight											Total exposure value
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Inne	
1	Central governments or central banks	0	0	0	0	0	0	0	0	0	0	0	0
2	Regional government or local authorities	0	0	0	0	0	0	0	0	0	0	0	0
3	Public sector entities	0	0	0	0	0	0	0	0	0	0	0	0
4	Multilateral development banks	0	0	0	0	0	0	0	0	0	0	0	0
5	International organisations	0	0	0	0	0	0	0	0	0	0	0	0
6	Institutions	0	556 448	0	0	161 980	198 499	0	0	48	0	0	916 975
7	Corporates	0	0	0	0	0	0	0	0	85 515	0	0	85 515
8	Retail	0	0	0	0	0	0	0	0	0	0	0	0
9	Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0
10	Other items	0	0	0	0	0	0	0	0	0	0	0	0
11	**Total exposure value**	**0**	**556 448**	**0**	**0**	**161 980**	**198 499**	**0**	**0**	**85 563**	**0**	**0**	**1 002 489**

Table no 54 EU CCR4 - IRB approach – CCR exposures by exposure class and PD scale (in accordance with ITS 2021/637)

The Group does not have a permission for calculation risk-weighted assest for CCR exposures using IRB method, thus the table is not presented.

The below table presents collaterals used for counterparty credit risk exposures.

Table no 55 EU CCR5 - Composition of collateral for CCR exposures (in accordance with ITS 2021/637) (in PLN thous.)

	Collateral type	Collateral used in derivative transactions				Collateral used in SFTs			
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash - domestic currency	0	750	0	370 779	0	0	0	0
2	Cash - other currencies	0	300 251	0	142 821	0	0	0	0
3	Domestic sovereign debt	0	0	0	0	0	4 785	0	0
4	Other sovereign debt	0	0	0	0	0	0	0	0
5	Government agency debt	0	0	0	0	0	0	0	0
6	Corporate bonds	0	0	0	0	0	0	0	0
7	Equity securities	0	0	0	0	0	0	0	0
8	Other collateral	0	0	0	0	0	0	0	0
9	**Total**	**0**	**301 001**	**0**	**513 600**	**0**	**4 785**	**0**	**0**

Table no 56 EU CCR6 - Credit derivatives exposures (in accordance with ITS 2021/637

Considering the lack of credit derivatives exposures, the above table is not presented.

Table no 57 EU CCR7 - RWEA flow statements of CCR exposures under the IMM (in accordance with ITS 2021/637)

The Group does not use Internal Models Method to calculate risk weighted exposure amounts and it does not present the above table.

The below table disclose the Group's exposures to central counterparties.

Table no 63 EU CCR8 - Exposures to CCPs (in accordance with ITS 2021/637) (in PLN thous.)

		Exposure value	RWEA
1	**Exposures to QCCPs (total)**		11 930
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	556 448	11 129
3	(i) OTC derivatives	556 448	11 129
4	(ii) Exchange-traded derivatives	0	0
5	(iii) SFTs	0	0
6	(iv) Netting sets where cross-product netting has been approved	0	0
7	Segregated initial margin	0	
8	Non-segregated initial margin	36 744	735
9	Prefunded default fund contributions	2 598	66
10	Unfunded default fund contributions	0	0
11	**Exposures to non-QCCPs (total)**		0
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	0	0
13	(i) OTC derivatives	0	0
14	(ii) Exchange-traded derivatives	0	0
15	(iii) SFTs	0	0
16	(iv) Netting sets where cross-product netting has been approved	0	0
17	Segregated initial margin	0	0
18	Non-segregated initial margin	0	0
19	Prefunded default fund contributions	0	
20	Unfunded default fund contributions	0	0

6.4. ENCUMBERED AND UNENCUMBERED ASSETS

The following information on encumbered and unencumbered assets is presented based on ITS 2021/637.

Table no 59 EU AE1 - Encumbered and unencumbered assets (in accordance with ITS 2021/637) (in PLN thous.)

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
010	**Assets of the reporting institution**	1 205 177	689 042			109 736 793			
030	Equity instruments					153 488			
040	Debt securities	689 042	689 042	689 042	689 042	19 781 647	18 815 789	19 781 647	18 815 789
050	of which: covered bonds								
060	of which: securitisations								
070	of which: issued by general governments	689 042	689 042	689 042	689 042	16 323 828	16 287 479	16 323 828	16 287 479
080	of which: issued by financial corporations					929 509			
090	of which: issued by non-financial corporations								
120	**Other assets**	516 135		-	-	89 801 658		-	-

Table no 60 EU AE2 - Collateral received and own debt securities issued (in accordance with ITS 2021/637) (in PLN thous.)

				Unencumbered	
		Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
130	**Collateral received by the reporting institution**				
140	Loans on demand				
150	Equity instruments				
160	Debt securities			4 767	4 767

170	of which: covered bonds				
180	of which: securitisations				
190	of which: issued by general governments			4 767	4 767
200	of which: issued by financial corporations				
210	of which: issued by non-financial corporations				
220	Loans and advances other than loans on demand				
230	Other collateral received				
240	**Own debt securities issued other than own covered bonds or securitisations**				
241	**Own covered bonds and asset-backed securities issued and not yet pledged**				
250	**TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	**1 205 177**	**689 042**		

Table no 61 EU AE3 - Sources of encumbrance (in accordance with ITS 2021/637) (in PLN thous.)

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
010	Carrying amount of selected financial liabilities	1 523 589	1 205 177

Table no 62 EU AE4 - Qualitative information (in accordance with ITS 2021/637)

Legal basis	Row number	Information
Art. 433	a)	General narrative information on asset encumbrance Description below the table
Art. 433	b)	Narrative information on the impact of the business model on assets encumbrance and the importance of encumbrance to the institution's business model, which provides users with the context of the disclosures required in Template EU AE1 and EU AE2. Description below the table

The sources of encumbrance are illustrated in the table below presenting data on encumbered assets as at 31 December 2022. Information in this format is disclosed by the Group in its published financial statements on a quarterly basis.

Table no 63 Encumbered assets - details (in PLN thous.)

No.	Type of assets	Portfolio	Secured liability	Par value of assets	Balance sheet value of assets
1.	Treasury bonds OK0423	Held to Collect and for Sale	Lombard credit granted to the Bank by the NBP	130 000	127 582
2.	Treasury bonds OK0423	Held to Collect and for Sale	Securing the Fund for Protection of Funds Guaranteed as part of the Bank Guarantee Fund	314 000	308 160
3.	Treasury bonds OK0423	Held to Collect and for Sale	Security of payment obligation to BFG contribution - guarantee fund	134 100	131 606
4.	Treasury bonds OK0423	Held to Collect and for Sale	Security of payment obligation to BFG contribution - compulsory resolution fund	124 000	121 694
5.	Cash	receivables	initial settlement deposit in KDPW CCP (MAGB)	5 000	5 000
6.	Cash	receivables	ASO guarantee fund (PAGB)	172	172
7.	Cash	receivables	payment to the OTC Guarantee Fund - KDPW_CCP	304	304
8.	Cash	receivables	Settlement on transactions concluded	106 797	106 797
9.	Deposits	Deposits in banks	Settlement on transactions concluded	403 647	403 647
	Total			**1 218 020**	**1 204 960**

The encumbered assets presented in the table above are entirely encumbered assets of the Bank (other Group entities as at 31 December 2022 did not have encumbered assets).

Encumbered assets held by the Group/Bank are denominated in PLN, with the exception of deposits made as settlements for derivative transactions (item 9 of the table above), which are mostly concluded in EUR.

As at 31.12.2022, the Group (Bank) did not have concluded transactions of sale of treasury securities with repurchase agreements.

The Bank is also obliged to maintain the required reserve on the current account with the NBP, the amount of which depends on the average balance of funds on 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 required reserve constitute restricted assets. In the period from November 30, 2022 to January 2, 2023, the Bank was obliged to maintain an average balance of PLN 3,270,802 thousand on the Bank's current account with NBP. PLN (arithmetic average of balances on the current account with NBP on all days of the reserve period).

Taking into account the amounts, the level of encumbrance of the Group's and the Bank's assets is immaterial and has no relevance to the applied financing model.

7. OPERATIONAL RISK

The description of operational risk management process was presented in the Financial Report, the chapter "Financial risk management", the part "Operational risk". The methods used in the key steps of that process are:

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

Other aspects related to operational risk - process management, fraud risk management, actions in the response of a pandemic and the war in Ukraine - are presented in the Management Board Report, in chapter "Risk management - other risk types".

The below information are disclosed in accordance to the regulatory requirements of the below table.

Table 64 EU ORA - Qualitative information on operational risk (in accordance with ITS 2021/637)

Legal basis	Row number	Information
Points (a), (b), (c) and(d) of Article 435(1) CRR	a)	Disclosure of the risk management objectives and policies That information regarding operational risk was disclosed in the chapter "Risk Management" and in the subchapter "Operational risk" "Other risk types" in the Management Board Report for 2022.
Art. 466 CRR	b)	Disclosure of the risk management objectives and policies Capital requirements for operational risk are calculated in accordance to the standard method. As at 31.12.2022 they constituted ca. 12.2% of total capital requirements.
Art. 466 CRR	c)	Description of the AMA methodology approach used (if applicable) Group does not use advanced measurement method.
Art. 454 CRR	d)	Disclose the use of insurance for risk mitigation in the Advanced Measurement Approach (if applicable) Group does not use advanced measurement method.

Losses stemming from operational risk events

The table below presents operational risk events registered in the database of operational risk events in 2022. The table does not include operational risk events related to credit risk, which are treated as credit risk events for the purpose of calculating credit requirements and events related to losses incurred on the mortgage loan portfolio as a result of court decisions unfavorable for the Bank.

Table 65 Operational risk events (the amount of losses), divided by events categories and kind of loss (in PLN millions)

Event category	Net loss	Gross loss
Improper market and business practices	10,5	10,5
Problems with computer hardware and software	0,8	8,9
Regulatory and tax risks	0,4	0,4
Transaction execution, delivery and process management	0,3	0,3
Inernal fraud	0,3	4,5
Damage to physical assets	0,1	0,6
External fraud	0,1	0,1
TOTAL	**12,5**	**25,3**

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

In 2022 Bank Millennium Group reported no material operational risk events. i.e. those for which gross loss exceeds 10% of capital requirements for operational risk.

The below tabele presents the amounts of own funds requirements and risk weighted exposure amounts on operational risk.

Table no 66 EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts (in accordance with ITS 2021/637) (in PLN thous.)

	Banking activities	Relevant indicator			Own funds requirements	Risk weighted exposure amount
		2020	2021	2022		
1	Banking activities subject to basic indicator approach (BIA)	0	0	0	0	0
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	3 428 846	3 515 262	3 544 719	474 531	5 931 639
3	*Subject to TSA:*	3 428 846	3 515 262	3 544 719	0	0
4	*Subject to ASA:*	0	0	0	0	0
5	Banking activities subject to advanced measurement approaches AMA	0	0	0	0	0

8. MARKET RISK

The below table presents qualitative information on market risk management, in line with regulatory requirements.

Table no 67 EU MRA - Qualitative disclosure requirements related to market risk (in accordance with ITS 2021/637)

Legal basis	Row number	Information
Points (a) and (d) of Article 435 (1) CRR	a)	*A description of the institution's strategies and processes to manage market risk, including:* *- An explanation of management's strategic objectives in undertaking trading activities, as well as the processes implemented to identify, measure, monitor and control the institution's market risks* *- A description of their policies for hedging and mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges* The Bank implements a prudent market risk management strategy in accordance with the guidelines set out by the Management Board and Supervisory Board in the Risk Strategy of the Bank Millennium S.A. Capital Group. This document is prepared at least once a year for the next three years as part of a single budget planning and preparation process. The risk management strategy defines the acceptable level of market risk as well as the principles of securing and limiting market risk in the Group. Market risk management is centralized, so the market risk related to the position taken over by subsidiaries is fully subject to the measurement rules applicable at Bank Millennium S.A. Activities of Bank Millennium S.A. in financial markets, it is in addition to normal commercial business activities and is mainly related to: - entering into transactions for the purpose of safe liquidity management, - concluding transactions with clients that enable them to hedge market risk on the market, - participation in the competition for a treasury bond dealer organized by the Ministry of Finance and / or in the competition for money market dealers organized by the NBP, - participation in the WIBOR / WIBID reference rate quotation panel, - conducting profitable operations on own account (trading activity). As a rule, the Bank's activity exposed to market risk is limited due to the conservative system of limits which comprehensively reduces the market risk in the trading book and the interest rate risk in the banking book. The system of limits is verified at least once a year, both in terms of structure and amount. In terms of market risk, both quantitative and qualitative limits have been introduced. The size of the position is limited and the list of allowed instruments, currencies and counterparties for transactions generating and / or hedging the market risk is specified in detail. When determining the limits, the risk appetite approved by the Supervisory Board is taken into account each time. To reflect the scale of the Group's operations, quantitative limits are expressed, inter alia, the ratio of eligible exposures in relation to own funds and / or net interest income. Open positions mainly include interest rate and currency risk instruments. As a rule, the currency position generated in the Banking Book is fully transferred to the Trading Book, where it is managed on a daily basis. The adopted restrictive limits for an open currency position guarantee that this risk is residual in the Bank and does not exist in the Banking Book. Additionally, in line with the adopted strategy, the Group limits the scale of its trading portfolio and market risk by strictly adhering to the thresholds set out in Art. 325a of Regulation (EU) No 575/2013 on the volume of on-balance sheet and off-balance sheet activities subject to market risk (less than 10% of total assets and less than EUR 500 million). Compliance of the actions taken with the market risk strategy is constantly monitored and verified on the basis of the observation of relevant positions, market risk measures and their evolution over time against the applicable limits. The Management Board of the Bank, the Risk Committee of the Supervisory Board and the Supervisory Board assess the market risk strategy in terms of its implementation and the possible need to introduce changes on the basis of information provided in the form of reports.

		The detailed process of identifying, measuring, monitoring and controlling market risk is described in the Consolidated Financial Annual Report of the Bank Millennium S.A. Capital Group. for the 12-month period ended December 31, 2022 in section 8.4. Market risk and interest rate risk.
Point (b) of Article 435 (1) CRR	b)	*A description of the structure and organisation of the market risk management function, including a description of the market risk governance structure established to implement the strategies and processes of the institution discussed in row (a) above, and that describes the relationships and the communication mechanisms between the different parties involved in market risk management.* Both the Supervisory Board and the Management Board of the Bank (at the strategic level) as well as specialized committees and organizational units (at the operational level) actively participate in the market risk management process. The Capital, Assets and Liabilities Committee (KKAP) and the Risk Committee perform the opinion-giving function. Separation of duties in the area of risk generation, risk measurement, monitoring and control is one of the main principles of risk management at the Bank. Hence, the Bank's way of organizing the process of managing other types of market risk ensures the independence of units concluding transactions (Treasury Department, Front-office), settling them (Treasury Operations Department, Back-office) and monitoring and controlling risk (Risk Department, Treasury Analyzes, Middle-Office). The detailed scope of competences and responsibilities of all units involved in the process is set out in the document regulating the market risk management framework on financial markets, i.e. in the policy: Principles and rules of market risk management related to operations on financial markets at Bank Millennium S.A. The communication mechanisms between the parties involved in market risk management are formalized and regularly reviewed. In particular, the internal regulations define the scope and mode of management information in the field of market risk, including units responsible for preparing reports, recipients of reports, the scope and frequency of preparing reports. The description of the market risk management structure established to implement the strategy and processes of the institutions discussed in line a) is described in the Consolidated Financial Annual Report of the Bank Millennium S.A. Capital Group. for the 12-month period ended December 31, 2022 in section 8.1. Risk management.
Point (b) of Article 435 (1) CRR	c)	*Scope and nature of risk reporting and measurement systems* The risk measurement system with the established limits is closely related to the reporting mechanism. The scope and nature of risk reporting and measurement systems is formalized and regularly reviewed. In particular, the internal regulations define the scope and mode of management information in the field of market risk, including units responsible for preparing reports, recipients of reports, the scope and frequency of preparing reports. As a rule, the frequency and content of the management information system is adjusted to the level of competence and responsibility of recipients, as well as to changes taking place in the Bank's risk profile. This information is analyzed and allows to obtain a synthetic image of the Bank's exposure to market risk in the context of the adopted regulations. The information is intended to enable a reliable assessment of risk exposure by all units involved in the process and to support the Bank's management in the process of assessing the implementation of the adopted strategy / policy, as well as planning, identifying weaknesses in the Bank's operations generating excessive risk and enabling decision-making in the area of risk management in within certain limits. Information on the level of market risk measures, the applicable limit and its use is provided in accordance with the specific mode of their monitoring / control - as a rule, on a daily basis to the Management Board Members responsible for the Risk Department and the Treasury Department, Managers of the Risk Department and the Treasury Department, and what a month to the Capital, Assets and Liabilities Committee (KKAP) and quarterly to the Risk Committee (KR), the Bank's Management Board and the Supervisory Board. Reporting frequency can be increased as needed.

In the Consolidated Financial Annual Report of the Capital Group of Bank Millennium S.A. for the 12-month period ended December 31, 2022: (i) in section 8.1. Risk management - it is indicated that the Group's risk management process includes monitoring, control and reporting; (ii) in section 8.4. Market risk and interest rate risk describes the rules for measuring these risks.

The Group uses standardized approaches to calculate its capital requirements for various types of market risk. As at 31.12.2022, the Group had requirements for own funds for interest rate risk and share price risk. Exposure to market risk was not material. Capital requirements in this respect accounted for approx. 0.5% of the total capital requirements as at 31.12.2022.

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

Table no 73 EU MR1 - Market risk under the standardised approach (in accordance with ITS 2021/637) (in PLN thousands)

		RWEAs
	Outright products	
1	Interest rate risk (general and specific)	225 306
2	Equity risk (general and specific)	226
3	Foreign exchange risk	0
4	Commodity risk	0
	Options	0
5	Simplified approach	0
6	Delta-plus approach	0
7	Scenario approach	0
8	Securitisation (specific risk)	0
9	**Total**	225 532

Own funds requirements to settlement risk, delivery risk, large exposures limits excess were not reported as at 31.12.2022.

Table no 69 EU MRB -Qualitative disclosure requirements for institutions using the IMA

Table no 70 EU MR2-A - Market risk under the IMA

Table no 71 EU MR2-B - RWEA flow statements of market risk exposures under the IMA

Table no 72 EU MR3 - IMA values for trading portfolios

Table no 73 EU MR4 - Comparison of VaR estimates with gain/loss

Information listed in the above tables required by ITS 2021/637 is not presented, as the Bank does not use internal models to calculate capital requirements to credit risk.

9. LIQUIDITY RISK

The below table presents qualitative information on liquidity risk management, according to regulatory requirements. Detailed information on the strategy, organizational model and liquidity risk management process in the Bank Millennium S.A. Group is presented in the Annual Financial Report, in the chapter on liquidity risk management.

Table no 74 EU LIQA - Liquidity risk management (in accordance with ITS 2021/637)

Legal basis	Row number	Information
Article 451a(4) CRR	a)	*Strategies and processes in the management of the liquidity risk, including policies on diversification in the sources and tenor of planned funding* The Bank has formalized rules of liquidity and funding risk management. Liquidity risk management strategies and processes, including the principles of diversifying the sources and maturity of planned funding, are approved with an appropriate level of competence and are regularly reviewed. As a rule, the strategy and policies must be updated at least once a year. Before they come into force, they must be approved at least by the Bank's Management Board (policies) and / and the Supervisory Board (strategies). The Risk Strategy is a comprehensive document in the form of guidelines for a risk management policy / strategy. This document is prepared in writing over a three-year horizon and is subject to annual review and updating. It is approved by the Bank's Management Board and Supervisory Board. The risk strategy and its review are inextricably linked with other strategic documents, such as: Budget, Liquidity Plan and Capital Plan. The objectives contained in the Risk Strategy regarding the liquidity risk are qualitative guidelines as well as quantitative values through the definition of the risk appetite declaration. The policy includes all relevant methods with regard to daily, short-term, medium-term and long-term liquidity and funding risk management. The key elements of the current policy are: - system of limits and methods of measuring liquidity risk, - monitoring of funding sources and concentration risk, - intraday liquidity management, - liquidity buffer and management of collateral positions, - internal transfer pricing system, - stress tests, - the contingency plan. Detailed liquidity risk management framework, including, inter alia, the applied approach to the sources of financing of the BM Group and the structural liquidity analyzes carried out on the basis of cumulated real-life liquidity gaps are presented in the Consolidated Financial Annual Report of the Bank Millennium S.A. Capital Group. for the 12-month period ended December 31, 2022 in section 8.5. Liquidity risk.
Art. 451a(4) CRR	b)	*Structure and organisation of the liquidity risk management function (authority, statute, other arrangements).*

		Both the Supervisory Board and the Management Board of the Bank (at the strategic level) as well as specialized committees and organizational units (at the operational level): the Capital, Assets and Liabilities Committee (KKAP), the Risk Committee (RC) are actively involved in the liquidity and funding risk management process, Risk Department and Treasury Department. KKAP and the RC play a mixed role in the process - decision-making and opinion-making. Separation of duties in the area of risk generation, risk measurement, monitoring and control is one of the main principles of risk management at the Bank. Therefore, the way of organizing the process of managing other types of liquidity risk at the Bank ensures the independence of units concluding transactions (Treasury Department, Front-office), settling them (Treasury Operations Department, Back-office) and monitoring and controlling risk (Risk Department, Treasury Analyzes, Middle-Office). The detailed scope of competences and responsibilities of all units involved in the process is set out in the document regulating the liquidity risk management framework: Principles and rules of liquidity risk management at Bank Millennium S.A., in particular: - The Supervisory Board is responsible for approving the liquidity and funding risk strategy, including defining the risk tolerance / appetite, and for overseeing the compliance of the Bank's risk-taking policy with the Bank's strategy and financial plan, - The Management Board of the Bank is responsible for defining the general directions of the liquidity risk control and management policy, including the organizational structure and limit levels, - The Capital, Assets and Liabilities Committee (KKAP) and the Risk Committee are responsible in particular for monitoring changes in liquidity risk and compliance with relevant policies and regulations, reviewing policies, regulations and practices applicable to the liquidity risk management process in the entire BM Group as well as for the review and acceptance of risk limits, - The Treasury Department is responsible for the day-to-day operational management of liquidity risk in relation to all positions for which it is responsible and the performance of market operations, in accordance with the directions set by KKAP within the applicable policies, procedures and limits set out in the Bank, - The Risk Department is responsible for proposing and implementing the liquidity management policy and methodologies for identifying, measuring, limiting, monitoring, limiting and reporting, as well as for measuring, monitoring and reporting liquidity risk positions and stress test results, - The Treasury Operations Department is responsible for keeping records, control and settlement of transactions carried out by the Treasury Department. The general principles of risk management in the BM Group are described in the Consolidated Financial Annual Report of the Bank Millennium S.A. Capital Group. for the 12-month period ended December 31, 2022 in section 8.1. Risk management.
Art. 451a (4) CRR	c)	*A description of the degree of centralisation of liquidity management and interaction between the group's units* In accordance with the Risk Strategy adopted by the Management Board and Supervisory Board of the Bank, the liquidity risk generated in its subsidiaries is consolidated and managed centrally. Funding requirements and any excess liquidity in subsidiaries are managed through transactions with the Bank, unless prior decisions are made at an appropriate level of competence and agreed on specific market transactions. Subsidiaries are required to manage the liquidity position in accordance with the guidelines set out in the above-mentioned Risk Strategy, Liquidity Plan and in accordance with the limits and principles set out in the policy defining the liquidity risk management framework.
	d)	*Scope and nature of liquidity risk reporting and measurement systems*

Art. 451a (4) CRR		The risk measurement system with the established limits is closely related to the reporting mechanism. The scope and nature of risk reporting and measurement systems is formalized and regularly reviewed. In particular, the internal regulations define the scope and mode of management information in the field of liquidity and financing risk, including units responsible for drawing up reports, recipients of reports, the scope and frequency of preparing reports. The Bank regularly monitors and reports the supervisory liquidity ratio (LCR, NSFR) and examines, among others, the risk of concentration of funding, the internal liquidity security buffer and the stability of external funds. As a rule, the frequency and content of the management information system is adjusted to the level of competence and responsibility of recipients, as well as to changes taking place in the Bank's risk profile. This information is analyzed and allows to obtain a synthetic image of the Bank's exposure to liquidity risk in the context of the adopted regulations. The information is intended to enable a reliable assessment of risk exposure by all units involved in the process and to support the Bank's management in the process of assessing the implementation of the adopted strategy / policy, as well as planning, identifying weak points in the Bank's operations generating excessive risk and enabling decision-making in the area of risk management in within certain limits. Information on the level of measures in terms of liquidity and financing risk, the applicable limit and its use is provided in accordance with the specific mode of their monitoring / controlling - as a rule, on a daily basis to the Management Board Members responsible for the Risk Department and the Treasury Department, Managers of the Risk Department and the Treasury Department, and monthly to the Capital, Assets and Liabilities Committee (KKAP) and quarterly to the Risk Committee (RC), the Bank's Management Board and the Supervisory Board. Reporting frequency can be increased as needed. Details on the measurement of liquidity risk and the measures used are presented in the Consolidated Financial Annual Report of the Bank Millennium S.A. Capital Group. for the 12-month period ended December 31, 2022: (i) in section 8.5. Liquidity risk.
Art. 451a (4) CRR	e)	*Policies for hedging and mitigating the liquidity risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigants.* The Bank has formalized rules of liquidity and funding risk management. Liquidity risk management strategies and processes, including the principles of diversifying the sources and maturity of planned funding, are approved with an appropriate level of competence and are regularly reviewed. As a rule, the strategy and policies must be updated at least once a year. Before they come into force, they must be approved at least by the Bank's Management Board (policies) and / and the Supervisory Board (strategies).
Art. 451a	f)	*An outline of the bank`s contingency funding plans*

(4) CRR		Liquidity Contingency Plan at Bank Millennium S.A. The (Plan) is a normative framework for identifying and managing the solution to the liquidity crisis in the Bank, which may occur as a result of unfavorable business conditions, unexpected external circumstances in the Bank's environment and a combination of both. The purpose of the Plan is to clearly and precisely define the strategy and procedure as well as to define the rules and responsibilities of the Bank's employees for the set of actions that may be taken in the event of a liquidity crisis that may be triggered for various reasons. In particular, the Plan specifies: - Principles, conditions and responsibilities regarding the launch and deactivation of the Plan, - Sources of emergency financing, - Recovery options and detailed rules of conduct that will respond to different severities of the liquidity crisis, including prioritization, - Responsibility structure (assigning functions to individual participants under the Contingency Plan), - Decision path in liquidity crisis situations, - The scope and form of reports, - Information channels in liquidity crisis situations (internal communication, external communication). Additionally, in accordance with the applicable rules, the Plan should be tested at least once a year or at each request of the Capital, Assets and Liabilities Committee (KKAP) and the Risk Committee. Testing the Plan is to ensure that it is effective and operationally feasible by: - Obtaining confirmation that the division of duties is correct and understandable, - Review of the availability of the required reports, legal documentation and operational plan enabling the plan to be launched in a short time, - Testing of key assumptions, such as the ability to sell certain assets or conclude a repo transaction, the ability to use credit lines or other sources of contingency financing, - Verification of the feasibility of cash transfer and security. As part of the above testing the Liquidity Contingency Plan in 2022, the Bank subjected the operational assessment to, among others: an emergency procedure for intraday liquidity support, under which a test of obtaining funding from the NBP in the form of a lombard loan was carried out. The indicated employees of the Bank acted in accordance with the scope provided for in the Liquidity Contingency Plan. In addition, the required emergency procedure was completed in a short time, which confirmed a good understanding of the Bank's employees' duties as part of the implementation of this emergency procedure, and also confirmed the correct functionality of the procedures and dedicated systems.
Art. 451a (4) CRR	g)	*An explanation of how stress testing is used* The main purpose of conducting stress tests as part of liquidity risk management is to identify factors that may pose the greatest threat to limiting the Bank's liquidity, as well as to determine their impact on the Bank's liquidity should they materialize. The liquidity stress test program consists of a scenario analysis, a sensitivity analysis and reverse testing. Three variants are analyzed as part of the tests: - idiosyncratic - specific to the Bank, in which the banking sector as a whole is not subject to stress conditions, - systemic - external market crisis in which the Bank is under stress as a result of deteriorating market conditions, - mixed - a combination of the variants mentioned above. Liquidity stress tests are performed at least on a quarterly basis and the results are presented to the Capital, Assets and Liabilities Committee (KKAP) as an additional indicator supporting the liquidity risk management process. The Management Board and Supervisory Board receive test results at least once a year. The scope and mode of management information is formalized and is subject to regular reviews. The results of the stress tests carried out in 2022 confirm the stable and safe liquidity position of the Group.
Art. 451a (4) CRR	h)	*A declaration approved by the management body on the adequacy of liquidity risk management arrangements of the institution providing assurance that the liquidity risk management systems put in place are adequate with regard to the institution's profile and strategy.*

		Statement by the Management Board of Bank Millennium S.A. in this regard, it has been included in Chapter 15 of this Report.
Art. 451a (4) CRR		*A concise liquidity risk statement approved by the management body succinctly describing the institution's overall liquidity risk profile associated with the business strategy. This statement shall include key ratios and figures (other than those already covered in the EU LIQ1 template under this ITS) providing external stakeholders with a comprehensive view of the institution's management of liquidity risk, including how the liquidity risk profile of the institution interacts with the risk tolerance set by the management body.* *These ratios may include* · *Concentration limits on collateral pools and sources of funding (both products and counterparties)* Details on the measurement of liquidity risk and the applied concentration measures are presented in the Consolidated Financial Annual Report of the Bank Millennium S.A. Capital Group. for the 12-month period ended December 31, 2022: (i) in section 8.5. Liquidity risk *Customised measurement tools or metrics that assess the structure of the bank's balance sheet or that project cash flows and future liquidity positions, taking into account off-balance sheet risks which are specific to that bank*
	i)	Details on the measurement of liquidity risk are presented in the Consolidated Financial Annual Report of the Bank Millennium S.A. Capital Group. for the 12-month period ended December 31, 2022: (i) in section 8.5. Liquidity risk. *Liquidity exposures and funding needs at the level of individual legal entities, foreign branches and subsidiaries, taking into account legal, regulatory and operational limitations on the transferability of liquidity* Details on exposure to liquidity risk and sources of financing are presented in the Consolidated Financial Annual Report of the Bank Millennium S.A. Capital Group. for the 12-month period ended December 31, 2022: (i) in section 8.5. Liquidity risk. *Balance sheet and off-balance sheet items broken down into maturity buckets and the resultant liquidity gaps* Details on the measurement of liquidity risk and liquidity gaps by maturity ranges are presented in the Consolidated Financial Annual Report of the Bank Millennium S.A. Capital Group. for the 12-month period ended December 31, 2022 in section 8.5. Liquidity risk.

In accordance with Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, the Group sets the liquidity coverage requirement (LCR). The liquidity coverage ratio is determined individually by each entity of the Bank's Group covered by the requirement to calculate this ratio and at the consolidated level for the Bank's Group together. The minimum supervisory level of the LCR ratio of 100% was met by the Group on each reporting date (at the end of December 2022, the LCR ratio was 223%). The amount and main components of the liquidity coverage ratio for the Group in 2022 are presented in the table below. The presented data were determined as simple averages of observations at the end of each month in the twelve-month period preceding December 31, 2022

Table no 75 EU LIQ 1 - Quantitative information of LCR (in accordance with ITS 2021/637) (in percents, in PLN thous.)

		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYY)	4Q22	3Q22	2Q22	1Q22	4Q22	3Q22	2Q22	1Q22
EU 1b	Number of data points used in the calculation of averages	3	3	3	3	3	3	3	3
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					24 424 962	21 140 055	21 236 593	21 129 741
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	75 326 121	73 270 211	72 801 411	71 677 820	3 912 154	3 917 574	4 146 574	4 258 965
3	*Stable deposits*	50 122 309	49 208 073	51 959 977	52 992 530	2 506 115	2 460 404	2 597 999	2 649 626
4	*Less stable deposits*	10 869 007	11 337 681	12 115 706	12 460 129	1 406 038	1 457 170	1 548 575	1 609 339
5	Unsecured wholesale funding	23 270 804	23 534 550	23 056 721	22 462 764	9 044 925	9 477 356	9 397 761	9 231 693
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	4 369 304	4 039 391	3 712 395	5 181 340	1 085 412	1 003 555	921 980	1 282 001
7	*Non-operational deposits (all counterparties)*	18 901 500	19 495 158	19 344 326	17 281 423	7 959 513	8 473 800	8 475 781	7 949 692
8	*Unsecured debt*	0	0	0	0	0	0	0	0
9	*Secured wholesale funding*	-	-	-	-	0	0	0	0
10	Additional requirements	8 782 977	8 461 321	8 500 636	8 691 770	1 323 291	1 268 749	1 412 064	1 524 039
11	*Outflows related to derivative exposures and other collateral requirements*	774 961	751 839	872 285	898 365	774 961	751 839	872 285	898 365
12	*Outflows related to loss of funding on debt products*	0	0	0	0	0	0	0	0
13	*Credit and liquidity facilities*	8 008 016	7 709 482	7 628 351	7 793 405	548 330	516 910	539 779	625 674
14	Other contractual funding obligations	18 003	14 599	92 112	68 238	9 053	6 480	27 942	64 185
15	Other contingent funding obligations	4 889 627	5 382 669	6 624 960	6 612 895	416 272	566 262	922 026	866 023

16	TOTAL CASH OUTFLOWS					14 705 696	15 236 420	15 906 367	15 944 905
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	16 864	297 944	23 216	16 811	0	0	0	0
18	Inflows from fully performing exposures	2 691 038	2 589 255	2 453 546	2 374 654	2 326 297	2 243 065	2 110 955	2 010 523
19	Other cash inflows	22 269	9 871	38 954	38 059	22 269	9 871	38 954	38 059
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					0	0	0	0
EU-19b	(Excess inflows from a related specialised credit institution)					0	0	0	0
20	TOTAL CASH INFLOWS	2 730 172	2 897 070	2 515 717	2 429 523	2 348 566	2 252 936	2 149 909	2 048 581
EU-20a	*Fully exempt inflows*	0	0	0	0	0	0	0	0
EU-20b	*Inflows subject to 90% cap*	0	0	0	0	0	0	0	0
EU-20c	*Inflows subject to 75% cap*	2 730 172	2 897 070	2 515 717	2 429 523	2 348 566	2 252 936	2 149 909	2 048 581
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					24 424 962	21 140 055	21 236 593	21 129 741
22	TOTAL NET CASH OUTFLOWS					12 357 130	12 983 484	13 756 458	13 896 324
23	LIQUIDITY COVERAGE RATIO					198,3538%	162,7804%	154,4959%	152,1240%

Below are presented the detailed qualitative information on liquidity coverage ratio. which complements the template EU LIQ1.

Table no 76 EU LIQB Qualitative information on LCR, which complements template EU LIQ1 (in accordance with ITS 2021/637 and Article 451a(2) CRR)

Legal basis	Row number	Information
Art. 451a(2) CRR	a)	*Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time wskaźnika pokrycia wypływów netto w czasie* Compared to December 31, 2021 and September 30, 2022, the value of the LCR ratio at the consolidated level increased by approx. 74 and 58 p.p., respectively. mainly as a result of a significant increase in deposits from retail customers, as well as changes in their structure (increase in the share of stable term deposits). Funds from deposits made it possible to increase the portfolio of liquid assets, despite the increase in the required reserve rate by the National Bank of Poland (in March 2022) and the decrease in the valuation of liquid securities.
Art. 451a (4) CRR	b)	*Explanations on the changes in the LCR over time* As above
Art. 451a (4) CRR	c)	*Explanations on the actual concentration of funding sources* There was no excessive concentration of funding sources. Information in this regard is presented in the Consolidated Financial Annual Report of the Capital Group of Bank Millennium S.A. for the 12-month period ended December 31, 2022 in section 8.5. Liquidity risk.
Art. 451a (4) CRR	d)	High-level description of the composition of the institution`s liquidity buffer. The Group maintains a constantly safe level of unencumbered, high-quality liquid assets, which constitute a hedge in the event of stress scenarios in the area of liquidity. Liquid assets include cash, funds on nostro accounts (excluding the average required reserve level) and liquid securities, including securities received as collateral in reverse-repo transactions. The portfolio does not include securities constituting collateral and those that are blocked. The share of liquid debt securities (including NBP bills) in the total debt securities portfolio was over 99% at the end of December 2022 and reached the level of approx. PLN 20.4 billion, while at the end of December 2021 this level was PLN 18b.
Art. 451a (4) CRR	e)	Derivative exposures and potential collateral calls The Group provides liquidity in foreign currencies thanks to bilateral loans denominated in foreign currencies as well as currency and interest-currency swap transactions. The importance of swaps is declining as a result of the reduction of the foreign currency mortgage portfolio and the hedging of foreign currency legal provisions. The Group considers transactions in derivative instruments to be significant (the total nominal value of such transactions exceeded 10% of the net liquidity outflow of the LCR). The swap portfolio is diversified in terms of counterparties and maturities. The Group has signed annexes to framework agreements regulating security issues (Credit Support Annex, CSA) with the majority of contractors. Therefore, in the event of unfavorable changes in exchange rates (depreciation of PLN), the Bank is obliged to make a deposit to secure the settlement of derivative instruments in the future, and in the event of favorable changes in exchange rates (appreciation of PLN), the Group receives a security deposit from contractors. The liquidity risk in the unfavorable market scenario results from a change in the market value of derivative instruments, which creates liquidity needs due to the coverage of margins. In both the stress test scenarios and the LCR approach, this additional liquidity requirement is accounted for as the largest absolute net collateral flow realized over a 30-day period over a 24-month period.
Art. 451a	f)	Currency mismatch in the LCR

(4) CRR		The Group had two significant currencies (PLN and EUR), i.e. those for which the ratio of the value of liabilities in a given currency to the total value of liabilities in all currencies was at least 5%. The Capital Group of the Bank had an LCR ratio above 100% for all currencies in total and for PLN.
Art. 451a (4) CRR	g)	Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile No

According to the final text of the CRD V/CRR II package, the Group sets the net stable funding requirement (NSFR). The minimum supervisory level of the NSFR ratio of 100%, which has been binding since June 2021, was met by the Group on each reporting date (at the end of December 2022, the NSFR ratio was 156%). The amount and main components of the net stable funding ratio for the Group in 2022, in accordance with Art. 451a of Regulation 2019/876, are presented in the table below (according to the EU LIQ2 template contained in Commission Implementing Regulation (EU) 2021/637.

Table no 77 EU LIQ2 - Net stable Funding Ratio (in accordance with ITS 2021/637) (in percents, in PLN thous.)

		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	5 469 947	0	0	1 521 178	6 991 125
2	*Own funds*	5 469 947	0	0	1 521 178	6 991 125
3	*Other capital instruments*		0	0	0	0
4	Retail deposits		68 515 476	3 614 528	4 416 491	72 395 693
5	*Stable deposits*		57 794 263	3 449 718	4 323 345	62 505 128
6	*Less stable deposits*		10 721 213	164 810	93 145	9 890 565
7	Wholesale funding:		21 813 069	233 114	248 000	10 903 126
8	*Operational deposits*		4 200 542	0	0	2 100 271
9	*Other wholesale funding*		17 612 527	233 114	248 000	8 802 855
10	Interdependent liabilities		0	0	0	0
11	Other liabilities:	116 332	0	0	3 902 946	3 902 946
12	*NSFR derivative liabilities*	116 332				
13	*All other liabilities and capital instruments not included in the above categories*		0	0	3 902 946	3 902 946
14	**Total available stable funding (ASF)**					94 192 890
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					561 459
EU-15a	Assets encumbered for more than 12m in cover pool		0	0	0	0
16	Deposits held at other financial institutions for operational purposes		0	0	0	0
17	Performing loans and securities:		3 959 485	3 386 455	68 988 393	56 353 131
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		0	0	0	0

19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		11 257	17 512	348 845	358 726
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		2 714 721	2 894 095	27 249 385	23 300 836
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		9 753	16 733	13 327 746	8 676 278
22	*Performing residential mortgages, of which:*		150 838	10 042	39 854 399	31 047 499
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		1 687	4 692	14 545 901	9 458 026
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		1 082 668	464 807	1 535 764	1 646 069
25	Interdependent assets		0	0	0	0
26	Other assets:		928 987	32 758	1 773 592	2 658 700
27	*Physical traded commodities*				0	0
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		0	0	510 916	434 278
29	*NSFR derivative assets*		72 731	0	0	72 731
30	*NSFR derivative liabilities before deduction of variation margin posted*		0	0	0	0
31	*All other assets not included in the above categories*		856 256	32 758	1 262 677	2 151 691
32	Off-balance sheet items		3 156 833	2 635 789	6 526 275	704 118
33	**Total RSF**					60 277 408
34	**Net Stable Funding Ratio (%)**					**156,2657%**

10. FINANCIAL LEVERAGE

The Bank calculated the leverage ratio at the consolidated level, as at 31.12.2022, based on Regulation (EU) No 575/2013 of the European Parliament and of the Council, Commission Delegated Regulation (EU) 2015/62 of 10.10.2014 and Regulation of the European Parliament and of the EU Council 2017/2395 of 12.12.2017 amending Regulation (EU) No 575/2013 as regards transitional arrangements to mitigate the impact of mitigating the impact of introducing IFRS 9 on own funds and treating certain exposures as large exposures to entities of the sector denominated in the national currency of any Member State, with respect to the leverage ratio.

As at 31 December 2022, the leverage ratio at the Group level was 4.72% using temporary definition of Tier 1 Capital and 4.25% using fully implemented definition of Tier 1 Capital.

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

Table no 83 EU LR1 – LRSum: Summary reconciliation of accounting assets and leverage ratio exposures (in PLN thous). (in accordance with ITS 2021/637) (in PLN thous.)

		Applicable amount
1	Total assets as per published financial statements	110 941 970
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	0
4	(Adjustment for temporary exemption of exposures to central bank (if applicable))	0
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with point (i) of point (i) of Article 429a(1) CRR)	0
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	0
7	Adjustment for eligible cash pooling transactions	0
8	Adjustments for derivative financial instruments	149 591
9	Adjustment for securities financing transactions (SFTs)	0
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	4 671 064
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	0
EU-11a	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	0
EU-11b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (j) of Article 429a(1) CRR)	0
12	Other adjustments	70 207
13	**Leverage ratio total exposure measure**	115 832 832

Table no 79 EU LR2 – LRCom: Leverage ratio common disclosure (in accordance with ITS 2021/637) (in percents, in PLN thous.)

		CRR leverage ratio exposures	
On-balance sheet exposures (excluding derivatives and SFTs)		0	0
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	103 238 689	110 152 841
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0	0
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0	0
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	0	0
5	(General credit risk adjustments to on-balance sheet items)	0	0
6	(Asset amounts deducted in determining Tier 1 capital)	209 059	1 753
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	103 447 748	110 154 594
Derivative exposures		**0**	**0**
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	184 401	781 576
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	0	0
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	229 127	220 743
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	0	0
EU-9b	Exposure determined under Original Exposure Method	0	0
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	0	0
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	0	0
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original exposure method)	0	0
11	Adjusted effective notional amount of written credit derivatives	0	0
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0	0
13	**Total derivatives exposures**	413 529	1 002 320
Securities financing transaction (SFT) exposures		**0**	**0**
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	268 533	4 853
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0	0
16	Counterparty credit risk exposure for SFT assets	0	0
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	0	0
17	Agent transaction exposures	0	0
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	0	0
18	**Total securities financing transaction exposures**	268 533	4 853

Other off-balance sheet exposures		**0**	**0**
19	Off-balance sheet exposures at gross notional amount	13 682 333	12 359 576
20	(Adjustments for conversion to credit equivalent amounts)	-10 935 962	-7 688 512
21	(General provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	0	0
22	**Off-balance sheet exposures**	2 746 371	4 671 064
Excluded exposures		**0**	**0**
EU-22a	(Exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	0	0
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))	0	0
EU-22c	(Excluded exposures of public development banks - Public sector investments)	0	0
EU-22d	(Excluded promotional loans of public development banks: - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	0	0
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units): - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	0	0
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	0	0
EU-22g	(Excluded excess collateral deposited at triparty agents)	0	0
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	0	0
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	0	0
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	0	0
EU-22k	(Total exempted xposures)	0	0
Capital and total exposure measure		**0**	**0**
23	**Tier 1 capital**	**6 906 327**	**5 469 947**
24	**Leverage ratio total exposure measure**	**106 876 181**	**115 832 832**
Leverage ratio			
25	Leverage ratio	6,46%	4,72%
EU-25	Leverage ratio (without the adjustment due to excluded exposures of public development banks - Public sector investments) (%)	6,46%	4,72%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	6,46%	4,72%
26	Regulatory minimum leverage ratio requirement (%)	3,00%	3,00%
EU-26	Additional leverage ratio requirements (%)	0,00%	0,00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0,00%	0,00%

27	Leverage ratio buffer requirement (%)	0,00%	0,00%
27a	Overall leverage ratio requirement (%)	3,00%	3,00%
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure		
Disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable		
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	268 533	4 853
30	Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	106 607 647	115 827 978
30a	Total exposures (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	106 607 647	115 827 978
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	6,48%	4,72%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	6,48%	4,72%

Table no 80 EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) (in accordance with ITS 2021/637) (in PLN thous.)

		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	110 152 841
EU-2	Trading book exposures	0
EU-3	Banking book exposures, of which:	110 152 841
EU-4	Covered bonds	0
EU-5	Exposures treated as sovereigns	29 242 310
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	212 729
EU-7	Institutions	921 401
EU-8	Secured by mortgages of immovable properties	41 781 341
EU-9	Retail exposures	18 504 873
EU-10	Corporate	11 186 185
EU-11	Exposures in default	1 859 548
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	6 444 455

Table no 81 EU LRA - Disclosure of LR qualitative information (in accordance with ITS 2021/637)

Legal basis	Row number	Information
Article 451	a)	Description of the processes used to manage the risk of excessive leverage The objective of the excessive leverage risk management process is to counteract the excessive level of leverage risk in order to enable the Bank and the Group to survive a number of different potential events causing financial stress and to maintain the level of leverage risk within the risk limits and the designated risk appetite. Risk is measured by calculating a number of risk indicators. Risk monitoring consists in determining the risk level in the form of a "safety zone", determining the degree of use of risk limit limits and analyzing changes in this degree. Risk reports are presented at meetings of risk and capital management committees. Risk control consists in making management decisions by authorized committees affecting the level of risk. As part of risk management, stress tests are performed to analyze the sensitivity of the leverage ratio to unfavorable economic conditions and negative events.
Article 451	b)	Description of the factors that had an impact on the leverage Ratio during the period to which the disclosed leverage Ratio refers The leverage ratio decreased in the period from December 2021 to December 2022 from 6.46% to 4.72%. The main reason for this was the reduction of Tier 1 capital caused by the created provisions for legal risk for foreign currency mortgage loans and the costs of the "credit holidays" aid program. Due to these factors, the measure of T1 capital decreased by approx. PLN 1.4 billion. PLN (by almost 21%), with an increase in exposure (by over 8%, by almost PLN 9 billion).

The table below presents the leverage ratio in 2022. Its level exceeds the regulatory minimum specified in the CRR at 3%. Unless unforeseen negative circumstances occur, the Group expects a gradual increase in the ratio over the course of 2023, as the financial results improve.

Table no 82 Leverage ratios of the Groups in quarters of 2021 (in percents)

Leverage ratio	**31.12.2021**	**31.03.2022**	**30.06.2022**	**30.09.2022**	**31.12.2022**
Leverage ratio - using the fully implemented Tier 1 Capital definition	5,90%	5,18%	4,89%	3,73%	4,25%
Leverage ratio - using the temporary Tier 1 Capital definition	6,46%	5,60%	5,41%	4,28%	4,72%

11. REMUNERATION AND RECRUITMENT POLICY

11.1. RECRUITMENT POLICY

The Bank has a recruitment policy towards Members of the Supervisory Board ("Policy of selection and suitability of assessment of Members of the Supervisory Board of Bank Millennium S.A." adopted by the Ordinary General Meeting on March 24, 2021) and towards Members of the Management Board and key function holders (" Policy of selection and suitability of assessment for Bank Millennium Management Board Members and Key Function Holders in the Bank Millennium S.A. Group" adopted by the Supervisory Board on 3 December, 2021). The policy relating Management Board Members and key function holders was amended in 2021. In order to ensure compliance with the law, the provisions regarding the method of assessing the suitability of persons subject to the Policy used in the Bank Millennium Group have been supplemented.

The Policies are designed to ensure, that people who perform the most important functions in the Bank Millennium SA Group, including functions in management bodies, have:

- adequate professional qualifications, experience and skills,
- appropriate reputation, honesty, ethics, knowledge,
- sufficient time that they can devote to performing their duties for the Group.

In the long-term perspective, the Policies are to support good management of the Group, achieving stable results and proper operational risk management.

The policies are based on the principles set out in:

1. The Banking Act of August 29, 1997 (Journal of Laws of 2018, item 2187, as amended; ("the Banking Law"),
2. EBA and ESMA Guidelines on the assessment of the suitability of members of the management body and key function holders under of 2 July 2021 (EBA / GL / 2021/06) ("the EBA Guidelines")
3. Methodology for assessing the suitability of members of the bodies of supervised entities published by the PFSA on January 27, 2020 ("the PFSA Methodology")
4. Recommendation Z on the principles of internal governance in banks issued pursuant to Art. 137 sec. 1 point 5 of the Act of August 29, 1997 - Banking Law (Journal of Laws of 2019, item 2357 and of 2020, items 284, 288, 321 and 1639).

The suitability of members of the Bank's governing bodies is assessed on the basis of the criteria set out in the Banking Law, the PFSA Methodology and the EBA Guidelines.

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

- the level and profile of education and training and their relationship with banking or financial services,
- practical experience related to financial markets, regulatory requirements, planning, understanding and implementation of business strategy, risk management, ability to establish an effective management, supervision and control system in a financial institution, the ability to interpret financial information of a credit institution,
- period of employment in a managerial position, scope of competences in these positions, type and complexity of subordinate structures and number of subordinates,

In addition, the following criteria are taken into account in the suitability assessment process:

- warranty, including no criminal record, reputation, no connection with events in the area of money laundering and terrorist financing as well as fiscal crimes, financial situation as well as independence of judgment, which includes a conflict of interest and behavioral features; work experience, skills and knowledge;
- devoting the time necessary to perform the tasks in the position;
- combining positions and functions.

11.2. DECISION MAKING PROCESSES WITH REGARD TO REMUNERATION POLICY

The table below provides qualitative information on the remuneration policy in line with regulatory requirements.

Table no 83 EU REMA – Remuneration Policy (according to ITS 2021/637)

<table>
<tr><td colspan="3"></td></tr>
<tr><td>a)</td><td colspan="2">Information relating to the bodies that oversee remuneration. Disclosures shall include:</td></tr>
<tr><td></td><td>•</td><td>Name, composition and mandate of the main body (management body and remuneration committee where established) overseeing the remuneration policy and the number of meetings held by that main body during the financial year;

Supervision over the remuneration policy in the Bank Millennium Group is performed by the Personnel Committee of the Supervisory Board (“Committee”), with the composition as follows:
• Alojzy Nowak – Chairman
• Olga Grygier-Siddons
• Miguel de Campos Pereira de Bragança
• Bogusław Kott

The committee is responsible in particular for the oversight of the remuneration policy, the appointment and suitability of the management bodies.

In addition, in accordance with the scope of its competences, the Personnel Committee of the Supervisory Board, among others: (i) verifies meeting the criteria and conditions justifying obtaining variable remuneration components of Management Board Members before paying all or part of this remuneration, (ii) gives opinions on the remuneration policy, including the amount and type of remuneration components, (iii) gives opinions on the amount of remuneration for persons holding key managerial positions in the Group related to risk management and compliance of the Bank's operations with internal law and regulations.

In 2022, 4 meetings of the Personnel Committee of the Supervisory Board were held (27.01.2022, 13.04.2022, 03.11.2022 and 15.12.2022). The subject of the Committee's work was in particular:
1. re-evaluation of the Members of the Bank's Management Board and establishing the rules for the payment of part of the retained bonus for 2018, 2019 and 2021 to Members of the Bank's Management Board who performed functions in those years,
2. evaluation of the work results of individual Members of the Bank's Management Board in 2019-2021 and granting bonuses to individual Members of the Management Board for this period on the terms set out in the “Employee Remuneration Policy in Bank Millennium Group” and the “Remuneration Policy with Respect to Risk Takers in the Bank Millennium S.A. Group"
3. consideration of information on decisions regarding bonuses for 2018-2021 for Risk Takers, who are not Members of the Bank's Management Board,
4. analysis of the process of determining the amounts of payment of fixed and variable components of remuneration to persons holding managerial positions, in accordance with the remuneration policy and the rules for granting and payment of variable components of remuneration</td></tr>
</table>

		5. Supervision over the process of identifying employees with a significant impact on the risk profile 6. Monitoring and evaluation of the remuneration policy pursued by the Management Board
	•	*External consultants whose advice has been sought, the body by which they were commissioned, and in which areas of the remuneration framework;* In 2022, no opinion was consulted on the remuneration framework in force in Bank Millennium S.A.
	•	*Description of the scope of the institution's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to subsidiaries and branches located in third countries;* In Bank Millennium (hereinafter referred to as the "Group"), the following documents specifying the framework for the remuneration policy are in force: • "Remuneration Policy for Members of the Management Board and Supervisory Board of Bank Millennium SA", which defines the framework for remunerating Members of the Management Board and Supervisory Board from the perspective of compliance with corporate governance, the need for safe and stable management of the Bank, appropriateness of remuneration to the condition, scale of operations and development potential of the Bank, as well as the scope powers and responsibilities of individual members of the Management Board and the Supervisory Board. • "Employee remuneration policy in the Bank Millennium Group", which is designed to provide a formal framework for shaping the practice of remunerating all Group employees from the perspective of corporate governance, institutional security as well as the appropriateness of remuneration to the condition, scale of operations and development potential of the Group. • Detailed rules of remuneration for employees with a significant impact on the risk profile ("Risk Taker") have been defined in the "Remuneration Policy for Employees with a Significant Impact on the Risk Profile in the Bank Millenium S.A. Group". The above framework is also applied in separate remuneration policies of the following subsidiaries: Millennium Bank Hipoteczny S.A. and Millennium TFI S.A., taking into account their business specifics. The Bank Millennium SA Group does not have subsidiaries and branches located in third countries.
	•	*Description of the staff or categories of staff whose professional activities have a material impact on institutions' risk profile (identified staff).* In the Bank, the identification of persons having a significant impact on the risk profile of the Bank Millennium Group is carried out in the fourth quarter for the following year. In 2022, 92 people were identified in the Bank Millennium Group who had the status of Risk Takers (a category of employees whose professional activity has a significant impact on the institution's risk profile). As a result of the annual identification of the Risk Takers list carried out in the fourth quarter of 2022, which took into account the Delegated Regulation of the European Commission 2021/923 of 25 March 2021, 91 persons were identified as having an impact on the risk profile of the Bank Millennium Group for 2023. The following categories of employees were taken into account: Supervisory Board, Management Board of the Bank, management boards of significant subsidiaries, members of banking committees making risk-bearing decisions, managing significant business lines, employees empowered to make decisions that open up exposure to risk, supervising control functions. The Personnel Committee of the Supervisory Board supervised the annual process of verification of the list of persons identified as Risk Takers.
b)	Information relating to the design and structure of the remuneration system for identified staff. Disclosures shall include:	
	•	*Overview of the key features and objectives of remuneration policy, and information about the decision-making process used for determining the remuneration policy and the role of the relevant stakeholders (e.g. the shareholders' meeting);* Remuneration Policy is one of the tools for implementation of the Human Resources strategy in Bank Millennium Group, in particular as regards acquisition and retention of stable, highly qualified and innovative staff. All individual remuneration system solutions are developed pursuant to the principles defined in the Policy. The Policy is to provide formal frameworks for shaping remuneration practice for all the employees of the Group in terms of corporate governance, security of the institution as well as appropriateness of

		remunerations in relation to standing, scale of operations and development potential of the Group. The Policy objectives shall be achieved in particular through: • adoption of such a structure of the fixed and variable remuneration components in defined business line, in which fixed remuneration constitutes the main source of income of the employees, • development of bonus systems based on performance evaluation, taking into account the risk and organisation management strategies in place, • introduction of such form and schedule of payment of variable remuneration components so that the value of the paid components is both motivational and adequate to the risk linked to the actual business results, Management of renumeration policy in Bank Millennium Group is as follows: • The Management Board of the Bank develops, implements and ensures operation of the Remuneration Policy adequate to the management system and risk strategy, and internal control system applied in the Group. • Personnel Committee of the Supervisory Board issues opinion on execution of the remuneration policy in the Group and presents in the report to the Supervisory Board conclusions on operation of the remuneration policy. • The Supervisory Board of the Bank is responsible for approval and maintenance of the Policy and once a year, prepares and presents to the General Shareholders Meeting an operational assessment report for the remuneration policy in the Group with special focus on the risk-takers remuneration policy. • General Shareholders Meeting receives an annual report on the assessment of the functioning the remuneration policy in the Group and assesses whether the approved Policy supports development and security of the Bank/ • HR Department is responsible for implementation of the Policy principles into the bonus systems and employee evaluation systems. The Department handles the evaluation process and pays variable remuneration components according to the Policy. • Internal Audit Department conducts a periodical compliance review of the remuneration practices in terms of the regulations and this Policy.
	•	*Information on the criteria used for performance measurement and ex ante and ex post risk adjustment;* Decision makers influencing the risk profile are assessed, inter alia, in terms of the criterion "Individual impact on the risk profile". Appropriate measures are assigned to each Risk Taker, which depend on the area in which they make decisions. These measures are assessed on a semi-annual basis. As a result of the assessment of Risk Taker, inter alia, to the extent that his decisions do not adversely affect the Bank's risk profile, a decision is made to grant and pay the current and deferred bonus in previous years.
	•	*Whether the management body and the remuneration committee, where established, reviewed the institution's remuneration policy during the past year, and if so, an overview of any changes that were made, the reasons for those changes and their impact on remuneration;* The Supervisory Board presented to the General Meeting (GSM), as part of the report of its activities in 2022, the assessment of the functioning of the remuneration policy in the Bank Millennium Group. The General Meeting of Shareholders recognized the policy pursued as supporting to the Bank's development and security. The following changes were introduced in the remuneration policies in force at the Bank in 2022: • clarifications were made to the assumptions regarding the award criteria and the amount of the bonus pool for Risk Takers, including Members of the Bank's Management Board, regarding the required level of the capital adequacy ratio, • information on the rules of potential conversion of variable remuneration awarded in the Bank's own shares into phantom shares was introduced, • the number of GWP sessions included in the formula specifying the number of the Bank's shares was changed, • the list of Risk Takers categories was extended to include Members of Supervisory Boards of subsidiaries,

		• changes were introduced regarding the criteria for evaluating employees of control functions, • additionally, clarifications, updates and unification of the rules were introduced within the Banco Comercial Portugues Group, of which Bank Millennium S.A. is a part..
	•	*Information of how the institution ensures that staff in internal control functions are remunerated independently of the businesses they oversee;* The heads of the internal audit, compliance and risk management units receive variable remuneration for achieving the goals resulting from their functions, and their remuneration does not depend on the financial results obtained in the areas of activity they control. The remuneration components of these persons are approved by the Supervisory Board on the basis of the recommendation of the Supervisory Board Personnel Committee.
	•	*Policies and criteria applied for the award of guaranteed variable remuneration and severance payments.* Bank Millennium does not offer guaranteed variable remuneration components and does not envisage other severance pays than retirement severance. The Group does not conduct its own pension programmes. Employees of the Group may receive a one-off severance pay paid in connection with employee's retirement in amount higher than the level defined in the Labour Code. The guarantee components of the variable remuneration are of an exceptional nature and may only be used in the first year of employment of a given Risk Taker.
c)	*Description of the ways in which current and future risks are taken into account in the remuneration processes Disclosures shall include an overview of the key risks, their measurement and how these measures affect remuneration.* The ICAAP process systematically assesses and reviews the materiality of individual types of risk. All identified types of risk are subject to this assessment. Risk assessed as material should be hedged or covered with available financial resources (own funds) or other means of mitigation and control. Material types of risk are also managed in a formalized and structured management process performed by specialized organizational units. In the process of setting bonus budgets for the management staff, in particular liquidity, capital and credit risk ratios are analysed.	
d)	*The ratios between fixed and variable remuneration set in accordance with point (g) of Article 94(1) of Directive (EU) 2013/36("CRD")* According to the remuneration policy, the total individual variable remuneration of persons having an impact on the risk profile, including members of the Management Board, may not exceed 100% of the total annual fixed remuneration. Increasing the maximum ratio of variable to fixed components of remuneration, but not more than 200%, for risk-taking employees requires the consent of the General Meeting of Shareholders.	
e)	*Description of the ways in which the institution seeks to link performance during a performance measurement period with levels of remuneration*	
	•	*an overview of main performance criteria and metrics for institution, business lines and individuals.* Variable remuneration components - the annual bonus pool for persons in managerial positions is granted after prior analysis of the Bank's situation in the field of: • achieved business results: net profit, result on banking operations, cost to income ratio, ROE; • liquidity: loans / deposits ratio, liquid assets value level; • capital adequacy ratios which cannot fall below a levels of Overall Capital Requirements ("OCR"), taking into account the combined buffer requirement. The Bank's results before granting the bonus pool for variable remuneration for persons in managerial positions are analysed in a three-year perspective. Risk Takers carrying out tasks within particular business lines have specific business criteria corresponding to the goals of the areas they manage, in example: • Retail Banking: Retail Result on Banking Activity - sales in the managed area,

		• Corporate Banking: individual performance in a macroregion, region or area • Credit process effectiveness, • Debt collection process effectiveness.
	•	*An overview of how amounts of individual variable remuneration are linked to institution-wide and individual performance.* Criteria for the performance assessment at the level of the Bank, organizational units and at the individual level, constituting the basis for determining the variable remuneration. **Members of the Bank's Management Board:** Decisions regarding the award of bonuses to Management Board members are made by the Personnel Committee of the Supervisory Board after analysing the results, taking into account 1) the financial criteria: • implementation of planned budgets and indicators set for the managed area of activity, • comparison of results with competing banks of similar size, • business market criteria established for a given period; 2) and non-financial criteria, in particular: • overall quality of management in the area of responsibility, • effective leadership and contribution to the Bank's development, **Other Risk Takers** The Personnel Committee of the Management Board of Bank Millennium assesses the work of other persons identified as risk takers. The assessment is based on the following criteria: 1) financial (the Bank's financial results and the results of the business line / units / individual results) 2) non-financial ones related directly to a given Risk Taker, i.e. cooperation, commitment, quality, efficiency and team management. The evaluation period covers a 3-year time horizon. The value of the annual discretionary bonus is determined on the basis of the results from the particular analysed periods.
	•	*Information on the criteria used to determine the balance between different types of instruments awarded including shares, equivalent ownership interest, options and other instruments* The Bank uses one type of financial instrument for each group of eligible employees.
	•	*Information of the measures the institution will implement to adjust variable remuneration in the event that performance metrics are weak, including the institution's criteria for determining performance metrics when the performance metrics are considered "weak".* The decision of the Bank's Management Board to determine the bonus pool is a condition for the commencement of the bonus granting process. The amount of the bonus pool is determined by the Bank's Management Board after the end of the assessment period and the disclosure of the financial results. The level of the bonus pool is correlated with the achievement of the result on banking activity, net profit, cost/income ratio, ROE. Capital adequacy ratios and liquidity ratios in the assessed entity may not fall below the levels of the Overall Capital Requirement "OCR" (taking into account the combined buffer requirement).
f)	*Description of the ways in which the institution seeks to adjust remuneration to take account of long-term performance* Disclosures shall include:	
	•	*An overview of the institution's policy on deferral, payout in instrument, retention periods and vesting of variable remuneration including where it is different among staff or categories of staff.*

		In accordance with the applicable Remuneration Policy with Respect to Risk Takers in the Bank Millennium S.A. Group" the following rules for deferring payments for variable remuneration components apply. **Members of the Management Board of Bank Millennium** Structure of variable remuneration: the award and payment (in case of shares - transfer of rights) of 50% of the variable remuneration value take place after the end of the accounting period and after the publication of the financial results. The payment of remain 50% of the variable remuneration is postponed for 5 years, payable in equal annual instalments. In the case of granting a bonus of more than PLN 2,000,000, the Non-Deferred Part of the Bonus is 40%, and the Deferred Part of the Bonus is 60%. Members of the Management Board receive each part of the bonus awarded - those paid out in the year following the settlement period and the deferred ones - half in cash and half in financial instrument (Bank's own shares). The shares are subject to retention for 1 year from the date of transfer of rights. **Other Risk Takers** Variable remuneration (annual bonus), as part of the accounting principles in accordance with the following scheme: • 50% of the bonus is paid in cash and is not deferred, • 10% of the bonus is paid in shares that are not deferred, even though they cannot be sold for 1 year, • 40% of the bonus is granted in the form of shares and is subject to deferment, their transfer takes place after periodic reassessment in equal annual instalments for 5 years. These shares are also subject to a retention period of 1 year from the date of transfer of rights. • In the case of granting a bonus of more than PLN 2,000,000, the Non-Deferred Part of the Bonus is 40%, and the Deferred Part of the Bonus is 60%. In 2022, by the decision of the Personnel Committee of the Management Board of the Bank, the bonus for Risk Takers, who are not Management Board Members, was paid in full in cash without applying the deferral mechanism (in accordance with the provisions of the Risk Takers Policy). The rationale for this decision was the level of the bonus lower than the threshold set in the Risk Takers Policy.
	•	*Information of the institution' criteria for ex post adjustments (malus during deferral and clawback after vesting, if permitted by national law).* The payment of the deferred part of the variable remuneration component is each time preceded by an assessment. Depending on the financial situation of the Bank, by the decision of the Personnel Committee of the Supervisory Board with regard to Members of the Management Board, and the Personnel Committee of the Bank's Management Board with respect to other Risk Takers, the bonus may be reduced or retained. The condition of payment is the non-occurrence of the following events: • significant correction of results in relation to the assessed period, • low level of the Bank's results threatening the capital base, • materialization of the risk of decisions taken in the period under assessment, which negatively affects the bank's risk profile. Pursuant to the labour law in force in Poland, it is not possible to withdraw the employee previously paid bonus.
	•	*where applicable, shareholding requirements that may be imposed on identified staff.* he Bank does not apply any additional requirements beyond those described in point f) tir 1 and 2
g)	*The description of the main parameters and rationale for any variable components scheme and any other non-cash benefit, as referred to in point (f) of Article 450(1) CRR. Disclosures shall include:* *Information on the specific risk/performance indicators used to determine the variable components of remuneration and the criteria used to determine the balance between different types of instruments awarded, including shares, equivalent ownership interests, share-linked instruments, equivalent non cash-instruments, options and other instruments.*	

	Information in this regard has been presented under point e) tir 1 and 2.
h)	*Upon demand from the relevant Member State or competent authority, the total remuneration for each member of the management body or senior management, as referred to in point (j) of Article 450(1) CRR* Information on the remuneration of members of the management body is disclosed in the Management Board Report on the activities of Bank Millennium and the Bank Millennium Capital Group for 2022 and in the Report on the remuneration of Members of the Management Board and Supervisory Board of Bank Millennium for 2021. Information on the total remuneration of senior management is not subject to publication.
i)	*Information on whether the institution benefits from a derogation laid down in Article 94(3) CRD, as referred to in point (k) of Article 450(1) CRR* *For the purposes of this point, institutions that benefit from such a derogation shall indicate whether this is on the basis of point (a) and/or point (b) of Article 94(3) CRD. They shall also indicate which of the remuneration requirements they apply the derogation(s), (i.e., point (l) and/or (m) and/or (o) of Article 94(1) CRD), the number of staff members that benefit from the derogation(s) and their total remuneration, split into fixed and variable remuneration.* The Bank does not use these derogations.
j)	*Large institutions shall disclose the quantitative information on the remuneration of their collective management body, differentiating between executive and non-executive members in accordance with Article 450(2) CRR.* Quantitative information is presented in this Report in chapter 11.3. All members of the governing body have the status of executive members.

11.3. QUANTITATIVE INFORMATION ON REMUNERATION

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

Table no 84 EU REM1 - Remuneration awarded for the financial year (in accordance with ITS 2021/637) (in PLN)

			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	12	7	60	11
2		Total fixed remuneration	2 051 057	12 462 400	25 662 966	2 947 428
3		Of which: cash-based	2 051 057	12 462 400	25 662 966	2 947 428
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests	0	0	0	0
5		Of which: share-linked instruments or equivalent non-cash instruments	0	0	0	0
EU-5x		Of which: other instruments	0	0	0	0
6		(Not applicable in the EU)				
7		Of which: other forms	0	0	0	0
8		(Not applicable in the EU)				
9	Variable remuneration	Number of identified staff	12	7	60	11
10		Total variable remuneration	0	7 875 000[5]	3 906 000[6]	515 935[6]
11		Of which: cash-based	0	3 937 500	3 906 000	515 935
12		Of which: deferred	0	1 968 750		
EU-13a		Of which: shares or equivalent ownership interests	0	3 937 500		

[5] Variable remuneration of Management Board members for 2022 was granted by the decision of the Personnel Committee of the Bank's Supervisory Board on November 3, 2023.

[6] The variable remuneration of other members of identified staff is the remuneration paid in the accounting year.

EU-14a	Of which: deferred	0	1 968 750		
EU-13b	Of which: share-linked instruments or equivalent non-cash instruments	0	0	0	0
EU-14b	Of which: deferred	0	0	0	0
EU-14x	Of which: other instruments	0	0	0	0
EU-14y	Of which: deferred	0	0	0	0
15	Of which: other forms	0	0	0	0
16	Of which: deferred	0	0	0	0
17	**Total remuneration (2 + 10)**	**2 051 057**	**20 337 400**	**29 568 966**	**3 463 363**

Table no 85 EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff) (in accordance with ITS 2021/637) (in PLN)

		MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	0	0	0	0
2	Guaranteed variable remuneration awards -Total amount	0	0	0	0
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	0	0	0	0
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	0	0	0	0
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	0	0	0	0
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	0	0	0	0
7	Severance payments awarded during the financial year - Total amount	0	0	0	0

8	Of which paid during the financial year	0	0	0	0
9	Of which deferred	0	0	0	0
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	0	0	0	0
11	Of which highest payment that has been awarded to a single person	0	0	0	0

Table no 86 EU REM3 - Deferred remuneration (in accordance with ITS 2021/637) (in PLN)

	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	MB Supervisory function	0	0	0	0	0	~~0~~	0	0
2	Cash-based	0	0	0	0	0	~~0~~	0	0
3	Shares or equivalent ownership interests	0	0	0	0	0	~~0~~	0	0
4	Share-linked instruments or equivalent non-cash instruments	0	0	0	0	0	~~0~~	0	0
5	Other instruments	0	0	0	0	0	~~0~~	0	0
6	Other forms	0	0	0	0	0	~~0~~	0	0
7	MB Management function	12 228 960	6 994 752	5 234 208	0	0	~~0~~	0	3 152 281
8	Cash-based	5 912 232	3 295 128	2 617 104	0	0	~~0~~		
9	Shares or equivalent ownership interests	5 769 385	3 152 281	2 617 104	0	0	~~0~~		3 152 281

10	Share-linked instruments or equivalent non-cash instruments	547 343	547 343	0	0	0	~~0~~	0	0
11	Other instruments	0	0		0	0	~~0~~	0	0
12	Other forms	0	0		0	0	~~0~~	0	0
13	Other senior management	3 747 473	2 955 714	791 759	0	0	~~0~~	975 598	2 532 672
14	Cash-based	0	0	0	0	0	~~0~~	0	0
15	Shares or equivalent ownership interests	3 307 482	2 532 672	774 810	0	0	~~0~~	975 598	2 532 672
16	Share-linked instruments or equivalent non-cash instruments	439 991	423 042	16 949	0	0	~~0~~	0	0
17	Other instruments	0	0	0	0	0	~~0~~	0	0
18	Other forms	0	0	0	0	0	~~0~~	0	0
19	Other identified staff	338 944	257 182	81 762	0	0	~~0~~	93 537	242 646
20	Cash-based	0	0	0	0	0	~~0~~	0	0
21	Shares or equivalent ownership interests	316 931	242 646	74 284	0	0	~~0~~	93 537	242 646
22	Share-linked instruments or equivalent non-cash instruments	22 013	14 535	7 477	0	0	~~0~~	0	0
23	Other instruments	0	0	0	0	0	~~0~~	0	0
24	Other forms	0	0	0	0	0	~~0~~	0	0
25	**Total amount**	**16 315 377**	**10 207 648**	**6 107 728**	**0**	**0**	**~~0~~**	**1 069 135**	**5 927 600**

Table no 87 EU REM4 - Remuneration of 1 million EUR or more per year (in accordance with ITS 2021/637)

	EUR	Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	1

2	1 500 000 to below 2 000 000	0
3	2 000 000 to below 2 500 000	0
4	2 500 000 to below 3 000 000	0
5	3 000 000 to below 3 500 000	0
6	3 500 000 to below 4 000 000	0
7	4 000 000 to below 4 500 000	0
8	4 500 000 to below 5 000 000	0
9	5 000 000 to below 6 000 000	0
10	6 000 000 to below 7 000 000	0
11	7 000 000 to below 8 000 000	0

Table no 88 EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) (in accordance with ITS 2021/637) (in PLN)

	Management body remuneration			Business areas						-
	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
Total number of identified staff										90
Of which: members of the MB	12	7	19							
Of which: other senior management				2	12	0	8	4	34	60
Of which: other identified staff				0	3	0	0	0	8	11
Total remuneration of identified staff	2 051 057	20 337 400	22 388 457	829 793	6 773 981	0	4 311 437	2 716 332	18 400 787	33 032 329
Of which: variable remuneration	0	7 875 000	7 875 000	120 000	1 014 878	0	617 000	312 000	2 358 057	4 421 935
Of which: fixed remuneration	2 051 057	12 462 400	14 513 457	709 793	5 759 103	0	3 694 437	2 404 332	16 042 730	28 610 394

Information on employees' remuneration paid / awarded for a given financial year.

Detailed information concerning remuneration of Management Board Members are presented in the Management Board Report on Activity of Bank Millennium S.A. for 2022.

12. INTEREST RATE RISK IN BANKING BOOK

The table below presents qualitative information on the management of interest rate risk in the banking book, in accordance with regulatory requirements.

Table no 89 EU IRRBBA - Qualitative information on interest rate risks of non-trading book activities (in accordance with ITS 2022/631)

Legal basis	Row number	Information
Art. 448 (1) point e) CRR	a)	*A description of how the institution defines IRRBB for purposes of risk control and measurement* Interest rate risk due to activities included in the banking book (IRRBB) is defined in the Group as the risk resulting from unfavorable changes in market interest rates that affect instruments sensitive to changes in interest rates. Interest rate risk from the banking book business includes mismatch risk, basis risk and client option risk.
Art. 448 (1) point f) CRR	b)	*A description of the institution's overall IRRBB management and mitigation strategies* The Group implements the strategy of managing the interest rate risk in respect of activities included in the banking book, in accordance with the guidelines set out by the Management Board and the Supervisory Board in the Risk Strategy of the Bank Millennium S.A. Capital Group. This document is prepared once a year for three consecutive years, as part of a single planning and budget preparation process. The risk management strategy defines the acceptable level of interest rate risk arising from activities included in the banking book as well as the principles of its hedging and mitigation. In particular, the strategy assumes the appropriate shaping of the structure of balance sheet and off-balance sheet items in order to reduce both the sensitivity of interest income and the sensitivity of the economic value of capital to the level defined by the Supervisory Board as part of the risk appetite and tolerance. The interest rate risk generated in the Bank's core business is transferred to areas that actively manage this risk. Appropriate shaping of the balance sheet structure takes place through the selection of an appropriate product offer and the use of instruments available on the financial markets. External hedging transactions are considered only in the case of residual risk remaining after natural hedging, and hedging transactions should meet the requirements of hedge accounting to the greatest extent possible. The compliance of the actions taken with the interest rate risk strategy for banking book activities is constantly monitored and verified based on the observation of relevant positions, market risk measures and their evolution over time against the applicable limits. The Management Board of the Bank, the Risk Committee of the Supervisory Board and the Supervisory Board assess the risk strategy in terms of its implementation and the possible need to introduce changes based on information provided in the form of cyclical reports. The detailed process of identifying, measuring, monitoring and controlling the interest rate risk arising from the activities included in the banking book is described in the Consolidated Financial Report of the Bank Millennium S.A. Capital Group. for the period of 12 months ended December 31, 2022 in section 8.4. Market risk and interest rate risk.
Art. 448 (1) point e)	c)	*The periodicity of the calculation of the institution's IRRBB measures, and a description of the specific measures that the institution uses to gauge its sensitivity to IRRBB*

(i) and (v), art. 448 (2) CRR		The methods of measuring the interest rate risk arising from the activities included in the banking book include both income measures and measures of economic value. These methods cover repricing timing mismatch risk, client option risk, basis risk and yield curve risk. Thus, in order to measure the sensitivity of the Bank's Group to IRRBB, the following are used: 1) Parametric Value at Risk model, VaR (daily) - the potential value of loss that may occur under normal market conditions assuming a 10-day holding period and a 99% confidence level (one-sided range). 2) Sensitivity measure of interest income (monthly) - the impact of a one-off change in interest rates by 100 basis points on net interest income over the next 12 months. 3) Revaluation gap analysis (monthly) - the difference between assets and liabilities sensitive to interest rate risk that are subject to revaluation or maturity in a given time period. 4) Sensitivity measure BPV x 100 (per month) - change in the net present value of positions in the portfolio resulting from the parallel shift of the yield curves up by one basis point and multiplied by 100. 5) Measure of the economic value of capital (monthly) - change in the net present value of the position in the banking book with parallel shifts of the yield curve by 100 (up and down) 6) Supervisory Outlier Test (SOT) and Standard Supervisory Test, in accordance with the EBA Guidelines on IRRBB (quarterly).
Art. 448 (1) point e) (iii), art. 448 (2) CRR	d)	*A description of the interest rate shock and stress scenarios that the institution uses to estimate changes in the economic value and in net interest income (if applicable)* The following types of interest rate shock and stress scenarios are used for the estimation of changes in the carrying amount of the present value of equity: 1) historical – they assume the most extreme changes in market parameters, which are determined on the basis of their behavior observed in the past, 2) hypothetical – they assume predetermined changes in interest rates, in particular a parallel shift of the interest rate curves by 100 bps, 200 bps. and 300 bps as well as scenarios of non-parallel bending of yield curves, 3) dependent shocks – selection of an extreme shock and applying it to other/selected market parameters, taking into account the relationships between them (volatility and correlations). 4) Supervisory Outlier Test (SOT), in accordance with the EBA Guidelines on IRRBB. With regard to the interest income sensitivity measure, a shock scenario is applied in terms of a one-off change in interest rates by 100 basis points to net interest income over the next 12 months.
Art. 448 (1) point (e) (ii), art. 448 (2) CRR	e)	*A description of the key modelling and parametric assumptions different from those used for disclosure of template EU IRRBB1 (if applicable)* Key assumptions for modeling and parametric assumptions are described in point g).
Art. 448 (1) point	f)	*A high-level description of how the Institution hedges its IRRBB, as well as the associated accounting treatment (if applicable)*

(e) (iv), art. 448 (2) CRR		Mitigating and hedging the interest rate risk in the Banking Book results directly from the guidelines contained in the risk strategy approved by the Supervisory Board and from the IRRBB policy approved by the Bank's Management Board. As a rule, the Bank's activity exposed to market risk is limited due to the conservative system of limits which comprehensively limits the interest rate risk in the banking book. The system of limits is verified at least once a year, both in terms of structure and amount. When setting limits, the risk appetite approved by the Supervisory Board is taken into account each time. To reflect the scale of the Group's operations, quantitative limits are expressed, among others, in the ratio of allowable exposures to own funds and/or net interest income. As regards the interest rate risk in the Banking Book, apart from the system of interest rate risk limits, the following risk mitigation rules and tools are applied: 1) Market risk, including interest rate risk, arising from core banking activities is hedged or transferred on a monthly basis to areas that actively manage market risk and are measured in terms of risk exposure and income statement, 2) Hedging against market risk generated by the banking activity is carried out mainly by natural economic hedging, and external hedging transactions are taken into account only in the case of residual risk remaining after natural hedging. Hedging transactions should meet the requirements of hedge accounting as much as possible. 3) The Bank does not offer products for which it is unable to measure and control the risk. The list of authorized currencies and financial instruments is limited and subject to approval by the Capital, Assets and Liabilities Committee, 4) The Bank prefers market transactions on liquid instruments or concluded with market makers, 5) The Bank avoids concentration towards individual counterparties in individual instruments or in terms of general risk (risk diversification), 6) The Bank conducts commercial activity mainly with counterparties with whom it has signed an ISDA agreement and Credit Support Annexes (CSA). The detailed process of mitigating and hedging the interest rate risk in respect of activities included in the banking book is described in the Consolidated Financial Report of the Capital Group of Bank Millennium S.A. for the period of 12 months ended December 31, 2022 in section 8.4. Market risk and interest rate risk and in Chapter 24. Derivatives - hedge accounting.
Art. 448 (1) point (c) (iv), art. 448 (2) CRR	g)	*A description of key modelling and parametric assumptions used for the IRRBB measures in template EU IRRBB1 (if applicable)* For assets and liabilities that do not have a specific maturity date or instruments with a built-in Client option, the Group makes specific assumptions appropriate for each product and for the specific behavior of each local market (mainly based on historical data analyses), including key assumptions : a) Maturity of balances and interest for deposits without a fixed term was determined on the basis of historical data on customer behavior, taking into account the stability of the position volume with the assumption of a maximum maturity not exceeding 3 years for deposits in PLN and 1 year for other currencies, b) Trends for faster repayment of receivables than it results from the original (contractual) schedule by determining the early repayment ratio for all significant loan portfolios of the Bank based on observations of historical data. It should be noted, however, that mortgage loans, which are the Group's dominant loan product, are mostly indexed to a floating interest rate. This makes prepayment tendencies less relevant to interest rate risk. It should be noted, however, that the share of mortgage loans based on a temporarily fixed interest rate has increased in recent periods. c) For capital, fixed assets and other assets, a revaluation period of 1 year is assumed. However, in order to understand the selected maturity profile, interest rate risk is measured excluding equity to isolate the impact on both economic value and earnings.
Art. 448 (1) point (d) CRR	h)	*Explanation of the significance of the IRRBB measures and of their significant variations since previous disclosures* IRRBB measures were regularly monitored and reported to the Capital, Assets and Liabilities Committee, Risk Committee, Management Board and Supervisory Board. The results of the IRRBB measurement at the end of December 2022 indicate that the Group is still most exposed to the scenario of a decrease in interest rates. Results of supervisory stress tests according to as of December 2022 show, however, that even in the most severe outlier test scenario, the decrease in the economic value of capital for the Banking Book is below the supervisory limit of 15% of Common Equity Tier 1 capital. Similarly, the decrease in EVE in the standard scenario of a sudden impact of a parallel shift of the yield curve by + /-200 basis points also does not exceed the supervisory maximum, i.e. it is below 20% of own funds. Explanation of the meaning of IRRBB measures and their significant changes compared to 31/12/2021 is described in the Consolidated Annual Financial Report of the Bank Millennium S.A. Capital Group. for the period of 12 months ended December 31, 2022 in section 8.4. Market risk and interest rate risk.
	i)	*Any other relevant information regarding the IRRBB measures disclosed in template EU IRRBB1 (optional)*

		As part of the management and assessment of the interest rate risk in the banking book in relation to the change in the carrying amount of the updated capital, the bank takes into account shock scenarios used for supervisory purposes, and in the scope of changes in net interest income, I apply a shock scenario in the scope of a one-time change in interest rates by 100 basis points on net interest income over the next 12 months for items in Polish zlotys. The results of applying these scenarios are presented in the table below.
Art. 448 (1) point (g)	(1) (2)	*Disclosure of the average and longest repricing maturity assigned to non-maturity deposits* In the process of measuring the interest rate risk, with regard to the balances of deposits with an undetermined maturity date, the average and maximum tenors used by the Bank were as follows: a) 2.4 years and 3 years for current accounts in Polish zlotys, b) 2.3 months and 6 months for savings accounts in Polish zlotys, c) 1 year and 1 year for current and savings accounts in other currencies.

As part of the management and assessment of the interest rate risk in the banking book in relation to the change in the carrying amount of the updated capital, the Bank takes into account shock scenarios used for supervisory purposes, and in the scope of changes in net interest income, I apply a shock scenario in the scope of a one-time change in interest rates by 100 basis points on net interest income over the next 12 months. The results of applying these scenarios are presented in the table below.

Table no 90 EU IRRBB1 - Interest rate risks of non-trading book activities (in accordance with ITS 2022/631) (in PLN thous.)

		a	b	c	d
	Supervisory shock scenario	Changes ofthe economic value of equity		Changes of the net interest income	
		Current period	Last period (2021-12)	Current period	Last period (2021-12)
1	Parallel up	242 936	420 820	192 061	159 592
2	Parallel down	-510 338	-734 675	-192 058	-162 106
3	Steepener	-233 258	-114 646		
4	Flattener	159 746	141 701		
5	Short rates up	229 592	272 892		
6	Short rates down	-502 585	-504 439		

13. SECURITISATION

In 2022, the Group completed two loan portfolio securitization transactions. The relevant description and figures are provided in the tables below.

Table no 91 EU SECA - Qualitative disclosure reuirements related to securitisation exposures (in accordance with ITS 2021/637)

Legal basis	Row number	Information
Art. 449(a) CRR	a)	*Description of securitisation and re-securitisation activities; including their risk management and investment objectives in connection with those activities, their role in securitisation and re-securitisation transactions whether they use the Simple Transparent and Standardised (STS) securitisation framework and the extent to which they use securitisation transactions to transfer the credit risk of the securitised exposures to third parties with, where applicable, a separate description of their synthetic securitisation risk transfer policy* The Group's objective in the area of securitization activities is to optimize own funds requirements for credit risk. Under the securitization agreements, the Group acted as the originator. Under the current conditions, the Group does not anticipate acting in a role other than that of the originator. The Group does not conduct re-securitisations. The first transaction was concluded in March 2022 with the European Investment Bank (hereinafter: EIB) and the European Investment Fund (hereinafter: "EIF"). The portfolio covered by the transaction concerned receivables from small and medium-sized enterprises (SME) worth approx. PLN 1.5 billion. PLN. As part of the transaction, the Bank received guarantees covering the portfolio of small and medium-sized enterprises. EIF guarantee for the senior tranche (approx. PLN 1.2 billion) and junior tranche (approx. PLN 300 million). The concluded transaction is a synthetic securitization without a financing element, and the selected portfolio covered by it remains included in the books of the Bank/Group. The transaction is not subject to the Simple, Transparent and Standardized (STS) securitization framework. In December 2022, the Bank settled the second synthetic securitization transaction carried out on a portfolio of corporate and SME debt worth PLN 2.5 billion. The selected loan portfolio covered by the securitization remained in the Bank's balance sheet. The risk transfer was carried out by a recognized credit protection instrument in the form of Credit Linked Notes (CLN). The issued bonds with a total nominal value of PLN 242.5 million were acquired by Christofferson Robb & Company, LLC. CLN bonds marked with the ISIN code XS2569449791 were introduced to trading in the alternative trading system on the Vienna MTF organized by the Vienna Stock Exchange, which admitted them to trading on December 22, 2022. The bonds have been listed since December 27, 2022. Collateral in the form of eligible debt securities (and/or cash), blocked in an independent custodian - Bank of New York Mellon. UniCredit Bank AG was the arranger and agent placing the transaction. The transaction meets the requirements for significant risk transfer specified in the CRR. The transaction falls under the Simple, Transparent and Standardized (STS) securitization framework.
Art. 449(b) CRR	b)	*The type of risk they are exposed to in their securitisation and re-securitisation activities by level of seniority of the relevant securitisation positions, providing a distinction between STS ans non-STS positions and: i) risk retained in own-originated transactions; ii) risk incurred in relation to transactions originated by third parties* The construction of the first transaction with EIB and EIF provides for the division of the securitized portfolio into two tranches: senior (80% of the portfolio) and junior (20% of the portfolio). Both tranches were fully guaranteed by the EIF. Additionally, for the junior tranche, the EIF received a counter-guarantee from the European Investment Bank (EIB). The transaction assumes that the Bank retains the risk of not less than 5% of each loan (Vertical Slice). The structure of the transaction assumes that the losses in the junior and senior tranche are covered by EIF (through a guarantee). The second transaction consists of three tranches: the Senior tranche retained by the Bank (89% of the securitized portfolio), the Mezzanine tranche (9.7% of the portfolio) under which bonds linked to credit risk (CLN) were issued and ensuring the transfer of risk, and the Junior tranche retained by Bank (1.3% of the portfolio).

Art. 449 © CRR	c)	*Institutions' approaches to calculating the risk-weighted exposure amounts that they apply to their securitisation activities, including the types of securitisation positions to which each approach applies with a distinction between STS and non-STS positions* For the first transaction, the Bank applies the following approach to assigning risk weights, in accordance with the standardized approach: a) 0% risk weight for the senior tranche (this is the risk weight of the credit protection provider - EIF), b) 0% risk weight for the junior tranche (this is the risk weight of the credit protection provider - EIF/EIB), c) a risk weight of 75% or 100% depending on the client's classification for 5% of retained exposures, in accordance with Article 405(1)(c) of the CRR (or 100% or 150% if these exposures are in default). In the case of the second transaction, the Bank applies the following approach to assigning risk weights, in accordance with the standardized approach (SEC-SA), provided for STS securitization: a) for the Senior tranche, a risk weight is applied in accordance with the approach described in Art. 261-262 CRR; b) for the Mezzanine tranche, a 0% risk weight is used as a result of the credit protection received under issued CLN bonds (cash collateral defined in Article 218 of CRR); c) for the Junior tranche, CET1 is deducted from the share capital, in accordance with Art. 248 sec. 1 lit. d) CRR (these exposures would be assigned a risk weight of 1250%).
Art. 449(d) CRR	d)	*A list of SSPEs falling into any of the following categories, with a description of their types of exposures to those SSPEs, including derivatives contracts:* *(i) SSPEs which acquire exposures originated by the institutions;* *(ii) SSPEs sponsored by the institutions;* *(iii) SSPEs and other legal entities for which the institutions provide securitisation-related services, such as advisory, asset servicing or management services;* *(iv) SSPEs included in the institutions' regulatory scope of consolidation* The Group does not use the services of SSPE units in any of the following categories.
Art. 449(e) CRR	e)	*A list of any legal entities in relation to which the institutions have disclosed that they have provided support in accordance with Chapter 5 of Title II of Part Three CRR* The Group did not provide support in accordance with part three, title II, chapter 5 of the CRR. The transactions were carried out on market terms
Art. 449(f) CRR	f)	*A list of legal entities affiliated with the institutions and that invest in securitisations originated by the institutions or in securitisation positions issued by SSPEs sponsored by the institutions* No affiliates of the institution that invest in securitisations originated by institutions or securitization positions issued by institution-sponsored SSPEs.
Art. 449(g) CRR	g)	*A summary of their accounting policies for securitisation activity, including where relevant a distinction between securitisation and re-securitisation positions* No specific accounting principles are applied in the conducted securitization activity. Considering that both transactions are synthetic securitisations, there were no postings in the balance sheet, except for securities issue liabilities (CLN).
Art. 449 (h)	h)	*The names of the ECAIs used for securitisations and the types of exposure for which each agency is used* ECAI ratings were not used for securitization purposes.
Art. 449 (i)	i)	*Where applicable, a description of the Internal Assessment Approach as set out in Chapter 5 of Title II of Part Three CRR including the structure of the internal assessment process and the relation between internal assessment and external ratings of the relevant ECAI disclosed in accordance with point (i), the control mechanisms for the internal assessment process including discussion of independence, accountability, and internal assessment process review, the exposure types to which the internal assessment process is applied and the stress factors used for determining credit enhancement levels* Not applicable

Table no 92 EU SEC1 - Securitisation exposures in the non-trading book (in accordance with ITS 2021/637) (in PLN thous.)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
		Traditional				Synthetic		Sub-total	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
		STS		Non-STS												
			of which SRT		of which SRT		of which SRT		STS	Non-STS			STS	Non-STS		
1	**Total exposures**					1 797 127	1 797 127	1 797 127								
2	Retail (total)															
3	residential mortgage															
4	credit card															
5	other retail exposures															
6	re-securitisation															
7	Wholesale (total)					1 797 127	1 797 127	1 797 127								
8	loans to corporates					1 797 127	1 797 127	1 797 127								
9	commercial mortgage															
10	lease and receivables															
11	other wholesale															
12	re-securitisation															

Table no 93 EU SEC2 - Securitisation exposures in the trading book (in accordance with ITS 2021/637) (in PLN thous.)

The Group does not present securitization exposures in the trading portfolio.

Table no 94 EU SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor (in accordance with ITS 2021/637) (in PLN thous.)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	EU-p	EU-q
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
		≤20 % RW	> 20 % to 50 % RW	> 50 % to 100 % RW	> 100 % to < 1250 % RW	1250 % RW/deductions	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	1250 % RW/deductions	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	1250 % RW/ deductions	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	1250 % RW/ deductions
1	**Total exposures**	1 797 127				26 234			1 797 127	26 234			254 227				20 338	
2	Traditional transactions																	
3	Securitisation																	
4	Retail																	
5	Of which STS																	
6	Wholesale																	
7	Of which STS																	
8	Re-securitisation																	
9	Synthetic transactions	1 797 127				26 234			1 797 127	26 234			254 227				20 338	
10	Securitisation	1 797 127				26 234			1 797 127	26 234			254 227				20 338	
11	Retail underlying																	

12	Wholesale	1 797 127	26 234	1 797 127	26 234	254 227	20 338
13	Re-securitisation						

Table no 95 EU SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor (in accordance with ITS 2021/637) (in PLN thous.)

The Group does not act as an originator or sponsor.

Table no 95 EU SEC5 - EU SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments (in accordance with ITS 2021/637) (in PLN thous.)

		a	b	c
		Exposures securitised by the institution - Institution acts as originator or as sponsor		
		Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period
			Of which exposures in default	
1	**Total exposures**	2 447 330		-2 736
2	Retail (total)			
3	residential mortgage			
4	credit card			
5	other retail exposures			
6	re-securitisation			
7	Wholesale (total)	2 447 330		-2 736
8	loans to corporates	2 447 330		-2 736
9	commercial mortgage			
10	lease and receivables			
11	other wholesale			
12	re-securitisation			

14. ESG RISK

The information presented relates to environmental protection, social policy and corporate governance, in accordance with Art. 449a CRR and Commission Implementing Regulation (EU) 2022/2453 of November 30, 2022 amending the implementing technical standards set out in Implementing Regulation (EU) 2021/637 with regard to disclosure of information on risks in the field of environmental protection, social policy and corporate governance .

Table no 97 - Qualitative information on Environmental risk (in accordance with art. 449a CRR and ITS 2022/2453)

Row number	Information
	Business strategy and business processes
a)	Strategy of the institution's operations aimed at taking into account environmental factors and risks in the field of environmental protection, including the impact of environmental factors and risks in the field of environmental protection on the business environment, business model, business strategy and financial plans of the institution
b)	Objectives, targets and limits to assess and address environmental risks in the short, medium and long term and evaluate performance against these targets, targets and limits, including future information on developing business strategies and business processes
c)	Current investment activity and (future) investment objectives in terms of environmental objectives and activities in line with the EU taxonomy on sustainable development
d)	Policies and procedures for direct and indirect cooperation with new or existing contractors regarding their environmental risk mitigation and mitigation strategies
	Corporate governance
e)	Responsibilities of the management body in setting the risk framework, overseeing and managing the achievement of objectives, strategies and policies in the context of environmental risk management, taking into account relevant transmission channels
f)	Taking into account short-, medium- and long-term effects of environmental factors and risks in the field of environmental protection by the management body, organizational structure both within business lines and internal control function
g)	Include measures to manage environmental factors and environmental risks in the internal governance framework, including the role of committees, the allocation of tasks and responsibilities, and feedback from the risk management department to the management body, including relevant transfer channels
h)	Mode and frequency of reporting on environmental risks
i)	Adjustment of the remuneration policy to the institution's objectives related to environmental risk
	Risk management
j)	Including short-, medium- and long-term effects of environmental factors and environmental risks within the risk framework
k)	Definitions, methodology and international standards on which the environmental risk management framework is based
l)	Processes to identify, measure and monitor activities and exposures (and collateral where applicable) sensitive to environmental risks, including relevant transmission channels
m)	Activities, commitments and exposures contributing to mitigation of environmental risk
n)	Implementation of tools for identification and measurement of environmental protection and risk management
o)	The results and results of the implemented risk tools and the estimated impact of environmental risk on the capital position and liquidity risk profile
p)	Availability, quality and accuracy of data and actions to improve these aspects
q)	Description of established environmental risk limits (as a driver of prudential risks) and cases that trigger escalation and exclusion if these limits are exceeded
r)	Description of the relationship (channels) between environmental risk and credit risk, liquidity and funding risk, market risk, operational risk and reputational risk in risk management

Qualitative information on environmental risks

Business strategy and business processes

The ESG area has been included in the new strategy of the Bank Millennium Group for 2022-2024, announced in December 2021. In the new strategy, the Bank defined climate protection goals for the first time, including a 50% reduction in own greenhouse gas emissions in 2022 compared to 2020, achieving climate neutrality in relation to own emissions (by 2027) and full climate neutrality (until 2050). The strategic goal is also to actively support customers in their decarbonisation and to provide PLN 2 billion in financing for customers of the Bank and the Bank's Capital Group for sustainable and transformation projects over the next 3 years. In 2022, the "ESG Strategy of the Bank Millennium Group for 2022-2024" was adopted and published, which is an extension and detailing of environmental, social and corporate governance goals presented in the Strategy for 2022-2024 "Millennium 2024: We are inspired by people".

In accordance with the ESG Strategy, the Bank will consistently comply with the adopted "Environmental Policy", according to which the Bank Millennium Group does not provide financing for new: coal mines, investments in power generation based on coal sources, excluding new investments related to pollution reduction. New financing in the energy sector is only possible if it serves the commitment to non-carbon energy sources as well as the energy transition to non-carbon energy sources.

The ESG Strategy for 2022-2024 is available on the Bank's website, while information on the implementation of activities undertaken in 2022 in the area of sustainable development can be found in the "ESG Report of Bank Millennium and Bank Millennium Group for 2022". In 2022, the Bank achieved i.a. the goal of reducing its own greenhouse gas emissions by more than 50% in scope 1 and 2, expanded the offer of green products to include investment funds promoting ESG aspects, and also carried out many significant activities in the area of social and corporate governance. Bank Millennium does not conduct any significant investment activity.

Bank Millennium defined the basic principles related to sustainable development at the level of the entire Bank Millennium Group. These principles are defined in the "Policy of Sustainable Development of Bank Millennium S.A." adopted by the Bank's Management Board, an integral part of which are, among others, published on the Bank's website "Principles of sustainable development" and "Principles of responsible financing".

Based on the UN Sustainable Development Goals, as well as on the obligations arising from the Diversity Charter signed by the Bank, as well as internal rules and good practices, we have undertaken, among others, the following commitments:

- Including environmental and social risks in the customer risk assessment process and incorporating ESG risk factors in relation to corporate customers into sectoral policies;
- Defining the list of sectors and activities not financed by the Bank Millennium Group - the Group identifies sectors of economic activity or projects whose financing is inconsistent with the commitment of the Bank Millennium Group to environmental protection, promoting sustainable development, fighting climate change and preserving biodiversity. For this reason, sectors excluded from financing or conditional financing sectors have been indicated in the Bank Millennium Group (financing activities or projects in these sectors is possible subject to additional conditions);
- Financing environmentally friendly and energy-saving projects, including projects related to the replacement of coal-fired energy with low-emission energy sources;
- Carrying out activities aimed at reducing the carbon footprint
- Respect for human rights - Bank Millennium Group respects and promotes the basic principles of human rights by applying ethical business practices towards various stakeholders, in particular employees, customers, shareholders, suppliers, local

communities. Such practices are clearly defined in the relevant internal regulations of the Bank Millennium Group;

- Development of competencies in the field of sustainable development - we offer training and initiatives for employees aimed at developing their competencies in the field of sustainable development;
- Promoting the culture of responsible consumption - the Bank Millennium Group adopted, as part of the "Guidelines on sustainable development for suppliers", a set of requirements for suppliers covering issues of sustainable development;
- Influencing society - promoting a culture of social responsibility, developing activities for various stakeholder groups and together with them, supporting directly or indirectly social development.

Corporate governance

The management system at the Bank consists of: the risk management system and the internal control system. The concepts, general rules and guidelines for the functioning of the management system at the level of the Bank Millennium Group are defined in the document: "Management system at Bank Millennium S.A." Environmental risk factors, as components of other risks specific to the Bank, are included in the principles set out in the management system.

The Bank's Management Board designs and implements a risk management system and ensures its operation by setting the risk framework and supervising the implementation of objectives, strategies and policies, including in relation to environmental risk management. The Bank's Supervisory Board supervises the introduced system and assesses its adequacy and effectiveness at least once a year.

The objectives of the risk management mission are achieved through the implementation of the following activities:

- Development of a risk management strategy, credit policy, processes and procedures defining the rules for accepting the acceptable level of individual types of risk,
- Implementation, to an increasing extent, of IT tools for risk identification, control and measurement,
- Increasing employees' awareness of responsibility for proper risk management at every level of the Group's organizational structure.

The division of competences in the area of risk management is described in the Report of the Management Board on the activities of Bank Millennium S.A. and the Capital Group of Bank Millennium S.A. for 2022. As part of the risk management process, the activities of the following units and authorities should be distinguished:

- Risk Committee and the Processes and Operational Risk Committee are responsible for defining the policy and for monitoring and controlling various types of banking risks within the framework of the model established by the Management Board;
- Risk Department is responsible for risk management, including identification, measurement, analysis, monitoring and reporting of risk in the Group. The Risk Department also prepares risk management rules and relevant procedures, as well as presents information and proposes directions of action necessary for making decisions by the Capital, Assets and Liabilities Committee, Risk Committee and Management Board regarding risk management;
- Sustainable Development Committee is responsible for making key decisions in the field of sustainable development in the Bank Millennium Group, in terms of environmental, social and governance factors;

- Office for Sustainable Development is responsible for supervision and coordination of the process of implementing the principles of sustainable development in the Bank and the Capital Group.

As part of the risk appetite, the Group has defined zones for measures of this appetite. These measures also take into account ESG aspects, including those related to environmental factors. Appetite measures are reported monthly to the Bank's Risk Committee, and quarterly to the Risk Committee of the Supervisory Board.

The Bank has implemented an internal control system covering all organizational units of the Bank and the companies of the Bank Group. The rules concerning the system in question are regulated in detail in the document "Internal Control System in Bank Millennium S.A.". In accordance with these principles, the Bank's internal control system is organized within three independent levels, the so-called three lines of defense. The Bank's organizational units are assigned to each line of defence. The first line of defense includes risk management in the Bank's operating units. The second line of defense consists of units responsible for risk management at the Bank, which are appointed by way of a resolution by the Bank's Management Board and the Compliance Department. The Internal Audit Department functions as part of the third line of defence.

The remuneration policies applied in Bank Millennium define the principles of remuneration formulated in such a way that, among others, did not motivate the introduction of risks for sustainable development into the activities of the Group companies. The tasks related to the environmental area specified in the ESG Strategy are assigned to individual units of the Bank, and their implementation is monitored by the Sustainable Development Committee. The manner and degree of activities undertaken as part of initiatives aimed at achieving these goals translate into the assessment and then the process of rewarding the people involved in them.

Risk management

The Bank Millennium Group has developed a comprehensive document in the form of guidelines on the risk management policy/strategy "Risk Strategy for 2023-2025". This document is developed over a three-year horizon and is subject to annual review and updating. It is approved by the Bank's Management Board and Supervisory Board. The risk strategy is inextricably linked to other strategic documents, such as: Budget, Liquidity Plan, Capital Plan.

The Risk Strategy defines the key lines of action to be implemented in order to control, reduce or eliminate significant risks affecting the Group's operations in order to optimize the Group's risk appetite. The adopted Risk Strategy aims to maintain the risk profile for all types of risk within the limits set in the appetite zones.

The Bank is constantly developing risk management processes, also taking into account the dynamically changing challenges in the field of climate risks. The Risk Strategy defines the Risk Appetite framework for selected ESG risk factors: the level of own emissions, diversity and social initiatives.

The Risk Strategy takes into account environmental risks as a component of other risks that are specific to the Bank's operations. ESG risk, in particular environmental risk, has been included - as part of them - in several risk categories, such as credit risk, operational risk, liquidity risk and market risk. In this way, the assessment of the ESG risk level was included in the annual risk materiality assessment and reflected in the risk maps created for the purposes of the ICAAP and ILAAP processes. ESG aspects, including those related to environmental risk, did not change the level of any type of risk in the last assessment (2022/2023) carried out in November/December 2022.

As a component of other banking risks, the ESG risk has been included in risk management, including the organizational structure, roles and responsibilities - maintaining the three lines of defense approach. The framework is based on the applicable national and international regulations and standards applicable to the bank's risk management.

ESG risk management aspects have also been included in the Credit Principles and Guidelines, which include the rules for taking into account ESG factors in the credit policy for corporate clients. In addition, transformation, physical and social risks have been included in the Bank's sector policy, which has an impact on the formation and development of the corporate loan portfolio.

The Bank's approach to environmental risks is also reflected in the documents adopted by the Bank, on the basis of which the Bank makes decisions regarding financing or limiting the financing of exposures:

- Environmental Policy – in accordance with this document, the Group supports the implementation of pro-environmental goals by introducing products to its offer to finance pro-environmental activities. The Bank Millennium Group does not provide financing for new: coal mines, investments in power generation based on coal sources, excluding new investments related to pollution reduction. New financing in the energy sector is only possible if it serves the commitment to non-carbon energy sources as well as the energy transition to non-carbon energy sources.
- Principles of responsible financing – the Bank Millennium Group recognizes the existence of sectors of activity or projects that do not correspond to the commitment undertaken by the Group in the field of environmental protection, promoting sustainable development, combating climate change, preserving biodiversity and minimizing social risks. This document specifies a list of projects excluded from financing and sectors or projects for which financing may be granted after meeting certain conditions.

In addition, Bank Millennium has provisions in its lending regulations for corporate clients regarding compliance with environmental protection requirements and respect for work rules by all clients. The regulations also contain restrictions on the financing of socially harmful activities - indicated on the List of Environmental Exclusions of the EBRD (European Bank for Reconstruction and Development). The introduced restrictions oblige all borrowers to, among others: not to use the funds from the loan for undertakings related primarily to forced labor and any discrimination at work.

The Bank continues its efforts to further integrate ESG risk into its risk management framework and overall business strategy. The planned steps include the implementation of further solutions aimed at improving the process of identifying and measuring ESG risk, in particular environmental risk, including the introduction of a qualitative ESG form for selected corporate clients - aimed at adding to the ESG analysis, apart from the sectoral element, also a more thorough examination of ESG risk for entity, especially if it comes from a sector exposed to higher ESG risk.

In addition, the Bank is in the process of implementing ESG risk assessment elements for the assessment of tangible collateral. Ultimately, it is also planned to implement a data model ensuring the collection and processing of key ESG information. However, these activities are a significant challenge due to the limited availability and quality of data. In order to meet these challenges, the Bank cooperates in this respect both with its clients and with other banks - as part of the work of the banking sector, through the Polish Bank Association.

Table no 98 – Qualitative information on Social risk (in accordance with art. 449a CRR and ITS 2022/2453)

	Information
	Business strategy and processes
a)	Adjustment of the institution's business strategy to integrate social factors and risks taking into account the impact of social risk on the institution's business environment, business model, strategy and financial planning
b)	Objectives, targets and limits to assess and address social risk in short-term, medium-term and long-term, and performance assessment against these objectives, targets and limits, including forward-looking information in the design of business strategy and processes
c)	Policies and procedures relating to direct and indirect engagement with new or existing counterparties on their strategies to mitigate and reduce socially harmful activities
	Governance
d)	Responsibilities of the management body for setting the risk framework, supervising and managing the implementation of the objectives, strategy and policies in the context of social risk management covering counterparties' approaches to:
(i)	Activities towards the community and society
(ii)	Employee relationships and labour standards
(iii)	Customer protection and product responsibility
(iv)	Human rights
e)	Integration of measures to manage social factors and risks in internal governance arrangements, including the role of committees, the allocation of tasks and responsibilities, and the feedback loop from risk management to the management bodyzarządzającemu
f)	Lines of reporting and frequency of reporting relating to social risk
g)	Alignment of the remuneration policy in line with institution's social risk-related objectives
	Risk management
h)	Definitions, methodologies and international standards on which the social risk management framework is based
i)	Processes to identify, measure and monitor activities and exposures (and collateral where applicable) sensitive to social risk, covering relevant transmission channels
j)	Activities, commitments and assets contributing to mitigate social risk
k)	Implementation of tools for identification and management of social risk
l)	Description of setting limits to social risk and cases to trigger escalation and exclusion in the case of breaching these limits
m)	Description of the link (transmission channels) between social risks with credit risk, liquidity and funding risk, market risk, operational risk and reputational risk in the risk management framework

Qualitative information on environmental risks

Business strategy and business processes

As indicated above in this chapter, ESG (Environmental, Social, Governance) issues have been an integral part of the Bank Millennium Group's business strategy for years. The name of the Bank's business strategy "People inspire us" is a reference to the character of activity - in particular inspiration coming from employees, as well as clients and the community in which the Bank operates, and thus emphasizes the importance attached to this aspect of its operation.

In the "ESG Strategy of the Bank Millennium Group for 2022-2024", strategic goals were set under the "Social Responsibility" pillar in the following areas:

- Employee development and support

- Promoting equality and diversity
- Supporting clients in the development of their business and finances
- Banking without barriers
- Education and safety
- Charitable activities and support of culture.

As an institution inspired by people and their needs, the Bank has set itself the goal of i.a. being the employer of first choice, ensuring the availability of services to all clients and listening to and supporting the local community. As a responsible member of the community, the Bank continues the financial education program of the Bank Millennium Foundation addressed to children and their parents, over thirty years of tradition of patronage of culture and supporting social initiatives of Bank Millennium Group employees for their local environment.

The implementation of the tasks and initiatives described in the ESG Strategy is regularly monitored by the Sustainable Development Committee. For each strategic initiative adopted in the ESG Strategy, an operational implementation plan has been developed, which is monitored by the Committee on a quarterly basis.

In the area related to social issues, Bank Millennium manages various types of risk, however the risk related to the safety of customer funds is of paramount importance for the Bank. It is a resultant of other types of risk, including reputational risk, considered both from the point of view of the Bank and the Bank Millennium S.A. Group, as well as from the point of view of the entire banking sector. This risk is minimized through comprehensive activities and strong competences in the area of compliance, anti-money laundering and security (including cyber security).

In addition, the Bank considers the risk related to customer relations as significant in the context of its business activities. The Bank considers the legal aspects of concluded contracts, the risk of improper design of products and services and the risk of optimal selection of the product to the needs and capabilities of the client, and continuously analyzes the implemented and drafted provisions of law, opinions of the Office of Competition and Consumer Protection and other authorities.

In the area of risk related to inappropriate employment and occupational safety practices, the Bank minimizes the risk of high employee fluctuation by having appropriate policies (including HR, remuneration and diversity) and offering high work standards.

The Bank defines both exclusions and limitations that should be taken into account when making decisions on granting financing, in accordance with the adopted "Principles of responsible financing", taking into account social factors in the list of excluded projects or whose financing is subject to certain conditions.

In relations with its business partners, the Bank takes into account the issues of sustainable development. Bank Millennium's suppliers are obliged to read and ensure compliance with the "Guidelines for Sustainable Development for Suppliers". In the supplier selection process, the Group implemented a process of obtaining information on their compliance with the sustainable development guidelines by introducing the "Questionnaire for suppliers in the field of sustainable development".

Corporate governance

The President of the Bank's Management Board is responsible for supervising the implementation of the sustainable development goals at the highest level. The Bank's Management Board is responsible for effective management of the sustainable development area at the Bank, in terms of environmental, social and corporate governance issues, and the Bank's Supervisory Board oversees this process.

The Management Board receives a number of information and reports enabling control of processes aimed at determining and managing its economic, environmental and social impact, including periodic reports on all key areas of the Bank's operations. In this respect, control activities of the Management Board are also carried out by committees operating at the Bank. In this process, information from the Bank's stakeholders is also taken into account, e.g. regarding employee matters or issues arising from complaints or research in the area of customer service. An important role in this regard is also played by the Sustainable Development Committee, whose activities are described above in this chapter.

As described above in this chapter, the Bank promotes ethical behavior both through the "Code of Ethics" adopted by the Bank Millennium Group, and through the basic principles related to sustainable development available to all stakeholders at the level of the entire Bank Millennium Group. These rules are set out in the "Policy of Sustainable Development of Bank Millennium S.A." adopted by the Bank's Management Board, an integral part of which are the following documents published on the Bank's website:

- Principles of sustainable development
- Principles of counteracting corruption
- Social Impact Principles
- Principles of respecting human rights
- Diversity policy
- Principles of corporate volunteering
- Principles of responsible finance.

One of the key business goals of the Bank in the context of products and services provided to customers is to eliminate digital and physical barriers in access to financial and non-financial services, including counteracting social exclusion, providing support to a part of society with fewer opportunities to use digital banking solutions, and and promoting access to financial products. In accordance with the "Principles of Social Impact" of the Bank Millennium Group, a direct involvement in the implementation of the United Nations Sustainable Development Goals is reflected in the strategic activities of the Bank Millennium Group, focused on the search for innovative and integrating (preventing exclusion) products and distribution channels, and in the approach to customer service.

The Bank's corporate culture is based on knowledge and compliance with generally applicable laws, supervisory guidelines, the Bank's internal regulations and market standards. The rules and standards for ensuring compliance with external and internal regulations are described in the document "Compliance Policy of Bank Millennium S.A.". The Bank implements a number of activities related to ethical sales, placing strong emphasis on the compliance of the service with the applicable regulatory requirements. Product model assumptions and tools are verified by the compliance unit. The report on the functioning of the system for ensuring compliance with the law is presented quarterly to the Bank's Management Board and the Audit Committee of the Supervisory Board, and annually to the Supervisory Board.

Social factors are taken into account by the Bank as part of the implemented (and described above in this chapter):

- regulations regarding exclusions and limitations in relation to funded projects - "Principles of responsible financing"
- supplier regulations ("Supplier Sustainability Guidelines).

As described above, the remuneration policies applied in Bank Millennium define the principles of remuneration formulated in such a way that, among others, did not motivate the introduction of risk for sustainable development into the activities of Group companies.

Risk management

Social risk is taken into account as part of managing other types of risks as their component. In this regard, the explanations regarding the inclusion of social risks in the risk management process are the same as those presented in the subsection above: "Quality information on environmental risks - Risk management".

The key elements in this regard are:

- Embedding social risk in risk management, including organizational structure, roles and responsibilities - maintaining the three lines of defense approach. The framework is based on the applicable national and international regulations and standards applicable to the bank's risk management
- taking into account social risk in the annual risk materiality assessment and reflected in risk maps created for the needs of the processes: ICAAP and ILAAP
- inclusion of social risks in the "Credit Principles and Guidelines"
- taking into account social risks in "Sectoral Policies"
- including social factors in risk appetite measures
- taking into account social risk in the "Principles of responsible financing" - by excluding or limiting (subject to the fulfillment of certain conditions) financing of specific sectors of activity or projects
- inclusion in the terms and conditions of lending to corporate clients provisions concerning compliance with environmental protection requirements and respect for work rules by all clients.

Table no 99 - Qualitative information on Governance risk (in accordance with art. 449a CRR and ITS 2022/2453)

	Information
	Governance
a)	Institution's integration in their governance arrangements of the governance performance of the counterparty, including committees of the highest governance body, committees responsible for decision-making on economic, environmental, and social topics
b)	Institution's accounting of the counterparty's highest governance body's role in non-financial reporting
c)	Institution's integration in governance arrangements of the governance performance of their counterparties including:
(i)	Ethical considerations
(ii)	Strategy and risk management
(iii)	Inclusiveness
(iv	Transparency
(v)	Management of conflict of interest
(vi)	Internal communication on critical concerns
	Risk management
d)	Institution's integration in risk management arrangements the governance performance of their counterparties considering:
i)	Ethical considerations
ii)	Strategy and risk management
iii)	Inclusiveness
iv)	Transparency
v)	Management of conflict of interest
vi)	Internal communication on critical concerns

Governance

The majority of the Bank's clients are entities based in Poland or operating in the territory of the Republic of Poland, obliged to comply with the provisions of Polish and EU law (the provisions of European Union law) and international law, including, for example, international agreements and conventions to which the Republic of Poland is a party. As in the case of all democratic countries, international regulations on the protection of human rights are part of the Polish legal order. Poland is a party to treaties belonging to both the universal (UN) human rights protection system and the system of the Council of Europe.

Considering the above legal conditions, it can be assumed that the probability of occurrence of negative phenomena by the Bank's clients, such as corruption, violation of human rights, is significantly lower than in the case of entities operating or having their registered office in other jurisdictions.

With regard to issues related to the functioning of the corporate governance of the Bank's clients, the Bank takes these factors into account in the management principles, including the risk management principles, by acquiring knowledge about the clients' activities, receiving and analyzing periodic reports, examining the requirements set for clients as part of the financing provided .

The Bank operates in accordance with national and international AML (anti-money laundering) regulations and applies financial security measures based on these regulations.

Bank Millennium, in accordance with the requirements of the Polish and international regulator, recognizes the AML risk when establishing business relations and as part of their continuation, in particular, it limits establishing relations with clients who may expose the Bank's operations to the risk of international sanctions, including economic sanctions.

The obligation is fulfilled before establishing cooperation and periodically during its duration. As part of the KYC ("Know Your Customer") activities, the Bank verifies the registration and statutory information regarding customers and their beneficial owners, in particular, assesses the purpose of establishing business relations with a given customer.

The Bank conducts online monitoring of transactions of foreign clients in terms of the risk of sanctions. Moreover, the Bank conducts continuous monitoring of its clients' transactions in terms of AML risk.

The Bank uses various methods of verifying entities in external databases, in particular: in the Central Register of Beneficial Owners, PEP lists, sanction lists, and KNF warning lists.

The Bank promotes various issues related to the highest standards of corporate governance through the "Code of Ethics of the Bank Millennium Group", as well as documents adopted by the Bank defining the principles adopted in the area of sustainable development, including:

- Principles of sustainable development
- Principles of counteracting corruption
- Social Impact Principles
- Principles of respecting human rights
- Diversity policy.

In addition, the Bank has developed "Guidelines for Sustainable Development for Suppliers", which the Bank's suppliers undertake to comply with already at the stage of tender procedures. In the supplier selection process, the Bank implemented the "Questionnaire for suppliers in the field of sustainable development".

Risk management

Corporate governance risk issues are taken into account in the risk management process by including this risk in the customer credit analysis, by taking into account available information related to the materialization of this risk in the credit analysis and monitoring the customers' situation.

The Bank will develop the range of factors taken into account in the management process, including risk management, related to clients' corporate governance performance.

Table no 100 - Banking book- Indicators of potential climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity (in accordance with art. 449a CRR and ITS 2022/2453)

	Sector/subsector	a	b	c	d	e	f	g	h	l	m	n	o	p
		Gross carrying amount (Mln EUR)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Mln EUR)							
		-	Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
1	**Exposures towards sectors that highly contribute to climate change***	2863	29		206	74	36	2	22	*2 570*	*262*	*25*	*0*	*2*
2	A - Agriculture, forestry and fishing	15	0		1	1	1	0	1	14	1	0	0	2
3	B - Mining and quarrying	15	0		0	1	0	0	0	15	0	0	0	3
4	*B.05 - Mining of coal and lignite*	*0*	*0*		*0*	*0*	*0*	*0*	*0*	0	0	0	0	2
5	*B.06 - Extraction of crude petroleum and natural gas*	*0*	*0*		*0*	*0*	*0*	*0*	*0*	0	0	0	0	3
6	*B.07 - Mining of metal ores*		*0*											
7	*B.08 - Other mining and quarrying*	*15*	*0*		*0*	*1*	*0*	*0*	*0*	15	0	0	0	3
8	*B.09 - Mining support service activities*	*0*	*0*		*0*	*0*	*0*	*0*	*0*	0	0	0	0	0
9	C - Manufacturing	906	12		101	28	14	1	9	807	96	3	0	2

10	*C.10 - Manufacture of food products*	154	0	22	18	8	0	8	131	23	0	0	2
11	*C.11 - Manufacture of beverages*	8	0	0	0	0	0	0	8	0	0	0	2
12	*C.12 - Manufacture of tobacco products*	1	0	1	0	0	0	0	1	0	0	0	1
13	*C.13 - Manufacture of textiles*	5	0	3	0	0	0	0	5	1	0	0	3
14	*C.14 - Manufacture of wearing apparel*	3	0	0	0	0	0	0	3	0	0	0	1
15	*C.15 - Manufacture of leather and related products*	2	0	0	0	0	0	0	2	0	0	0	1
16	*C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials*	30	0	5	1	0	0	0	27	3	0	0	3
17	*C.17 - Manufacture of pulp, paper and paperboard*	*58*	*0*	*6*	*0*	*0*	*0*	*0*	48	10	0	0	3
18	*C.18 - Printing and service activities related to printing*	*19*	*0*	*3*	*0*	*0*	*0*	*0*	16	3	0	0	3
19	*C.19 - Manufacture of coke oven products*	*12*	*12*	*0*	*0*	*0*	*0*	*0*	12	0	0	0	3
20	*C.20 - Production of chemicals*	*27*	*0*	*6*	*0*	*0*	*0*	*0*	27	0	0	0	1
21	*C.21 - Manufacture of pharmaceutical preparations*	*2*	*0*	*0*	*0*	*0*	*0*	*0*	2	0	0	0	2
22	*C.22 - Manufacture of rubber products*	*101*	*0*	*11*	*0*	*1*	*0*	*0*	83	18	0	0	2
23	*C.23 - Manufacture of other non-metallic mineral products*	*54*	*0*	*3*	*0*	*0*	*0*	*0*	49	4	0	0	2
24	*C.24 - Manufacture of basic metals*	*40*	*0*	*2*	*1*	*0*	*0*	*0*	39	1	0	0	1
25	*C.25 - Manufacture of fabricated metal products, except machinery and equipment*	*175*	*0*	*6*	*2*	*1*	*0*	*0*	157	18	0	0	2
26	*C.26 - Manufacture of computer, electronic and optical products*	*7*	*0*	*0*	*0*	*0*	*0*	*0*	7	0	0	0	1
27	*C.27 - Manufacture of electrical equipment*	*29*	*0*	*1*	*0*	*0*	*0*	*0*	28	1	0	0	1
28	*C.28 - Manufacture of machinery and equipment n.e.c.*	*63*	*0*	*9*	*0*	*0*	*0*	*0*	59	5	0	0	2
29	*C.29 - Manufacture of motor vehicles, trailers and semi-trailers*	*67*	*0*	*19*	*4*	*1*	*0*	*1*	63	5	0	0	2
30	*C.30 - Manufacture of other transport equipment*	*17*	*0*	*0*	*0*	*0*	*0*	*0*	14	1	3	0	3
31	*C.31 - Manufacture of furniture*	*19*	*0*	*1*	*0*	*0*	*0*	*0*	16	2	0	0	3
32	*C.32 - Other manufacturing*	*3*	*0*	*0*	*0*	*0*	*0*	*0*	2	0	0	0	2
33	*C.33 - Repair and installation of machinery and equipment*	*9*	*0*	*1*	*0*	*0*	*0*	*0*	8	1	0	0	2
34	D - Electricity, gas, steam and air conditioning supply	21	8	11	0	0	0	0	20	1	0	0	1
35	*D35.1 - Electric power generation, transmission and distribution*	9	8	5	0	0	0	0	9	0	0	0	2

36	*D35.11 - Production of electricity*	*2*	*2*	*0*	*0*	*0*	*0*	*0*	2	0	0	0	3
37	*D35.2 - Manufacture of gas; distribution of gaseous fuels through mains*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	0	0	0	0	1
38	*D35.3 - Steam and air conditioning supply*	*11*	*0*	*6*	*0*	*0*	*0*	*0*	11	1	0	0	1
39	E - Water supply; sewerage, waste management and remediation activities	28	0	1	1	0	0	0	23	4	0	0	2
40	F - Construction	158	0	12	5	1	0	0	151	7	0	0	2
41	*F.41 - Construction of buildings*	*72*	*0*	*6*	*2*	*1*	*0*	*0*	72	0	0	0	1
42	*F.42 - Civil engineering*	*63*	*0*	*6*	*1*	*0*	*0*	*0*	57	6	0	0	3
43	*F.43 - Specialised construction activities*	*23*	*0*	*1*	*3*	*0*	*0*	*0*	22	1	0	0	2
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	1072	0	43	16	10	1	4	1 006	60	0	0	2
45	H - Transportation and storage	448	8	35	6	1	0	0	369	57	21	0	4
46	*H.49 - Land transport and transport via pipelines*	*351*	*8*	*21*	*6*	*0*	*0*	*0*	301	47	2	0	3
47	*H.50 - Water transport*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	0	0	0	0	-7
48	*H.51 - Air transport*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	0	0	0	0	2
49	*H.52 - Warehousing and support activities for transportation*	*96*	*0*	*14*	*0*	*0*	*0*	*0*	68	9	19	0	4
50	*H.53 - Postal and courier activities*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	0	0	0	0	1
51	I - Accommodation and food service activities	27	0	0	14	8	0	7	18	8	0	0	3
52	L - Real estate activities	174	0	3	2	1	0	0	145	29	0	0	2
53	**Exposures towards sectors other than those that highly contribute to climate change***	488	0	11	11	4	0	2	*480*	*8*	*0*	*0*	*2*
54	K - Financial and insurance activities	33	0	0	0	0	0	0	33	0	0	0	1
55	Exposures to other sectors (NACE codes J, M - U)	456	0	11	11	4	0	2	448	8	0	0	2
56	TOTAL	3351	29	217	85	40	2	24	3 050	270	25	0	2

** In accordance with the Commission delegated regulation EU) 2020/1818 supplementing regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks -Climate Benchmark Standards Regulation - Recital 6: Sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006*

Table no 101 – Banking Book - Indicators of potential climate change transition risks: Loans collateralised by immovable property - Energy efficiency of the collateral (in acoordance with 449a CRR and ITS 2022/2453) (in EUR m)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Counterparty sector	Total gross carrying amount amount (in MEUR)															
			Level of energy efficiency (EP score in kWh/m² of collateral)						Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
			0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	A	B	C	D	E	F	G		Of which level of energy efficiency (EP score in kWh/m² of collateral) estimated
1	**Total EU area**																
2	Of which Loans collateralised by commercial immovable property	885														885	700
3	Of which Loans collateralised by residential immovable property	9 067														9 067	8 082
4	Of which Collateral obtained by taking possession: residential and commercial immovable properties	0														0	0
5	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	8 782	1 829	1 607	5 044	272	29	1									
6	**Total non-EU area**																
7	Of which Loans collateralised by commercial immovable property																
8	Of which Loans collateralised by residential immovable property																
9	Of which Collateral obtained by taking possession: residential and commercial immovable properties																
10	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated																

Estimations based on a year of completion of construction

Table no 102 Banking book - Indicators of potential climate change transition risk: Alignment metrics (in accordance with art. 449a CRR and ITS 2022/2453)

Information is not available.

Table no 103 Banking book - Indicators of potential climate change transition risk: Exposures to top 20 carbon-intensive firms (in accordance with art. 449a CRR and ITS 2022/2453)

The Group does not have exposures to 20 companies emitting the largest amounts of carbon dioxide. Having said that, the document „The Carbon Majors Database, CDP Carbon Majors Report" was used.

Table no 104 Banking book - Indicators of potential climate change physical risk: Exposures subject to physical risk (in accordance with art. 449a CRR and ITS 2022/2453) (in EUR m)

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount (Mln EUR)													
			of which exposures sensitive to impact from climate change physical events												
			Breakdown by maturity bucket										Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	Variable: Geographical area subject to climate change physical risk - acute and chronic events		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity	of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures		of which Stage 2 exposures	Of which non-performing exposures
1	A - Agriculture, forestry and fishing	15	4	0	0	0	2	4	0		0	0	0	0	0

2	B - Mining and quarrying	15													
3	C - Manufacturing	906	0	0	0	0	1	0	0		0	0	0	0	0
4	D - Electricity, gas, steam and air conditioning supply	21													
5	E - Water supply; sewerage, waste management and remediation activities	28													
6	F - Construction	158													
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	1 072	0	0	0	0	2	0	0		0	0	0	0	0
8	H - Transportation and storage	448													
9	L - Real estate activities	174													
10	Loans collateralised by residential immovable property	9 067	0	0	0	0	19	1	0	0	0	0	0	0	0
11	Loans collateralised by commercial immovable property	885	0	0	0	0	0	0	0	0	0	0	0	0	0
12	Repossessed colalterals	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13	Other relevant sectors (breakdown below where relevant)	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Table no 105 Summary of key performance indicators (KPIs) on the Taxonomy-aligned exposures (in accordance with art. 449a CRR and ITS 2022/2453)

Information is not available.

Table no 106 Mitigating actions: Asets for the calculation of GAR (in accordance with art. 449a CRR and ITS 2022/2453)

Information is not available.

Table no 107 GAR (%) (in accordance with art. 449a CRR and ITS 2022/2453)

Information is not available.

Table no 108 Mitigating actions: Assets for the calculation of BTAR (in accordance with art. 449a CRR and ITS 2022/2453)

Information is not available.

15. STATEMENT OF THE MANAGEMENT BOARD

The Management Board of Bank Millennium S.A. hereby declares that:

- to the best of their knowledge, the information disclosed in accordance with section eight of the CRR was prepared in accordance with internal control processes;
- to the best of its knowledge, the information provided on capital adequacy, risk and remuneration policy is accurate and presents a fair and reliable view of these matters;
- to the best of its knowledge, the adequacy of risk management arrangements in Bank Millennium S.A. ensures that the risk management systems in place are adequate to the risk profile and strategy of the Bank and the Group;
- approves this "Capital Adequacy, Risk, Remuneration Policy Report of Bank Millennium Capital Group as at 31 December 2022". which contains information about risk, discusses the general risk profile of the Bank and the Group associated with the business strategy and in which key indicators and figures were included, providing external stakeholders with a comprehensive view of risk management in the Bank Millennium S.A. Group, including the interaction between the Bank's risk profile and risk appetite, defined by the Management Board and approved by the Supervisory Board.

SIGNATURES

Date	Name and Surname	Position/Function	Signature
24.04.2024	Joao Bras Jorge	Chairman of the Management Board	....
24.04.2024	Fernando Bicho	Deputy Chairman of the Management Board	....
24.04.2024	Wojciech Haase	Member of the Management Board	....
24.04.2024	Andrzej Gliński	Member of the Management Board	....
24.04.2024	Wojciech Rybak	Member of the Management Board	....
24.04.2024	Antonio Pinto Junior	Member of the Management Board	....
24.04.2024	Jarosław Hermann	Member of the Management Board	....

APPENDIX 1 EU KM1 – KEY METRICS TEMPLATE (IN PLN THOUS., IN PERCENTS)

		2022-12-31	2022-09-30	2022-06-30	2022-03-31	2021-12-31
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	5 469 947	4 967 154	6 040 082	6 294 746	6 906 327
2	Tier 1 capital	5 469 947	4 967 154	6 040 082	6 294 746	6 906 327
3	Total capital	6 991 125	6 497 154	7 570 082	7 824 746	8 436 327
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	48 497 286	52 587 111	49 819 700	48 956 912	49 443 039
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	11,2789%	9,4456%	12,1239%	12,8577%	13,9682%
6	Tier 1 ratio (%)	11,2789%	9,4456%	12,1239%	12,8577%	13,9682%
7	Total capital ratio (%)	14,4155%	12,3550%	15,1950%	15,9829%	17,0627%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
EU-7a	Additional CET1 SREP requirements (%)	1,9400%	1,5600%	1,5600%	1,5600%	1,5600%
EU-7b	Additional AT1 SREP requirements (%)	1,0900%	0,5300%	0,5300%	0,5300%	0,5300%
EU-7c	Additional T2 SREP requirements (%)	1,4600%	2,0900%	2,0900%	2,0900%	2,0900%
EU-7d	Total SREP own funds requirements (%)	9,9400%	10,7900%	10,7900%	10,7900%	10,7900%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2,5000%	2,5000%	2,5000%	2,5000%	2,5000%
EU-8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0,0000%	0,0000%	0,0000%	0,0000%	0,0000%
9	Institution specific countercyclical capital buffer (%)	0,0000%	0,0000%	0,0000%	0,0000%	0,0000%
EU-9a	Systemic risk buffer (%)	0,0000%	0,0000%	0,0000%	0,0000%	0,0000%
10	Global Systemically Important Institution buffer (%)	0,0000%	0,0000%	0,0000%	0,0000%	0,0000%
EU-10a	Other Systemically Important Institution buffer	0,2500%	0,2500%	0,2500%	0,2500%	0,2500%
11	Combined buffer requirement (%)	2,7500%	2,7500%	2,7500%	2,7500%	2,7500%
EU-11a	Overall capital requirements (%)	12,6900%	13,5400%	13,5400%	13,5400%	13,5400%

12	CET1 available after meeting the total SREP own funds requirements	3,8189%	1,3556%	4,0339%	4,7677%	5,8782%
	Leverage ratio					
13	Leverage ratio total exposure measure	115 832 832	116 005 486	111 628 807	112 309 901	106 876 181
14	Leverage ratio	4,7223%	4,2818%	5,4109%	5,6048%	6,4620%
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)					
EU-14a	Additional CET1 leverage ratio requirements (%)	0,0000%	0,0000%	0,0000%	0,0000%	0,0000%
EU-14b	Additional AT1 leverage ratio requirements (%)	0,0000%	0,0000%	0,0000%	0,0000%	0,0000%
EU-14c	Total SREP leverage ratio requirements (%)	3,0000%	3,0000%	3,0000%	3,0000%	3,0000%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU-14d	Leverage ratio buffer requirement (%)	0,0000%	0,0000%	0,0000%	0,0000%	0,0000%
EU-14e	Overall leverage ratio requirements (%)	3,0000%	3,0000%	3,0000%	3,0000%	3,0000%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	25 567 879	21 715 129	21 305 617	23 137 982	19 141 860
EU-16a	Cash outflows - Total weighted value	14 105 269	15 248 864	15 491 552	16 499 792	13 593 757
EU-16b	Cash inflows - Total weighted value	2 641 658	2 065 187	2 019 729	2 015 819	1 792 308
16	Total net cash outflows (adjusted value)	11 463 610	13 183 677	13 471 823	15 324 916	12 801 627
17	Liquidity coverage ratio (%)	223,0351%	164,7122%	158,1495%	150,9828%	149,5268%
	Net Stable Funding Ratio					
18	Total available stable funding	94 192 890	92 248 718	91 613 195	91 245 734	89 742 420
19	Total required stable funding	60 277 408	62 575 461	62 722 752	62 532 743	62 536 148
20	NSFR ratio (%)	156,2657%	147,4200%	146,0605%	145,9167%	143,5049%

APPENDIX 2 EU CCA - MAIN FEATURES OF REGULATORY OWN FUNDS INSTRUMENTS AND ELIGIBLE LIABILITIES INSTRUMENTS

		Qualitative or quantitative information		
1	Issuer	Bank Millennium S.A.	Bank Millennium S.A.	Bank Millennium S.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	PLBIG0000016	PLBIG0000453	PLBIG0000461
2a	Public or private placement	public	public	public
3	Governing law(s) of the instrument	Polish	Polish	Polish
3a	Contractual recognition of write down and conversion powers of resolution authorities	n.a.	n.a.	n.a.
	Regulatory treatment			
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1 Capital	Tier 2 Capital	Tier 2 Capital
5	Post-transitional CRR rules	Common Equity Tier 1 Capital	Tier 2 Capital	Tier 2 Capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo/consolidated	Solo/consolidated	Solo/consolidated
7	Instrument type (types to be specified by each jurisdiction)	shares series A-L	bonds	bonds
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	2360,3580	691	830
9	Nominal amount of instrument	1213,1168	700	830
EU-9a	Issue price	2360,3580	700	830
EU-9b	Redemption price	n.a.	700	830
10	Accounting classification	Capital	Liabilities	Liabilities
11	Original date of issuance	30.06.1989	7.12.2017	30.01.2019
12	Perpetual or dated	Perpetual	Dated	Dated
13	Original maturity date	n.a.	7.12.2027	30.01.2029
14	Issuer call subject to prior supervisory approval	No	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	n.a.	7.12.2022	31.01.2024
16	Subsequent call dates, if applicable	n.a.	n.a.	n.a.
	Coupons / dividends			
17	Fixed or floating dividend/coupon	floating	floating	floating
18	Coupon rate and any related index	n.a.	WIBOR 6M + 0,0230	WIBOR 6M + 0,0230
19	Existence of a dividend stopper	Yes	n.a.	n.a.

EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	n.a.	n.a.
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	n.a.	n.a.
21	Existence of step up or other incentive to redeem	n.a.	Nie	Nie
22	Noncumulative or cumulative	n.a.	Nie	Nie
23	Convertible or non-convertible	n.a.	non-convertible	non-convertible
24	If convertible, conversion trigger(s)	n.a.	n.a.	n.a.
25	If convertible, fully or partially	n.a.	n.a.	n.a.
26	If convertible, conversion rate	n.a.	n.a.	n.a.
27	If convertible, mandatory or optional conversion	n.a.	n.a.	n.a.
28	If convertible, specify instrument type convertible into	n.a.	n.a.	n.a.
29	If convertible, specify issuer of instrument it converts into	n.a.	n.a.	n.a.
30	Write-down features	No	n.a.	n.a.
31	If write-down, write-down trigger(s)	General Shareholders Meeting	n.a.	n.a.
32	If write-down, full or partial	Full or partial	n.a.	n.a.
33	If write-down, permanent or temporary	n.a.	n.a.	n.a.
34	If temporary write-down, description of write-up mechanism	General Shareholders Meeting resolution	n.a.	n.a.
34a	Type of subordination (only for eligible liabilities)	n.a.	n.a.	n.a.
EU-34b	Ranking of the instrument in normal insolvency proceedings	n.a.	Subordinated	Subordinated
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	n.a.	Subordinated	Subordinated
36	Non-compliant transitioned features	n.a.	n.a.	n.a.
37	If yes, specify non-compliant features	n.a.	n.a.	n.a.
37a	Link to the full term and conditions of the intrument (signposting)	n.a.	https://www.bankmillennium.pl/o-banku/relacje-inwestorskie/raporty-biezace/-/r/691939	https://www.bankmillennium.pl/o-banku/relacje-inwestorskie/raporty-biezace/-/r/26915977

APPENDIX 3 COUNTERCYCLICAL CAPITAL BUFFERS

Table EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (according to ITS 2021/637) (in PLN thous., in percents)

		General credit exposures		Relevant credit exposures - Market risk				Own fund requirements						
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures - Market risk	Relevant credit exposures - Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
010	**Breakdown by country: Poland**	42 743 808	42 674 068	0	0	2 160 796 454	2 246 214	2 997 393	0	20 338 161	3 017 731	37 722	100,00%	0,00%
020	Total	42 743 808	42 674 068	0	0	2 160 796 454	2 246 214	2 997 393	0	20 338 161	3 017 731	37 722	0,00%	0,00%

Exposures in this report do not include exposures to banks and central governments, local governments, public sector exposures and institutions in accordance with Art. 140.4 CRD. The Group has no credit exposures that are material for the purpose of the calculation of the institution specific countercyclical capital buffer in accordance with Commission Delegated Regulation (EU) No 1152/2014. Exposures included in the trading book or foreign credit exposures account for less than 2% of the total risk-weighted exposure amount, therefore they have been assigned the Group's location - Poland.

Table EU CCyB2 - Amount of institution-specific countercyclical capital buffer (according to ITS 2021/637) (in PLN thous., in percents)

1	Total risk exposure amount	48 497 286
2	Institution specific countercyclical capital buffer rate	0,00%
3	Institution specific countercyclical capital buffer requirement	0

APPENDIX 4 IFRS 9 / ARTICLE 468-FL COMPARISON OF INSTITUTIONS' OWN FUNDS AND CAPITAL AND LEVERAGE RATIOS WITH AND WITHOUT THE APPLICATION OF TRANSITIONAL ARRANGEMENTS FOR IFRS 9 OR ANALOGOUS ECLS. AND WITH AND WITHOUT THE APPLICATION OF THE TEMPORARY TREATMENT IN ACCORDANCE WITH ARTICLE 468 OF THE CRR (IN PLN THOUS. AND IN %)

	31.12.2022	30.09.2022	30.06.2022	31.03.2022	31.12.2021
Available capital (amounts)					
1. Common Equity Tier 1 (CET1) capital	5 469 947	4 967 154	6 040 082	6 294 746	6 906 327
2. Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5 274 322	4 786 194	5 935 386	6 204 149	6 738 651
2a. CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	5 090 865	4 607 285	5 538 477	5 879 684	6 440 399
3. Tier 1 capital	5 469 947	4 967 154	6 040 082	6 294 746	6 906 327
4. Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5 274 322	4 786 194	5 935 386	6 204 149	6 738 651
4a. Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	5 090 865	4 607 285	5 538 477	5 879 684	6 440 399
5. Total capital	6 991 125	6 497 154	7 570 082	7 824 746	8 436 327
6. Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6 795 500	6 316 194	7 465 386	7 734 149	8 268 651
6a. Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	6 612 043	6 137 285	7 068 477	7 409 684	7 970 399
Risk-weighted assets (amounts)					
7. Total risk-weighted assets	48 497 286	52 587 111	49 819 700	48 956 912	49 443 039
8. Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	48 274 985	52 381 473	49 700 726	48 853 958	49 252 498
Capital ratios					
9. Common Equity Tier 1 (as percentage of risk exposure amount)	11,28%	9,45%	12,12%	12,86%	13,97%

157

10. Common Equity Tier 1 (as percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	10,93%	9,14%	11,94%	12,70%	13,68%
10a. CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	10,50%	8,76%	11,12%	12,01%	13,03%
11. Tier 1 (as percentage of risk exposure amount)	11,28%	9,45%	12,12%	12,86%	13,97%
12. Tier 1 (as percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	10,93%	9,14%	11,94%	12,70%	13,68%
12a.Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	10,50%	8,76%	11,12%	12,01%	13,03%
13. Total capital (as percentage of risk exposure amount)	14,42%	12,36%	15,19%	15,98%	17,06%
14. Total capital (as percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14,08%	12,06%	15,02%	15,83%	16,79%
14a.Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	13,63%	11,67%	14,19%	15,14%	16,12%
Leverage ratio					
15. Leverage ratio total exposure measure	115 832 791	116 005 486	111 628 807	112 309 901	106 876 181
16. Leverage ratio	4,72%	4,28%	5,41%	5,60%	6,46%
17. Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4,25%	3,73%	4,89%	5,18%	5,90%
17a. Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	4,40%	3,97%	5,05%	5,01%	5,90%

DISCLOSURES INDEX

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

- ITS 2021/637
- EBA/GL/2020/12.

ARTICLE CRR (Part 8) / Another regulation	CRR text / Another regulation text	Point and the table in the Report / Part in other document
435.1.a	Disclosure of risk management objectives and policies 1, Institutions shall disclose their risk management objectives and policies for each separate category of risk, including the risks referred to in this Title, Those disclosures shall include: (a) the strategies and processes to manage those categories of risks;	Point 3 Table 4 EU OVA Chapter on Risk Management in Financial Report and in Management Board Report Point 6 table EU CRA Point 7 Table EU ORA Point 8 Table EU MRA Point 9 Table EU LIQA
435.1.b	(b) the structure and organisation of the relevant risk management function including information on the basis of its authority, its powers and accountability in accordance with the institution's incorporation and governing documents;	Point 3 Table EU OVA Chapter on Risk Management in Financial Report and in Management Board Report Point 6 Table EU CRA Point 7 Table EU ORA Point 8 Table EU MRA Point 9 Table EU LIQA
435.1.c	(c) the scope and nature of risk reporting and measurement systems;	Point 3 Table EU OVA Chapter on Risk Management in Financial Report and in Management Board Report Point 7 Table EU ORA Point 8 Table EU MRA Point 9 Table EU LIQA
435.1.d	(d) the policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants;	Point 3 Table EU OVA Chapter on Risk Management in Financial Report and in Management Board Report Point 6 Table EU CRA Point 7 Table EU ORA Point 8 Table EU MRA Point 9 Table EU LIQA
435.1.e	e) a declaration approved by the management body on the adequacy of the risk management arrangements of the relevant institution providing assurance that the risk management systems put in place are adequate with regard to the institution's profile and strategy;	Point 3 Table EU OVA Point 12
435.1.f	f) a concise risk statement approved by the management body succinctly describing the relevant institution's overall risk profile associated with the business strategy; that statement shall include: (i) key ratios and figures providing external stakeholders a comprehensive view of the institution's management of risk, including	Point 3 Table EU OVA Point 12 Chapter on Risk Management in Financial Report and in

	how the risk profile of the institution interacts with the risk tolerance set by the management body; (ii) information on intragroup transactions and transactions with related parties that may have a material impact of the risk profile of the consolidated group,	Management Board Report Point 6 Table EU CRA
435.2.a	2, Institutions shall disclose the following information regarding governance arrangements: (a) the number of directorships held by members of the management body;	Point 3 Table EU OVB
435.2.b	b) the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise;	Point 3 Table EU OVB
435.2.c	(c) the policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which those objectives and targets have been achieved;	Point 3 Table EU OVB
435.2.d	(d) whether or not the institution has set up a separate risk committee and the number of times the risk committee has met;	Point 3 Table EU OVB
435.2.e	(e) the description of the information flow on risk to the management body,	Point 3 Table EU OVB
436.a-b	Disclosure of the scope of application Institutions shall disclose the following information regarding the scope of application of this Regulation as follows: (a) the name of the institution to which this Regulation applies; (b) a reconciliation between the consolidated financial statements prepared in accordance with the applicable accounting framework and the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation pursuant to Sections 2 and 3 of Title II of Part One; that reconciliation shall outline the differences between the accounting and regulatory scopes of consolidation and the legal entities included within the regulatory scope of consolidation where it differs from the accounting scope of consolidation; the outline of the legal entities included within the regulatory scope of consolidation shall describe the method of regulatory consolidation where it is different from the accounting consolidation method, whether those entities are fully or p	Point 4 Table EU LI3 Table EU LIA
436.c	(c) a breakdown of assets and liabilities of the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation pursuant to Sections 2 and 3 of Title II of Part One, broken down by type of risks as referred to under this Part;	Point 4 Table EU LI1
436.d	d) a reconciliation identifying the main sources of differences between the carrying value amounts in the financial statements under the regulatory scope of consolidation as defined in Sections 2 and 3 of Title II of Part One, and the exposure amount used for regulatory purposes; that reconciliation shall be supplemented by qualitative information on those main sources of differences;	Point 4 Table EU LIA Table EU LI2
436.e	(e) for exposures from the trading book and the non-trading book that are adjusted in accordance with Article 34 and Article 105, a breakdown of the amounts of the constituent elements of an institution's prudent valuation adjustment, by type of risks, and the total of constituent elements separately for the trading book and non-trading book positions;	Point 4 Table EU PV1
436.f	(f) any current or expected material practical or legal impediment to the prompt transfer of own funds or to the repayment of liabilities between the parent undertaking and its subsidiaries;	Point 4 Table EU LIB
436.g	(g) the aggregate amount by which the actual own funds are less than required in all subsidiaries that are not included in the consolidation, and the name or names of those subsidiaries;	Point 4 Table EU LIB

436.h	(h) where applicable, the circumstances under which use is made of the derogation referred to in Article 7 or the individual consolidation method laid down in Article 9,	Point 4 Table EU LIB
437.a	Disclosure of own funds Institutions shall disclose the following information regarding their own funds: (a) a full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and the filters and deductions applied to own funds of the institution pursuant to Articles 32 to 36, 56, 66 and 79 with the balance sheet in the audited financial statements of the institution;	Point 4 Table EU CC1 Table EU CC2
437.b	(b) a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution;	Appendix 2 EU CCA
437.c	c) the full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments;	Appendix 2 EU CCA
437.d	(d) a separate disclosure of the nature and amounts of the following: (i) each prudential filter applied pursuant to Articles 32 to 35; (ii) items deducted pursuant to Articles 36, 56 and 66; (iii) items not deducted pursuant to Articles 47, 48, 56, 66 and 79;	Point 4 Table EU CC1
437.e	(e) a description of all restrictions applied to the calculation of own funds in accordance with this Regulation and the instruments, prudential filters and deductions to which those restrictions apply;	Point 4 Table EU CC1
437.f	(f) a comprehensive explanation of the basis on which capital ratios are calculated where those capital ratios are calculated by using elements of own funds determined on a basis other than the basis laid down in this Regulation,	Point 4 Table EU CC1
437a. a-d	Disclosure of own funds and eligible liabilities Institutions that are subject to Article 92a or 92b shall disclose the following information regarding their own funds and eligible liabilities: (a) the composition of their own funds and eligible liabilities, their maturity and their main features; (b) the ranking of eligible liabilities in the creditor hierarchy; (c) the total amount of each issuance of eligible liabilities instruments referred to in Article 72b and the amount of those issuances that is included in eligible liabilities items within the limits specified in Article 72b(3) and (4); (d) the total amount of excluded liabilities referred to in Article 72a(2),	Not applicable
438.a	Disclosure of own funds requirements and risk-weighted exposure amounts Institutions shall disclose the following information regarding their compliance with Article 92 of this Regulation and with the requirements laid down in Article 73 and in point (a) of Article 104(1) of Directive 2013/36/EU: (a) a summary of their approach to assessing the adequacy of their internal capital to support current and future activities;	Point 5.4 Table OVC
438.b	(b) the amount of the additional own funds requirements based on the supervisory review process as referred to in point (a) of Article 104(1) of Directive 2013/36/EU and its composition in terms of Common Equity Tier 1, additional Tier 1 and Tier 2 instruments;	Appendix 1 EU KM1
438.c	(c) upon demand from the relevant competent authority, the result of the institution's internal capital adequacy assessment process;	Point 5.4 Table OVC
438.d	(d) the total risk-weighted exposure amount and the corresponding total own funds requirement determined in accordance with Article 92, to be broken down by the different risk categories set out in Part Three and, where applicable, an explanation of the effect on the calculation of own funds and risk-weighted exposure amounts that results from applying capital floors and not deducting items from own funds;	Point 5.1 Table EU OV1 Table EU ORA Table EU OR1 Table EU CCR2 Table EU MRA

		Table EU MR1 Table EU MR2-A
438.e	(e) the on- and off-balance-sheet exposures, the risk-weighted exposure amounts and associated expected losses for each category of specialised lending referred to in Table 1 of Article 153(5) and the on- and off-balancesheet exposures and risk-weighted exposure amounts for the categories of equity exposures set out in Article 155(2);	Point 5.3.2.4 Table EU CR10
438.f	(f) the exposure value and the risk-weighted exposure amount of own funds instruments held in any insurance undertaking, reinsurance undertaking or insurance holding company that the institutions do not deduct from their own funds in accordance with Article 49 when calculating their capital requirements on an individual, sub-consolidated and consolidated basis;	Point 4 Table EU INS1
438.g	g) the supplementary own funds requirement and the capital adequacy ratio of the financial conglomerate calculated in accordance with Article 6 of Directive 2002/87/EC and Annex I to that Directive where method 1 or 2 set out in that Annex is applied;	Point 4 Table EU INS2
438.h	(h) the variations in the risk-weighted exposure amounts of the current disclosure period compared to the immediately preceding disclosure period that result from the use of internal models, including an outline of the key drivers explaining those variations,	Point 5.3.2.4 Table EU CR8 Point 6.3 Table EU CCR7 Point 8 Table EU MR2-B
439.a	Disclosure of exposures to counterparty credit risk Institutions shall disclose the following information regarding their exposure to counterparty credit risk as referred to in Chapter 6 of Title II of Part Three: (a) a description of the methodology used to assign internal capital and credit limits for counterparty credit exposures, including the methods to assign those limits to exposures to central counterparties;	Point 6.3 Table EU CCRA
439.b	(b) a description of policies related to guarantees and other credit risk mitigants, such as the policies for securing collateral and establishing credit reserves;	Point 6.3 Table EU CCRA
439.c	c) a description of policies with respect to General Wrong-Way risk and Specific Wrong-Way risk as defined in Article 291;	Point 6.3 Table EU CCRA
439.d	(d) the amount of collateral the institution would have to provide if its credit rating was downgraded;	Point 6.3 Table EU CCRA
439.e	(e) the amount of segregated and unsegregated collateral received and posted per type of collateral, further broken down between collateral used for derivatives and securities financing transactions;	Point 6.3 Table EU CCR5
439.f	f) for derivative transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the methods set out in Sections 3 to 6 of Chapter 6 of Title II of Part Three, whichever method is applicable, and the associated risk exposure amounts broken down by applicable method;	Point 6.3 Table EU CCR1
439.g	g) for securities financing transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the methods set out in Chapters 4 and 6 of Title II of Part Three, whichever method is used, and the associated risk exposure amounts broken down by applicable method;	Point 6.3 Table EU CCR1
439.h	(h) the exposure values after credit risk mitigation effects and the associated risk exposures for credit valuation adjustment capital charge, separately for each method as set out in Title VI of Part Three;	Point 6.3 Table EU CCR2
439.i	(i) the exposure value to central counterparties and the associated risk exposures within the scope of Section 9 of Chapter 6 of Title II of Part Three, separately for qualifying and non-qualifying central counterparties, and broken down by types of exposures;	Point 6.3 Table EU CCR8
439.j	(j) the notional amounts and fair value of credit derivative transactions; credit derivative transactions shall be broken down by product type;	Point 6.3 Table EU CCR6

	within each product type, credit derivative transactions shall be broken down further by credit protection bought and credit protection sold;	
439.k	(k) the estimate of alpha where the institution has received the permission of the competent authorities to use its own estimate of alpha in accordance with Article 284(9);	Point 6.3 Table EU CCR1
439.l	(l) separately, the disclosures included in point (e) of Article 444 and point (g) of Article 452;	Point 6.3 Table EU CCR3 Table EU CCR4
439.m	(m) for institutions using the methods set out in Sections 4 to 5 of Chapter 6 of Title II Part Three, the size of their on- and off-balance-sheet derivative business as calculated in accordance with Article 273a(1) or (2), as applicable,	Point 6.3 Table EU CCR1
440.a	Disclosure of countercyclical capital buffers Institutions shall disclose the following information in relation to their compliance with the requirement for a countercyclical capital buffer as referred to in Chapter 4 of Title VII of Directive 2013/36/EU: (a) the geographical distribution of the exposure amounts and risk-weighted exposure amounts of its credit exposures used as a basis for the calculation of their countercyclical capital buffer;	Appendix 3 Table EU CCyB1
440.b	(b) the amount of their institution-specific countercyclical capital buffer,	Appendix 3 Table EU CCyB2
441	Disclosure of indicators of global systemic importance G-SIIs shall disclose, on an annual basis, the values of the indicators used for determining their score in accordance with the identification methodology referred to in Article 131 of Directive 2013/36/EU,	Not applicable
442.a	Disclosure of exposures to credit risk and dilution risk Institutions shall disclose the following information regarding their exposures to credit risk and dilution risk: (a) the scope and definitions that they use for accounting purposes of 'past due' and 'impaired' and the differences, if any, between the definitions of 'past due' and 'default' for accounting and regulatory purposes;	Point 6.1 Table EU CRB
442.b	(b) a description of the approaches and methods adopted for determining specific and general credit risk adjustments;	Point 6.1 Table EU CRB
442.c	(c) information on the amount and quality of performing, non-performing and forborne exposures for loans, debt securities and off-balance-sheet exposures, including their related accumulated impairment, provisions and negative fair value changes due to credit risk and amounts of collateral and financial guarantees received;	Point 6.1 Table EU CR1 Table EU CR2a Table EU CQ1 Table EU CQ2 Table EU CQ4 Table EU CQ5 Table EU CQ6 Table EU CQ7 Table EU CQ8
442.d	(d) an ageing analysis of accounting past due exposures;	Point 6.2 Table EU CQ3
442.e	(e) the gross carrying amounts of both defaulted and non-defaulted exposures, the accumulated specific and general credit risk adjustments, the accumulated write-offs taken against those exposures and the net carrying amounts and their distribution by geographical area and industry type and for loans, debt securities and offbalance-sheet exposures;	Point 6.2 Table EU CR1 Table EU CQ4 Table EU CQ5
442.f	(f) any changes in the gross amount of defaulted on- and off-balance-sheet exposures, including, as a minimum, information on the opening and closing balances of those exposures, the gross amount of any of those exposures reverted to non-defaulted status or subject to a write-off;	Point 6.1 Table EU CR2 Table EU CR2a
442.g	(g) the breakdown of loans and debt securities by residual maturity,	Point 6.1 Table EU CR1-A

443	Disclosure of encumbered and unencumbered assets Institutions shall disclose information concerning their encumbered and unencumbered assets, For those purposes, institutions shall use the carrying amount per exposure class broken down by asset quality and the total amount of the carrying amount that is encumbered and unencumbered, Disclosure of information on encumbered and unencumbered assets shall not reveal emergency liquidity assistance provided by central banks,	Point 6.4 Table EU AE1 Table EU AE2 Table EU AE3 Table EU AE4
444.a	Disclosure of the use of the Standardised Approach Institutions calculating their risk-weighted exposure amounts in accordance with Chapter 2 of Title II of Part Three shall disclose the following information for each of the exposure classes set out in Article 112: (a) the names of the nominated ECAIs and ECAs and the reasons for any changes in those nominations over the disclosure period;	Point 5.2 Table EU CRD
444.b	b) the exposure classes for which each ECAI or ECA is used;	Point 5.2 Table EU CRD
444.c	(c) a description of the process used to transfer the issuer and issue credit ratings onto items not included in the trading book;	Point 5.2 Table EU CRD
444.d	(d) the association of the external rating of each nominated ECAI or ECA with the risk weights that correspond to the credit quality steps as set out in Chapter 2 of Title II of Part Three, taking into account that it is not necessary to disclose that information where the institutions comply with the standard association published by EBA;	Point 5.2 Table EU CRD
444.e	(e) the exposure values and the exposure values after credit risk mitigation associated with each credit quality step as set out in Chapter 2 of Title II of Part Three, by exposure class, as well as the exposure values deducted from own funds,	Point 5.2 Table EU CR4 Table EU CR5 Point 6.3 Table EU CCR3
445	Disclosure of exposure to market risk Institutions calculating their own funds requirements in accordance with points (b) and (c) of Article 92(3) shall disclose those requirements separately for each risk referred to in those points, In addition, own funds requirements for the specific interest rate risk of securitisation positions shall be disclosed separately,	Point 8 Table EU MR1
446.a	Disclosure of operational risk management Institutions shall disclose the following information about their operational risk management: (a) the approaches for the assessment of own funds requirements for operation risk that the institution qualifies for;	Point 7
446.b	(b) where the institution makes use of it, a description of the methodology set out in Article 312(2), which shall include a discussion of the relevant internal and external factors being considered in the institution's advanced measurement approach;	Not applicable
446.c	(c) in the case of partial use, the scope and coverage of the different methodologies used,	Not applicable
447.a	Disclosure of key metrics Institutions shall disclose the following key metrics in a tabular format: (a) the composition of their own funds and their own funds requirements as calculated in accordance with Article 92;	Appendix 1 EU KM1
447.b	(b) the total risk exposure amount as calculated in accordance with Article 92(3);	Appendix 1 EU KM1
447.c	(c) where applicable, the amount and composition of additional own funds which the institutions are required to hold in accordance with point (a) of Article 104(1) of Directive 2013/36/EU;	Appendix 1 EU KM1
447.d	(d) their combined buffer requirement which the institutions are required to hold in accordance with Chapter 4 of Title VII of Directive 2013/36/EU;	Appendix 1 EU KM1
447.e	(e) their leverage ratio and the total exposure measure as calculated in accordance with Article 429;	Appendix 1 EU KM1

447.f	(f) the following information in relation to their liquidity coverage ratio as calculated in accordance with the delegated act referred to in Article 460(1): (i) the average or averages, as applicable, of their liquidity coverage ratio based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period; (ii) the average or averages, as applicable, of total liquid assets, after applying the relevant haircuts, included in the liquidity buffer pursuant to the delegated act referred to in Article 460(1), based on end-of-themonth observations over the preceding 12 months for each quarter of the relevant disclosure period; (iii) the averages of their liquidity outflows, inflows and net liquidity outflows as calculated pursuant to the delegated act referred to in Article 460(1), based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period;	Appendix 1 EU KM1
447.g	(g) the following information in relation to their net stable funding requirement as calculated in accordance with Title IV of Part Six: (i) the net stable funding ratio at the end of each quarter of the relevant disclosure period; (ii) the available stable funding at the end of each quarter of the relevant disclosure period; (iii) the required stable funding at the end of each quarter of the relevant disclosure period;	Appendix 1 EU KM1
447.h	(h) their own funds and eligible liabilities ratios and their components, numerator and denominator, as calculated in accordance with Articles 92a and 92b and broken down at the level of each resolution group, where applicable,	Not applicable
448.1.a	Disclosure of exposures to interest rate risk on positions not held in the trading book 1, As from 28 June 2021, institutions shall disclose the following quantitative and qualitative information on the risks arising from potential changes in interest rates that affect both the economic value of equity and the net interest income of their non-trading book activities referred to in Article 84 and Article 98(5) of Directive 2013/36/EU: (a) the changes in the economic value of equity calculated under the six supervisory shock scenarios referred to in Article 98(5) of Directive 2013/36/EU for the current and previous disclosure periods;	Chapter 12, Tabel EU IRRBB1, Market risk and interest rate risk in Financial Report
448.1.b	(b) the changes in the net interest income calculated under the two supervisory shock scenarios referred to in Article 98(5) of Directive 2013/36/EU for the current and previous disclosure periods;	Chapter 12, Tabel EU IRRBB1, Market risk and interest rate risk in Financial Report
448.1.c	(c) a description of key modelling and parametric assumptions, other than those referred to in points (b) and (c) of Article 98(5a) of Directive 2013/36/EU used to calculate changes in the economic value of equity and in the net interest income required under points (a) and (b) of this paragraph;	Chapter 12, Table EU IRRBBA, Market risk and interest rate risk in Financial Report
448.1.d	(d) an explanation of the significance of the risk measures disclosed under points (a) and (b) of this paragraph and of any significant variations of those risk measures since the previous disclosure reference date;	Chapter 12, Table EU IRRBBA, Market risk and interest rate risk in Financial Report
448.i.e	e) the description of how institutions define, measure, mitigate and control the interest rate risk of their nontrading book activities for the purposes of the competent authorities' review in accordance with Article 84 of Directive 2013/36/EU, including: (i) a description of the specific risk measures that the institutions use to evaluate changes in their economic value of equity and in their net interest income; (ii) a description of the key modelling and parametric assumptions used in the institutions' internal measurement systems that would differ from the common modelling and parametric assumptions referred to in Article	Chapter 12, Table EU IRRBBA, Market risk and interest rate risk in Financial Report

	98(5a) of Directive 2013/36/EU for the purpose of calculating changes to the economic value of equity and to the net interest income, including the rationale for those differences; 7,6,2019 EN Official Journal of the European Union L 150/199 (iii) a description of the interest rate shock scenarios that institutions use to estimate the interest rate risk; (iv) the recognition of the effect of hedges against those interest rate risks, including internal hedges that meet the requirements laid down in Article 106(3); (v) an outline of how often the evaluation of the interest rate risk occurs	
448.1.f	(f) the description of the overall risk management and mitigation strategies for those risks;	Chapter 12, Table EU IRRBBA, Market risk and interest rate risk in Financial Report
448.1.g	(g) average and longest repricing maturity assigned to non-maturity deposits,	Chapter 12, Table EU IRRBBA, Market risk and interest rate risk in Financial Report
448.2	2, By way of derogation from paragraph 1 of this Article, the requirements set out in points (c) and (e)(i) to (e) (iv) of paragraph 1 of this Article shall not apply to institutions that use the standardised methodology or the simplified standardised methodology referred to in Article 84(1) of Directive 2013/36/EU,	Not applicable
449.a	Disclosure of exposures to securitisation positions Institutions calculating risk-weighted exposure amounts in accordance with Chapter 5 of Title II of Part Three or own funds requirements in accordance with Article 337 or 338 shall disclose the following information separately for their trading book and non-trading book activities: (a) a description of their securitisation and re-securitisation activities, including their risk management and investment objectives in connection with those activities, their role in securitisation and re-securitisation transactions, whether they use the simple, transparent and standardised securitisation (STS) as defined in point (10) of Article 242, and the extent to which they use securitisation transactions to transfer the credit risk of the securitised exposures to third parties with, where applicable, a separate description of their synthetic securitisation risk transfer policy;	Point 13 Table EU SECA
449.b	(b) the type of risks they are exposed to in their securitisation and re-securitisation activities by level of seniority of the relevant securitisation positions providing a distinction between STS and non-STS positions and: (i) the risk retained in own-originated transactions; (ii) the risk incurred in relation to transactions originated by third parties;	Point 13 Table EU SECA
449.c	(c) their approaches for calculating the risk-weighted exposure amounts that they apply to their securitisation activities, including the types of securitisation positions to which each approach applies and with a distinction between STS and non-STS positions;	Point 13 Table EU SECA
449.d	(d) a list of SSPEs falling into any of the following categories, with a description of their types of exposures to those SSPEs, including derivative contracts: (i) SSPEs which acquire exposures originated by the institutions; (ii) SSPEs sponsored by the institutions; (iii) SSPEs and other legal entities for which the institutions provide securitisation-related services, such as advisory, asset servicing or management services; (iv) SSPEs included in the institutions' regulatory scope of consolidation;	Point 13 Table EU SECA
449.e	(e) a list of any legal entities in relation to which the institutions have disclosed that they have provided support in accordance with Chapter 5 of Title II of Part Three;	Point 13 Table EU SECA
449.f	(f) a list of legal entities affiliated with the institutions and that invest in securitisations originated by the institutions or in securitisation positions issued by SSPEs sponsored by the institutions;	Point 13 Table EU SECA

449.g	g) a summary of their accounting policies for securitisation activity, including where relevant a distinction between securitisation and re-securitisation positions;	Point 13 Table EU SECA
449.h	(h) the names of the ECAIs used for securitisations and the types of exposure for which each agency is used;	Point 13 Table EU SECA
449.i	(i) where applicable, a description of the Internal Assessment Approach as set out in Chapter 5 of Title II of Part Three, including the structure of the internal assessment process and the relation between internal assessment and external ratings of the relevant ECAI disclosed in accordance with point (h), the control mechanisms for the internal assessment process including discussion of independence, accountability, and internal assessment process review, the exposure types to which the internal assessment process is applied and the stress factors used for determining credit enhancement levels;	Point 13 Table EU SECA
449.j	j) separately for the trading book and the non-trading book, the carrying amount of securitisation exposures, including information on whether institutions have transferred significant credit risk in accordance with Articles 244 and 245, for which institutions act as originator, sponsor or investor, separately for traditional and synthetic securitisations, and for STS and non-STS transactions and broken down by type of securitisation exposures;	Point 13 Table EU SEC1 Table EU SEC2
449.k	k) for the non-trading book activities, the following information: (i) the aggregate amount of securitisation positions where institutions act as originator or sponsor and the associated risk-weighted assets and capital requirements by regulatory approaches, including exposures deducted from own funds or risk weighted at 1 250 %, broken down between traditional and synthetic securitisations and between securitisation and re-securitisation exposures, separately for STS and non-STS positions, and further broken down into a meaningful number of risk-weight or capital requirement bands and by approach used to calculate the capital requirements; (ii) the aggregate amount of securitisation positions where institutions act as investor and the associated riskweighted assets and capital requirements by regulatory approaches, including exposures deducted from own funds or risk weighted at 1 250 %, broken down between traditional and synthetic securitisations, securitisation and re-securitisation positions, and STS and non-STS positions, and further broken down into a meaningful number of risk weight or capital requirement bands and by approach used to calculate the capital requirements;	Point 13 Table EU SEC3 Table EU SEC4
449.l	l) for exposures securitised by the institution, the amount of exposures in default and the amount of the specific credit risk adjustments made by the institution during the current period, both broken down by exposure type,	Point 13 Table EU SEC5
449a	Disclosure of environmental, social and governance risks (ESG risks) From 28 June 2022, large institutions which have issued securities that are admitted to trading on a regulated market of any Member State, as defined in point (21) of Article 4(1) of Directive 2014/65/EU, shall disclose information on ESG risks, including physical risks and transition risks, as defined in the report referred to in Article 98(8) of Directive 2013/36/EU, The information referred to in the first paragraph shall be disclosed on an annual basis for the first year and biannually thereafter,	Point 14, Risk of negative impact on environment in Financial Report, ESG activities: environment, society and corporate governance in the Management Report, ESG Report of Bank Millennium and Bank Millennium Group for 2022
450.1.a	Disclosure of remuneration policy 1, Institutions shall disclose the following information regarding their remuneration policy and practices for those categories of staff whose professional activities have a material impact on the risk profile of the institutions:	Point 11.2 Table EU REMA

	(a) information concerning the decision-making process used for determining the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year, including, where applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders;	
450.1.b	(b) information about the link between pay of the staff and their performance;	Point 11.2 Table EU REMA
450.1.c	(c) the most important design characteristics of the remuneration system. including information on the criteria used for performance measurement and risk adjustment. deferral policy and vesting criteria;	Point 11.2 Table EU REMA
450.1.d	(d) the ratios between fixed and variable remuneration set in accordance with point (g) of Article 94(1) of Directive 2013/36/EU;	Point 11.2 Table EU REMA
450.1.e	(e) information on the performance criteria on which the entitlement to shares. options or variable components of remuneration is based;	Point 11.2 Table EU REMA
450.1.f	(f) the main parameters and rationale for any variable component scheme and any other non-cash benefits;	Point 11.2 Table EU REMA
450.1.g	(g) aggregate quantitative information on remuneration. broken down by business area;	Point 11.2 Table EU REM4 Table EU REM5
450.1.h	(h) aggregate quantitative information on remuneration. broken down by senior management and members of staff whose professional activities have a material impact on the risk profile of the institutions. indicating the following: (i) the amounts of remuneration awarded for the financial year. split into fixed remuneration including a description of the fixed components. and variable remuneration. and the number of beneficiaries; (ii) the amounts and forms of awarded variable remuneration. split into cash. shares. share-linked instruments and other types separately for the part paid upfront and the deferred part; (iii) the amounts of deferred remuneration awarded for previous performance periods. split into the amount due to vest in the financial year and the amount due to vest in subsequent years; (iv) the amount of deferred remuneration due to vest in the financial year that is paid out during the financial year. and that is reduced through performance adjustments; (v) the guaranteed variable remuneration awards during the financial year. and the number of beneficiaries of those awards; (vi) the severance payments awarded in previous periods. that have been paid out during the financial year; (vii) the amounts of severance payments awarded during the financial year. split into paid upfront and deferred. the number of beneficiaries of those payments and highest payment that has been awarded to a single person;	Point 11.2 Table EU REM1 Table EU REM2 Table EU REM3
450.1.i	(i) the number of individuals that have been remunerated EUR 1 million or more per financial year. with the remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500 000 and with the remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million;	Point 11.2 Table EU REM4 Table EU REM5
450.1.j	(j) upon demand from the relevant Member State or competent authority. the total remuneration for each member of the management body or senior management;	Point 11.2 Table EU REMA
450.1.k	k) information on whether the institution benefits from a derogation laid down in Article 94(3) of Directive 2013/36/EU.	Point 11.2 Table EU REMA
450.2	2. For large institutions. the quantitative information on the remuneration of institutions' collective management body referred to in this Article shall also be made available to the public. differentiating between executive and non-executive members. Institutions shall comply with the requirements set out in this Article in a manner that is	Point 11.2 Table EU REMA

	appropriate to their size. internal organisation and the nature. scope and complexity of their activities and without prejudice to Regulation (EU) 2016/679 of the European Parliament and of the Council (*).	
451.1.a	Disclosure of the leverage ratio 1. Institutions that are subject to Part Seven shall disclose the following information regarding their leverage ratio as calculated in accordance with Article 429 and their management of the risk of excessive leverage: (a) the leverage ratio and how the institutions apply Article 499(2);	Point 10 Table EU LR1 Table EU LR2 Table EU LR3
451.1.b	(b) a breakdown of the total exposure measure referred to in Article 429(4). as well as a reconciliation of the total exposure measure with the relevant information disclosed in published financial statements;	Point 10 Table EU LR1 Table EU LR2 Table EU LR3
451.1.c	(c) where applicable. the amount of exposures calculated in accordance with Articles 429(8) and 429a(1) and the adjusted leverage ratio calculated in accordance with Article 429a(7);	Point 10 Table EU LR1 Table EU LR2 Table EU LR3
451.1.d	(d) a description of the processes used to manage the risk of excessive leverage;	Point 10 Table EU LRA
451.1.e	(e) a description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers.	Point 10 Table EU LRA
451.2	2. Public development credit institutions as defined in Article 429a(2) shall disclose the leverage ratio without the adjustment to the total exposure measure determined in accordance with point (d) of the first subparagraph of Article 429a(1).	Point 10 Table EU LR1 Table EU LR2 Table EU LR3
451.3	3. In addition to points (a) and (b) of paragraph 1 of this Article. large institutions shall disclose the leverage ratio and the breakdown of the total exposure measure referred to in Article 429(4) based on averages calculated in accordance with the implementing act referred to in Article 430(7).	Point 10 Table EU LR1 Table EU LR2 Table EU LR3
451a.1	Disclosure of liquidity requirements 1. Institutions that are subject to Part Six shall disclose information on their liquidity coverage ratio. net stable funding ratio and liquidity risk management in accordance with this Article.	Point 9 Table EU LIQ1 Table EU LIQB
451a.2.a	2. Institutions shall disclose the following information in relation to their liquidity coverage ratio as calculated in accordance with the delegated act referred to in Article 460(1): (a) the average or averages. as applicable. of their liquidity coverage ratio based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period;	Point 9 Table EU LIQ1 Table EU LIQB
451a.2.b	(b) the average or averages. as applicable. of total liquid assets. after applying the relevant haircuts. included in the liquidity buffer pursuant to the delegated act referred to in Article 460(1). based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period. and a description of the composition of that liquidity buffer;	Point 9 Table EU LIQ1 Table EU LIQB
451a.2.c	(c) the averages of their liquidity outflows. inflows and net liquidity outflows as calculated in accordance with the delegated act referred to in Article 460(1). based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period and the description of their composition.	Point 9 Table EU LIQ1 Table EU LIQB
451a.3.a	3. Institutions shall disclose the following information in relation to their net stable funding ratio as calculated in accordance with Title IV of Part Six: (a) quarter-end figures of their net stable funding ratio calculated in accordance with Chapter 2 of Title IV of Part Six for each quarter of the relevant disclosure period;	Point 9 Table EU LIQ2
451a.3.b	b) an overview of the amount of available stable funding calculated in accordance with Chapter 3 of Title IV of Part Six;	Point 9 Table EU LIQ2

451a.3.c	(c) an overview of the amount of required stable funding calculated in accordance with Chapter 4 of Title IV of Part Six.	Point 9 Table EU LIQ2
451a.4	4. Institutions shall disclose the arrangements. systems. processes and strategies put in place to identify. measure. manage and monitor their liquidity risk in accordance with Article 86 of Directive 2013/36/EU.	Point 8 Table EU LIQA
452.a	Disclosure of the use of the IRB Approach to credit risk Institutions calculating the risk-weighted exposure amounts under the IRB Approach to credit risk shall disclose the following information: (a) the competent authority's permission of the approach or approved transition;	Point 5.3 Table EU CRE Table EU CR6-A
452.b	b) for each exposure class referred to in Article 147. the percentage of the total exposure value of each exposure class subject to the Standardised Approach laid down in Chapter 2 of Title II of Part Three or to the IRB Approach laid down in Chapter 3 of Title II of Part Three. as well as the part of each exposure class subject to a roll-out plan; where institutions have received permission to use own LGDs and conversion factors for the calculation of risk-weighted exposure amounts. they shall disclose separately the percentage of the total exposure value of each exposure class subject to that permission;	Point 5.3.2.4 Table EU CRE Table EU CR6-A
452.c	(c) the control mechanisms for rating systems at the different stages of model development. controls and changes. which shall include information on: (i) the relationship between the risk management function and the internal audit function; (ii) the rating system review; (iii) the procedure to ensure the independence of the function in charge of reviewing the models from the functions responsible for the development of the models; (iv) the procedure to ensure the accountability of the functions in charge of developing and reviewing the models;	Point 5.3 Table EU CRE Point 5.3.3
452.d	(d) the role of the functions involved in the development. approval and subsequent changes of the credit risk models;	Point 5.3 Table EU CR6-A Table EU CRE Point 5.3.3
452.e	e) the scope and main content of the reporting related to credit risk models;	Point 5.3 Table EU CRE Table EU CR6-A Point 5.3.3
452.f	(f) a description of the internal ratings process by exposure class. including the number of key models used with respect to each portfolio and a brief discussion of the main differences between the models within the same portfolio. covering: (i) the definitions. methods and data for estimation and validation of PD. which shall include information on how PDs are estimated for low default portfolios. whether there are regulatory floors and the drivers for differences observed between PD and actual default rates at least for the last three periods; (ii) where applicable. the definitions. methods and data for estimation and validation of LGD. such as methods to calculate downturn LGD. how LGDs are estimated for low default portfolio and the time lapse between the default event and the closure of the exposure; (iii) where applicable. the definitions. methods and data for estimation and validation of conversion factors. including assumptions employed in the derivation of those variables;	Point 5.3 Table EU CR6-A Table EU CRE
452.g	g) as applicable. the following information in relation to each exposure class referred to in Article 147: (i) their gross on-balance-sheet exposure; (ii) their off-balance-sheet exposure values prior to the relevant conversion factor; (iii) their exposure after applying the relevant conversion factor and credit risk mitigation; (iv) any model. parameter or input relevant for the understanding of the risk weighting and the resulting risk exposure amounts disclosed across a sufficient number of obligor grades (including default) to allow for a meaningful differentiation of credit risk; L 150/204 EN Official Journal of the European Union 7.6.2019 (v) separately for those exposure classes in	Point 5.3.2.4 Table EU CR6 Point 6.3 Table EU CCR4

	relation to which institutions have received permission to use own LGDs and conversion factors for the calculation of risk-weighted exposure amounts. and for exposures for which the institutions do not use such estimates. the values referred to in points (i) to (iv) subject to that permission;	
452.h	(h) institutions' estimates of PDs against the actual default rate for each exposure class over a longer period. with separate disclosure of the PD range. the external rating equivalent. the weighted average and arithmetic average PD. the number of obligors at the end of the previous year and of the year under review. the number of defaulted obligors. including the new defaulted obligors. and the annual average historical default rate.	Point 5.3.2.4 Table EU CR9 Table EU CR9.1
453.a	Ujawnianie informacji na temat stosowania technik ograniczania ryzyka kredytowego Instytucje stosujące techniki ograniczania ryzyka kredytowego ujawniają następujące informacje: a) najważniejsze cechy polityk i procesów dotyczących kompensowania pozycji bilansowych i pozabilansowych oraz wskazanie zakresu, w jakim instytucje stosują kompensowanie pozycji bilansowych;	Point 6.2 Table EU CRC
453.b	b) the core features of the policies and processes for eligible collateral evaluation and management;	Point 6.2 Table EU CRC
453.c	(c) a description of the main types of collateral taken by the institution to mitigate credit risk;	Point 6.2 Table EU CRC
453.d	(d) for guarantees and credit derivatives used as credit protection. the main types of guarantor and credit derivative counterparty and their creditworthiness used for the purpose of reducing capital requirements. excluding those used as part of synthetic securitisation structures;	Point 6.2 Table EU CRC
453.e	(e) information about market or credit risk concentrations within the credit risk mitigation taken;	Point 6.2 Table EU CRC
453.f	(f) for institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach. the total exposure value not covered by any eligible credit protection and the total exposure value covered by eligible credit protection after applying volatility adjustments; the disclosure set out in this point shall be made separately for loans and debt securities and including a breakdown of defaulted exposures;	Point 6.2 Table EU CR3
453.g	(g) the corresponding conversion factor and the credit risk mitigation associated with the exposure and the incidence of credit risk mitigation techniques with and without substitution effect;	Point 5.2 Table EU CR4 Point 6.2 Table EU CR7-A
453.h	(h) for institutions calculating risk-weighted exposure amounts under the Standardised Approach. the on- and off-balance-sheet exposure value by exposure class before and after the application of conversion factors and any associated credit risk mitigation;	Point 5.2 Table EU CR4
453.i	(i) for institutions calculating risk-weighted exposure amounts under the Standardised Approach. the risk weighted exposure amount and the ratio between that risk-weighted exposure amount and the exposure value after applying the corresponding conversion factor and the credit risk mitigation associated with the exposure; the disclosure set out in this point shall be made separately for each exposure class;	Point 5.2 Table EU CR4
453.j	(j) for institutions calculating risk-weighted exposure amounts under the IRB Approach. the risk-weighted exposure amount before and after recognition of the credit risk mitigation impact of credit derivatives; where institutions have received permission to use own LGDs and conversion factors for the calculation of risk weighted exposure amounts. they shall make the disclosure set out in this point separately for the exposure classes subject to that permission.	Point 6.2 Table EU CR7
454	Disclosure of the use of the Advanced Measurement Approaches to operational risk	Point 7 Table EU ORA Table EU OR1

455	Use of internal market risk models	Point 8 Table EU MRB Table EU MR2-A Table EU MR3 Table EU MR4
456	Alternative standard method for market risk	Not applicable
EBA/GL/2020/12	IFRS 9 / Article 468-FL Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs. and with and without the application of the temporary treatment in accordance with Article 468 of the CRR	Appendix 4

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On 23 December 2022, Bank settled a synthetic securitisation transaction executed on a portfolio of corporate and SME receivables. The selected loan portfolio securitised remained on the bank's balance sheet. The risk transfer was achieved by a recognised credit protection instrument in the form of Credit Linked Notes (CLNs). The issued bonds with a total nominal value of 242.5 mln PLN were acquired by the Christofferson Robb & Company, LLC fund.

The CLN bonds marked with ISIN code XS2569449791 were introduced to trading in the alternative trading system on the Vienna MTF organised by the Vienna Stock Exchange, which admitted them to trading on December 22, 2022. The bonds are listed from December 27, 2022.

At the same time, collateral is provided to the investor in the form of qualified debt securities (and/or cash), blocked in an independent trust institution - Bank of New York Mellon.

The role of the organiser and agent placing the transaction was performed by UniCredit Bank AG. The transaction meets the requirements for the transfer of a material part of the risk, set out in the CRR.

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

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