Consolidated report of the Bank Millennium S.A. Capital Group for 1st half 2022

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

Consolidated Financial Highlights

	Amount '000 PLN		Amount '000 EUR	
	1.01.2022 - 30.06.2022	1.01.2021 - 30.06.2021	1.01.2022 - 30.06.2022	1.01.2021 - 30.06.2021
Interest income and other of similar nature	2 551 239	1 339 896	549 516	294 664
Fee and commission income	528 405	499 849	113 814	109 925
Profit (loss) before income tax	(3 549)	(348 941)	(764)	(76 738)
Profit (loss) after taxes	(262 601)	(511 648)	(56 562)	(112 519)
Total comprehensive income of the period	(913 886)	(711 301)	(196 844)	(156 426)
Net cash flows from operating activities	5 122 270	5 196 216	1 103 295	1 142 729
Net cash flows from investing activities	1 866 120	(1 213 782)	401 947	(266 930)
Net cash flows from financing activities	(99 301)	(91 646)	(21 389)	(20 154)
Net cash flows, total	6 889 089	3 890 788	1 483 854	855 645
Earnings (losses) per ordinary share (in PLN/EUR)	(0.22)	(0.42)	(0.05)	(0.09)
Diluted earnings (losses) per ordinary share	(0.22)	(0.42)	(0.05)	(0.09)
	30.06.2022	31.12.2021	30.06.2022	31.12.2021
Total Assets	108 858 216	103 913 908	23 257 321	22 592 927
Liabilities to banks and other monetary institutions	546 837	539 408	116 831	117 278
Liabilities to customers	96 122 029	91 447 515	20 536 262	19 882 488
Equity	5 778 736	6 697 246	1 234 614	1 456 113
Share capital	1 213 117	1 213 117	259 180	263 755
Number of shares (pcs.)	1 213 116 777	1 213 116 777	1 213 116 777	1 213 116 777
Book value per share (in PLN/EUR)	4.76	5.52	1.02	1.20
Diluted book value per share (in PLN/EUR)	4.76	5.52	1.02	1.20
Total Capital Ratio (TCR)	15.19%	17.06%	15.19%	17.06%
Pledged or paid dividend per share (in PLN/EUR)	-	-	-	-

Exchange rates accepted to convert selected financial data into EUR				
for items as at the balance sheet date	-	-	4.6806	4.5994
for items for the period covered by the report (exchange rate calculated as the average of exchange rates at the end of individual months of the period)	-	-	4.6427	4.5472

CONSOLIDATED REPORT OF THE BANK MILLENNIUM S.A. CAPITAL GROUP FOR 1ST HALF 2022

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CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE BANK MILLENNIUM S.A. CAPITAL GROUP FOR THE 6 MONTHS ENDED 30 JUNE 2022

CONTENTS

1. GENERAL INFORMATION ABOUT ISSUER

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

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

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

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

Supervisory Board and Management Board of Bank Millennium S.A. as at 30 June 2022

Composition of the Supervisory Board as at 30 June 2022 was as follows:

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

Composition of the Management Board as at 30 June 2022 was as follows:

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

Capital Group of Bank Millennium S.A.

The Group's parent entity is Bank Millennium S.A. while the ultimate parent entity of the Bank Millennium S.A. is the Banco Comercial Portugues - company listed on the stock exchange in Lisbon. The companies that belong to the Capital Group as at 30 June 2022, are presented by the table below:

Company	Activity domain	Head office	% of the Group's capital share	% of the Group's voting share	Recognition in financial statements
MILLENNIUM BANK HIPOTECZNY S.A.	mortgage bank	Warsaw	100	100	full consolidation
MILLENNIUM LEASING Sp. z o.o.	leasing services	Warsaw	100	100	full consolidation
MILLENNIUM DOM MAKLERSKI S.A.	brokerage services	Warsaw	100	100	full consolidation
MILLENNIUM TFI S.A.	investment funds management	Warsaw	100	100	full consolidation
MILLENNIUM SERVICE Sp. z o.o.	rental and management of real estate, insurance and brokers activity	Warsaw	100	100	full consolidation
MILLENNIUM GOODIE Sp. z o.o.	web portals activity	Warsaw	100	100	full consolidation
MILLENNIUM TELECOMMUNICATION SERVICES Sp. z o.o.	financial operations - equity markets, advisory services	Warsaw	100	100	full consolidation
MILLENNIUM FINANCIAL SERVICES Sp. z o.o.	the company is not yet operating	Warsaw	100	100	full consolidation
Piast Expert Sp. z o.o. in liquidation	marketing services	Tychy	100	100	full consolidation
LUBUSKIE FABRYKI MEBLI S.A. in liquidation	furniture manufacturer	Świebodzin	50 (+1 share)	50 (+1 share)	equity method valuation *

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

The Bank and Millennium Dom Maklerski made a decision on the Demerger, more information on the issue is presented in Chapter 11.8 "Other additional information and events after the balance sheet date" .

2. INTRODUCTION AND ACCOUNTING POLICY

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as adopted by European Union. The condensed consolidated interim financial statement do not include all of the information which is presented in full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2021.

Pursuant to the Regulation of the Minister of Finance of March 29, 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757) the Bank is required to publish financial data for the six months ending June 30, 2022.

Condensed interim consolidated financial statements of the Group prepared for the period from 1 January 2022 to 30 June 2022:

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

These condensed interim consolidated financial statements have been prepared on the assumption that the Group will continue as going concerns.

For the semi-annual period ended June 30, 2022, the Bank incurred a financial loss. The financial loss of the Bank in the amount of PLN 256.8 million was mainly caused by the creation of provisions for legal risk related to the portfolio of foreign currency mortgage loans (excluding Euro Bank) in the amount of PLN 918.6 million, additional costs incurred with individual amicable settlements with FX mortgage borrowers and with legal costs (more information on the issue is presented in Chapter 10 “Legal risk related to foreign currency mortgage loans”). Beside of aforementioned costs the Bank incurred single-row costs of the reserve related to the establishment of the Protection Scheme amounting to PLN 203.9 million net (after taking into account the tax effect). If it were not recognized the one-off costs of the provision related to the establishment of the Protection Scheme, the Bank would have achieved a positive net profit in the 2nd quarter at the standalone level and consolidated level, which reflects the growing profit on operating activities over the quarters.

Following the signing by the President of the Republic of Poland and announcement in the Journal of Laws of the Republic of Poland on the same day of the Act of 7 July 2022 on crowdfunding for business ventures and assistance to borrowers (‘the Act’), introducing, among others, a possibility of up to 8 months of credit holidays in 2022-2023 for PLN mortgage borrowers, the Bank estimated the maximum impact of the implementation of this Act for the Group level at PLN 1,779 million (of which PLN 1,731 million at solo level and PLN 48 million at Millennium Bank Hipoteczny S.A. level) if all eligible Group’s borrowers were to use such an opportunity. The Group / Bank expects to recognise an upfront cost in 3 rd quarter 2022 results in the range between 75-90% of the above amounts, which would translate in a reduction of capital ratios by approximately 300 bps. The impact of each 10% of eligible borrowers fully using the credit holidays is estimated at PLN 178 million at the Group level.

Due to costs generated as a result of the above mentioned Act, it could be reasonably assumed that the Bank will post a negative net result for the 3rd quarter of 2022 and as a result its capital ratios may fall 118-174 bps (depending on upfront cost representing between 75 to 90% of maximum potential impact above mentioned) below the current minimum requirements set by Polish Financial Supervision Authority ('PFSA'). As the emergence of risk of a breach of respective capital ratios represents a prerequisite stipulated in the art. 142 sec. 1 and 2 of the Banking Act of 29 August 1997 (Journal of Laws 2021, item 2439, i.e. 28 December 2021, as amended), on July 15th the Management Board of the Bank took a decision to launch the Recovery Plan, notifying of the fact both PFSA and Bank Guarantee Fund.

Additionally, when the breach of combined buffer requirements will actually occur , the Bank will also submit to PFSA the Capital Protection Plan, pursuant to the Article 60 sec. 1 of the Act of 5 August 2015 on macroprudential supervision of the financial system and crisis management in the financial system (Journal of Laws of 2022, item 963, i.e. of 6 May 2022, as amended).

The Management Board of the Bank intends to increase capital ratios comfortably above the minimum required levels through a combination of further improvement of operational profitability and capital optimisation initiatives such as management of risk weighted assets (including securitisations).

The Bank will monitor, on the current basis, the financial situation and, if needed, will undertake actions to launch additional remedial activities.

The Bank would like to emphasise that the only reason for forecasted exceeding of the leading indicators of the Recovery Plan in the area of capital were external factors independent from the Bank, in the form of the announcement of the Act on Crowdfunding and the need to recognise the cost of Credit Holidays.

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

All data for the quarterly periods presented in these condensed interim consolidated financial statements of the Group has not been reviewed by a Auditor.

The Management Board approved these condensed consolidated interim financial statements on 25th July 2022.

3. CONSOLIDATED FINANCIAL DATA (GROUP)

CONSOLIDATED INCOME STATEMENT

Amount '000 PLN	Note	1.01.2022 - 30.06.2022	1.04.2022 - 30.06.2022	1.01.2021 - 30.06.2021	1.04.2021 - 30.06.2021
Net interest income		2 139 921	1 178 882	1 277 166	654 872
Interest income and other of similar nature	1	2 551 239	1 491 924	1 339 896	684 964
Income calculated using the effective interest method		2 582 637	1 516 982	1 298 840	663 537
Interest income from Financial assets at amortised cost		2 384 667	1 400 998	1 225 365	627 071
Interest income from Financial assets at fair value through other comprehensive income		197 970	115 984	73 475	36 466
Result of similar nature to interest from Financial assets at fair value through profit or loss		(31 398)	(25 058)	41 056	21 427
Interest expenses	2	(411 318)	(313 042)	(62 730)	(30 092)
Net fee and commission income		426 938	206 122	414 087	209 310
Fee and commission income	3	528 405	260 498	499 849	253 855
Fee and commission expenses	4	(101 467)	(54 376)	(85 762)	(44 545)
Dividend income		3 060	2 761	2 703	2 567
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	5	(1 493)	(774)	9 265	8 402
Results on financial assets and liabilities held for trading	6	(5 167)	(2 432)	(6 033)	(2 225)
Result on non-trading financial assets mandatorily at fair value through profit or loss	7	2 341	(8 485)	10 460	2 344
Result on hedge accounting		(3 347)	(677)	(274)	(1 164)
Result on exchange differences		(123 015)	(59 874)	12 312	(10 843)
Other operating income		140 978	67 381	116 440	72 804
Other operating expenses		(77 907)	(42 579)	(52 672)	(23 652)
Administrative expenses	8	(1 058 829)	(624 203)	(705 189)	(329 304)
Impairment losses on financial assets	9	(147 575)	(68 813)	(115 849)	(41 479)
Impairment losses on non-financial assets		(2 969)	(347)	(4 939)	(2 562)
Provisions for legal risk connected with FX mortgage loans	10	(1 014 630)	(515 450)	(1 047 044)	(513 641)
Result on modification		(8 804)	(5 027)	(6 731)	(3 186)
Depreciation		(104 227)	(52 625)	(100 675)	(49 227)
Share of the profit of investments in subsidiaries		0	0	0	0
Banking tax		(168 824)	(86 840)	(151 968)	(76 927)
Profit before income taxes		**(3 549)**	**(12 980)**	**(348 941)**	**(103 911)**
Corporate income tax	11	(259 052)	(127 281)	(162 707)	(96 399)
rofit after taxes		**(262 601)**	**(140 261)**	**(511 648)**	**(200 310)**
Attributable to:					
Owners of the parent		(262 601)	(140 261)	(511 648)	(200 310)
Non-controlling interests		0	0	0	0
Weighted average number of outstanding ordinary shares (pcs.)		1 213 116 777	1 213 116 777	1 213 116 777	1 213 116 777
Profit (loss) per ordinary share (in PLN)		(0.22)	(0.12)	(0.42)	(0.17)

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

Amount '000 PLN	1.01.2022 - 30.06.2022	1.04.2022 - 30.06.2022	1.01.2021 - 30.06.2021	1.04.2021 - 30.06.2021
Profit after taxes	(262 601)	(140 261)	(511 648)	(200 310)
Other comprehensive income items that may be (or were) reclassified to profit or loss	**(804 029)**	**(338 316)**	**(246 500)**	**(132 545)**
Result on debt securities	(619 013)	(224 626)	(207 659)	(121 558)
Hedge accounting	(185 016)	(113 690)	(38 841)	(10 987)
Other comprehensive income items that will not be reclassified to profit or loss	**(27)**	**(23)**	**14**	**13**
Actuarial gains (losses)	0	0	0	0
Result on equity instruments	(27)	(23)	14	13
Total comprehensive income items before taxes	**(804 056)**	**(338 339)**	**(246 486)**	**(132 532)**
Corporate income tax on other comprehensive income items that may be (or were) reclassified to profit or loss	152 766	64 281	46 836	25 184
Corporate income tax on other comprehensive income items that will not be reclassified to profit or loss	5	4	(3)	(3)
Total comprehensive income items after taxes	**(651 285)**	**(274 054)**	**(199 653)**	**(107 351)**
Total comprehensive income for the period	**(913 886)**	**(414 315)**	**(711 301)**	**(307 661)**
Attributable to:				
Owners of the parent	(913 886)	(414 315)	(711 301)	(307 661)
Non-controlling interests	0	0	0	0

CONSOLIDATED BALANCE SHEET

ASSETS

Amount '000 PLN	Note	30.06.2022	31.03.2022	31.12.2021	30.06.2021
Cash, cash balances at central banks		5 810 033	8 285 941	3 179 736	2 676 407
Financial assets held for trading	12	251 444	289 033	172 483	226 620
Derivatives		220 865	188 433	85 900	125 023
Equity instruments		105	121	145	285
Debt securities		30 474	100 479	86 438	101 312
Non-trading financial assets mandatorily at fair value through profit or loss, other than Loans and advances to customers		249 085	257 121	265 903	158 516
Equity instruments		120 092	122 786	138 404	103 072
Debt securities		128 993	134 335	127 499	55 444
Financial assets at fair value through other comprehensive income	13	17 786 074	17 707 350	17 997 699	22 010 922
Equity instruments		28 791	28 727	28 727	29 549
Debt securities		17 757 283	17 678 623	17 968 972	21 981 373
Loans and advances to customers	14	79 341 857	78 702 577	78 603 326	75 794 251
Mandatorily at fair value through profit or loss		189 813	296 693	362 992	1 671 619
Valued at amortised cost		79 152 044	78 405 884	78 240 334	74 122 632
Financial assets at amortised cost other than Loans and advances to customers	15	2 703 565	1 801 672	1 076 456	660 924
Debt securities		1 615 236	789 465	37 088	37 057
Deposits, loans and advances to banks and other monetary institutions		1 080 106	986 269	770 531	605 506
Reverse sale and repurchase agreements		8 223	25 938	268 837	18 361
Derivatives – Hedge accounting	16	0	52 245	14 385	38 102
Investments in subsidiaries, joint ventures and associates		0	0	0	0
Tangible fixed assets		539 860	552 168	549 788	543 763
Intangible fixed assets		397 897	383 648	392 438	367 933
Income tax assets		745 756	775 255	785 750	686 385
Current income tax assets		8 715	19 734	8 644	8 595
Deferred income tax assets	18	737 041	755 521	777 106	677 790
Other assets		1 023 199	933 377	857 650	925 434
Non-current assets and disposal groups classified as held for sale		9 446	15 578	18 294	17 772
Total assets		**108 858 216**	**109 755 965**	**103 913 908**	**104 107 030**

LIABILITIES AND EQUITY

Amount '000 PLN	Note	30.06.2022	31.03.2022	31.12.2021	30.06.2021
LIABILITIES					
Financial liabilities held for trading	12	248 957	219 321	143 016	77 594
Derivatives		238 749	198 498	126 402	66 499
Liabilities from short sale of securities		10 208	20 823	16 614	11 095
Financial liabilities measured at amortised cost		98 222 501	99 539 430	93 585 673	92 591 374
Liabilities to banks and other monetary institutions	19	546 837	646 646	539 408	742 313
Liabilities to customers	20	96 122 029	97 304 820	91 447 515	89 998 487
Sale and repurchase agreements	21	0	27	18 038	0
Debt securities issued	22	0	39 644	39 568	310 694
Subordinated debt	23	1 553 635	1 548 293	1 541 144	1 539 881
Derivatives – Hedge accounting	16	832 073	661 003	614 573	251 303
Provisions	24	759 094	721 054	595 530	408 301
Pending legal issues		720 755	681 782	551 176	362 095
Commitments and guarantees given		38 339	39 272	44 354	46 206
Income tax liabilities		25 215	1 630	1 496	14 183
Current income tax liabilities		25 215	1 630	1 496	14 183
Deferred income tax liabilities	18	0	0	0	0
Other liabilities		2 991 640	2 415 852	2 276 374	2 387 965
Total Liabilities		**103 079 480**	**103 558 290**	**97 216 662**	**95 730 720**
EQUITY					
Share capital		1 213 117	1 213 117	1 213 117	1 213 117
Own shares		(21)	(21)	(21)	(3 386)
Share premium		1 147 502	1 147 502	1 147 502	1 147 502
Accumulated other comprehensive income		(1 509 919)	(1 235 864)	(858 633)	204
Retained earnings		4 928 057	5 072 941	5 195 281	6 018 873
Total equity		5 778 736	6 197 675	6 697 246	8 376 310
Total equity and total liabilities		**108 858 216**	**109 755 965**	**103 913 908**	**104 107 030**

Book value of net assets	5 778 736	6 197 675	6 697 246	8 376 310
Number of shares (pcs.)	1 213 116 777	1 213 116 777	1 213 116 777	1 213 116 777
Book value per share (in PLN)	4.76	5.10	5.52	6.90

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amount '000 PLN	Total consolidated equity	Share capital	Own shares	Share premium	Accumulated other comprehensive income	Retained earnings	
						Unappropriated result	Other reserves
01.01.2022 - 30.06.2022							
Equity at the beginning of the period	6 697 246	1 213 117	(21)	1 147 502	(858 633)	(1 198 425)	6 393 706
Total comprehensive income for period (net)	(913 887)	0	0	0	(651 286)	(262 601)	0
net profit/ (loss) of the period	(262 601)	0	0	0	0	(262 601)	0
valuation of debt securities	(501 401)	0	0	0	(501 401)	0	0
valuation of shares	(22)	0	0	0	(22)	0	0
hedge accounting	(149 863)	0	0	0	(149 863)	0	0
Purchase and transfer of own shares to employees	(4 623)	0	0	0	0	0	(4 623)
Transfer between items of reserves	0	0	0	0	0	1 388 118	(1 388 118)
Equity at the end of the period	**5 778 736**	**1 213 117**	**(21)**	**1 147 502**	**(1 509 919)**	**(72 908)**	**5 000 965**
01.04.2022 - 30.06.2022							
Equity at the beginning of the period	6 197 675	1 213 117	(21)	1 147 502	(1 235 864)	67 353	5 005 588
Total comprehensive income for period (net)	(414 316)	0	0	0	(274 055)	(140 261)	0
net profit/ (loss) of the period	(140 261)	0	0	0	0	(140 261)	0
valuation of debt securities	(181 947)	0	0	0	(181 947)	0	0
valuation of shares	(19)	0	0	0	(19)	0	0
hedge accounting	(92 089)	0	0	0	(92 089)	0	0
Purchase and transfer of own shares to employees	(4 623)	0	0	0	0	0	(4 623)
Transfer between items of reserves	0	0	0	0	0	0	0
Equity at the end of the period	**5 778 736**	**1 213 117**	**(21)**	**1 147 502**	**(1 509 919)**	**(72 908)**	**5 000 965**
01.01.2021 - 31.12.2021							
Equity at the beginning of the period	9 090 976	1 213 117	(21)	1 147 502	199 857	156 258	6 374 263
Total comprehensive income for period (net)	(2 390 356)	0	0	0	(1 058 490)	(1 331 866)	0
net profit/ (loss) of the period	(1 331 866)	0	0	0	0	(1 331 866)	0
valuation of debt securities	(791 803)	0	0	0	(791 803)	0	0
valuation of shares	(666)	0	0	0	(666)	0	0
hedge accounting	(270 938)	0	0	0	(270 938)	0	0
actuarial gains/losses	4 917	0	0	0	4 917	0	0
Purchase and transfer of own shares to employees	(3 374)	0	0	0	0	0	(3 374)
Transfer between items of reserves	0	0	0	0	0	(22 817)	22 817
Equity at the beginning of the period	6 697 246	1 213 117	(21)	1 147 502	(858 633)	(1 198 425)	6 393 706
01.01.2021 - 30.06.2021							
Equity at the beginning of the period	9 090 976	1 213 117	(21)	1 147 502	199 857	156 258	6 374 263
Total comprehensive income for period (net)	(711 301)	0	0	0	(199 653)	(511 648)	0
net profit/ (loss) of the period	(511 648)	0	0	0	0	(511 648)	0
valuation of debt securities	(168 203)	0	0	0	(168 203)	0	0
valuation of shares	11	0	0	0	11	0	0
hedge accounting	(31 461)	0	0	0	(31 461)	0	0
Purchase and transfer of own shares to employees	(3 365)	0	(3 365)	0	0	0	0
Transfer between items of reserves	0	0	0	0	0	(15 636)	15 636
Equity at the end of the period	8 376 310	1 213 117	(3 386)	1 147 502	204	(371 026)	6 389 899

CONSOLIDATED CASH FLOW STATEMENT

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2022 - 30.06.2022	1.04.2022 - 30.06.2022	1.01.2021 - 30.06.2021	1.04.2021 - 30.06.2021
Profit (loss) after taxes	(262 601)	(140 261)	(511 648)	(200 310)
Total adjustments:	5 384 871	(1 030 820)	5 707 864	40 031
Interest received	2 354 714	1 353 949	1 330 000	690 953
Interest paid	(317 917)	(238 769)	(60 543)	(23 047)
Depreciation and amortization	104 227	52 625	100 675	49 227
Foreign exchange (gains)/ losses	0	0	0	0
Dividends	(3 060)	(2 761)	(2 703)	(2 567)
Changes in provisions	163 564	38 040	249 651	(64 883)
Result on sale and liquidation of investing activity assets	1 352	707	(9 638)	(7 953)
Change in financial assets held for trading	(242 573)	(14 297)	175 206	215 296
Change in loans and advances to banks	(181 729)	(151 222)	284 930	53 266
Change in loans and advances to customers	(2 888 884)	(1 878 392)	(3 346 434)	(1 738 753)
Change in receivables from securities bought with sell-back clause (loans and advances)	251 460	11 753	47 989	5 762
Change in financial liabilities valued at fair value through profit and loss (held for trading)	323 442	200 706	(578 506)	(240 569)
Change in deposits from banks	92 359	(76 241)	(240 975)	(66 188)
Change in deposits from customers	4 955 188	(968 698)	8 543 703	1 763 360
Change in liabilities from securities sold with buy-back clause	5 593	16 407	(248 557)	(9 976)
Change in debt securities	(39 043)	(39 436)	(245 503)	(111 274)
Change in income tax settlements	250 090	118 419	162 773	96 219
Income tax paid	(42 322)	(9 765)	(153 045)	(96 304)
Change in other assets and liabilities	558 435	534 033	(288 978)	(469 850)
Other	39 975	22 121	(12 181)	(2 688)
Net cash flows from operating activities	**5 122 270**	**(1 171 081)**	**5 196 216**	**(160 279)**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2022 - 30.06.2022	1.04.2022 - 30.06.2022	1.01.2021 - 30.06.2021	1.04.2021 - 30.06.2021
Inflows:	87 505 636	41 310 593	89 974 106	45 709 657
Proceeds from sale of property, plant and equipment and intangible assets	6 972	1 760	42 222	12 710
Proceeds from sale of shares in related entities	0	0	0	0
Proceeds from sale of investment financial assets	87 495 604	41 306 072	89 929 181	45 694 380
Other	3 060	2 761	2 703	2 567
Outflows:	(85 639 516)	(39 078 007)	(91 187 888)	(45 124 641)
Acquisition of property, plant and equipment and intangible assets	(50 292)	(39 277)	(25 686)	(14 864)
Acquisition of shares in related entities	0	0	0	0
Acquisition of investment financial assets	(85 589 224)	(39 038 730)	(91 162 202)	(45 109 777)
Other	0	0	0	0
Net cash flows from investing activities	**1 866 120**	**2 232 586**	**(1 213 782)**	**585 016**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	1.01.2022 - 30.06.2022	1.04.2022 - 30.06.2022	1.01.2021 - 30.06.2021	1.04.2021 - 30.06.2021
Inflows from financing activities:	0	0	0	0
Long-term bank loans	0	0	0	0
Issue of debt securities	0	0	0	0
Increase in subordinated debt	0	0	0	0
Net proceeds from issues of shares and additional capital paid-in	0	0	0	0
Other inflows from financing activities	0	0	0	0
Outflows from financing activities:	(99 301)	(32 323)	(91 646)	(23 995)
Repayment of long-term bank loans	(70 343)	(15 343)	(69 847)	(14 847)
Redemption of debt securities	0	0	0	0
Decrease in subordinated debt	0	0	0	0
Issue of shares expenses	0	0	0	0
Redemption of shares	0	0	0	0
Dividends paid and other payments to owners	0	0	0	0
Other outflows from financing activities	(28 958)	(16 980)	(21 799)	(9 148)
Net cash flows from financing activities	**(99 301)**	**(32 323)**	**(91 646)**	**(23 995)**

D. Net cash flows. Total (A + B + C)	**6 889 089**	**1 029 182**	**3 890 788**	**400 742**
- including change resulting from FX differences	4 821	2 446	(1 926)	(5 912)
E. Cash and cash equivalents at the beginning of the reporting period	**3 372 244**	**9 232 151**	**1 586 434**	**5 076 480**
F. Cash and cash equivalents at the end of the reporting period (D + E)	**10 261 333**	**10 261 333**	**5 477 223**	**5 477 223**

4. NOTES TO CONSOLIDATED FINANCIAL DATA

1) INTEREST INCOME AND OTHER OF SIMILAR NATURE

	1.01.2022 - 30.06.2022	1.04.2022 - 30.06.2022	1.01.2021 - 30.06.2021	1.04.2021 - 30.06.2021
Interest income from Financial assets at fair value through other comprehensive income	197 970	115 984	73 475	36 466
Debt securities	197 970	115 984	73 475	36 466
Interest income from Financial assets at amortised cost	2 384 667	1 400 998	1 225 364	627 070
Balances with the Central Bank	54 148	41 311	206	106
Loans and advances to customers	2 232 784	1 294 206	1 171 869	601 896
Debt securities	19 628	19 283	301	150
Deposits, loans and advances to banks	6 780	4 511	(56)	(71)
Transactions with repurchase agreements	9 153	5 962	0	0
Hedging derivatives	62 174	35 725	53 045	24 990
Result of similar nature to interest, including:	(31 398)	(25 058)	41 056	21 427
Loans and advances to customers mandatorily at fair value through profit or loss	16 622	8 948	35 218	18 548
Financial assets held for trading - derivatives	(49 541)	(34 992)	5 552	2 758
Financial assets held for trading - debt securities	1 521	986	286	121
Total	**2 551 239**	**1 491 924**	**1 339 896**	**684 964**

In the line „Hedging derivatives" the Group presents net interest income from derivatives set as and being effective cash flow and fair value hedges. A detailed description of the hedging relations used by the Group is presented in **note (16)**.

Interest income for the I half 2022 contains interest accrued on impaired loans in the amount of PLN 59,090 thous. (for corresponding data in the year 2021 the amount of such interest stood at PLN 52,770 thous.).

2) INTEREST EXPENSES AND OTHER OF SIMILAR NATURE

	1.01.2022 - 30.06.2022	1.04.2022 - 30.06.2022	1.01.2021 - 30.06.2021	1.04.2021 - 30.06.2021
Financial liabilities measured at amortised cost	(411 318)	(313 042)	(62 728)	(30 091)
Liabilities to banks and other monetary institutions	(14 587)	(8 225)	(3 517)	(1 601)
Liabilities to customers	(328 627)	(264 050)	(33 288)	(15 588)
Transactions with repurchase agreement	(23 631)	(16 434)	(9)	(4)
Debt securities issued	(525)	(208)	(2 364)	(1 032)
Subordinated debt	(39 949)	(22 130)	(19 368)	(9 727)
Liabilities due to leasing agreements	(3 999)	(1 995)	(4 182)	(2 139)
Other	0	0	(2)	(1)
Total	**(411 318)**	**(313 042)**	**(62 730)**	**(30 092)**

3) Fee and commission income

	1.01.2022 - 30.06.2022	1.04.2022 - 30.06.2022	1.01.2021 - 30.06.2021	1.04.2021 - 30.06.2021
Resulting from accounts service	73 532	33 043	68 579	29 426
Resulting from money transfers, cash payments and withdrawals and other payment transactions	44 376	23 050	37 724	19 244
Resulting from loans granted	116 992	57 016	104 627	53 751
Resulting from guarantees and sureties granted	7 062	3 186	6 659	3 429
Resulting from payment and credit cards	128 479	67 519	108 826	57 091
Resulting from sale of insurance products	83 574	42 438	82 888	44 178
Resulting from distribution of investment funds units and other savings products	20 758	9 407	34 817	17 665
Resulting from brokerage and custody service	7 699	2 697	9 257	4 187
Resulting from investment funds managed by the Group	30 180	13 747	32 608	17 419
Other	15 753	8 395	13 864	7 465
Total	528 405	260 498	499 849	253 855

4) Fee and commission expense

	1.01.2022 - 30.06.2022	1.04.2022 - 30.06.2022	1.01.2021 - 30.06.2021	1.04.2021 - 30.06.2021
Resulting from accounts service	(7 957)	(5 198)	(970)	(2 598)
Resulting from money transfers. cash payments and withdrawals and other payment transactions	(2 547)	(1 318)	(2 266)	(1 118)
Resulting from loans granted	(13 169)	(6 561)	(13 959)	(6 649)
Resulting from payment and credit cards	(48 832)	(24 861)	(40 122)	(18 664)
Resulting from brokerage and custody service	(1 459)	(596)	(1 682)	(807)
Resulting from investment funds managed by the Group	(5 834)	(2 841)	(5 372)	(2 687)
Resulting from insurance activity	(6 433)	(3 969)	(9 642)	(4 706)
Other	(15 236)	(9 032)	(11 749)	(7 316)
Total	(101 467)	(54 376)	(85 762)	(44 545)

Verdict of Court of Justice of the European Union regarding return of commission in case of early repaid loans

On 11 September 2019 The Court of Justice of the European Union ruled in the case of Lexitor against SKOK Stefczyka, Santander Consumer Bank and mBank (case C 383/18) in which it stated that consumer has rights to demand the reduction of the total loan cost corresponding to interest and costs for the remaining term of the agreement in case of early repayment of loan.

Taking into consideration this verdict, the Group as at 30 June 2022 had a provision in the amount of PLN 85.5 million which was estimated based on the maximum amount of potential returns and the probability of payment being made.

5) RESULT ON DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	1.01.2022 - 30.06.2022	1.04.2022 - 30.06.2022	1.01.2021 - 30.06.2021	1.04.2021 - 30.06.2021
Operations on debt instruments	(166)	0	10 715	9 189
Costs of financial operations	(1 327)	(774)	(1 450)	(787)
Total	(1 493)	(774)	9 265	8 402

6) RESULTS ON FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

	1.01.2022 - 30.06.2022	1.04.2022 - 30.06.2022	1.01.2021 - 30.06.2021	1.04.2021 - 30.06.2021
Result on debt instruments	(10 464)	(7 061)	(3 483)	(1 774)
Result on derivatives	5 217	4 563	(2 531)	(453)
Result on other financial operations	80	66	(19)	2
Total	(5 167)	(2 432)	(6 033)	(2 225)

7) RESULTS NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

	1.01.2022 - 30.06.2022	1.04.2022 - 30.06.2022	1.01.2021 - 30.06.2021	1.04.2021 - 30.06.2021
Loans and advances to customers	5 571	3 490	(5 991)	(10 070)
Result on equity instruments	(4 724)	(6 632)	11 342	8 407
Result on debt instruments	1 494	(5 343)	5 109	4 007
Total	2 341	(8 485)	10 460	2 344

8) ADMINISTRATIVE EXPENSES

	1.01.2022 - 30.06.2022	1.04.2022 - 30.06.2022	1.01.2021 - 30.06.2021	1.04.2021 - 30.06.2021
Staff costs:	(445 427)	(227 493)	(411 015)	(205 416)
Salaries	(363 391)	(186 528)	(336 273)	(167 863)
Surcharges on pay	(65 009)	(32 687)	(59 241)	(29 234)
Employee benefits, including:	(17 027)	(8 278)	(15 501)	(8 319)
- provisions for retirement benefits	(3 096)	(1 548)	(3 468)	(1 956)
- provisions for unused employee holiday	(23)	(6)	(20)	(15)
- other	(13 908)	(6 724)	(12 013)	(6 348)
Other administrative expenses:	(613 402)	(396 710)	(294 174)	(123 888)
Costs of advertising, promotion and representation	(34 846)	(19 526)	(27 338)	(14 571)
IT and communications costs	(64 234)	(33 061)	(59 537)	(29 879)
Costs of renting	(24 700)	(12 189)	(28 090)	(12 183)
Costs of buildings maintenance, equipment and materials	(20 823)	(10 487)	(20 271)	(10 023)
ATM and cash maintenance costs	(15 612)	(8 451)	(13 092)	(6 770)
Costs of consultancy, audit and legal advisory and translation	(36 408)	(19 255)	(25 720)	(14 490)
Taxes and fees	(18 754)	(10 201)	(17 778)	(9 310)
KIR - clearing charges	(5 503)	(2 825)	(4 439)	(2 292)
PFRON costs	(2 621)	(1 785)	(3 568)	(1 736)
Banking Guarantee Fund costs	(120 677)	(34 830)	(83 319)	(30 183)
Financial Supervision costs	(6 252)	(3 143)	(6 346)	(3 180)
Costs of protection scheme *	(251 700)	(251 700)	0	0
Other	(11 272)	10 743	(4 676)	10 729
Total	**(1 058 829)**	**(624 203)**	**(705 189)**	**(329 304)**

* additional information has been presented **Chapter 11.8 “Other additional information and events after the balance sheet date”**

9) IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	1.01.2022 - 30.06.2022	1.04.2022 - 30.06.2022	1.01.2021 - 30.06.2021	1.04.2021 - 30.06.2021
Impairment losses on loans and advances to customers	(153 670)	(69 775)	(121 292)	(48 624)
Impairment charges on loans and advances to customers	(880 044)	(402 706)	(826 439)	(355 046)
Reversal of impairment charges on loans and advances to customers	668 326	282 828	645 772	273 514
Amounts recovered from loans written off	22 485	11 630	26 941	13 899
Sale of receivables	39 668	39 668	32 650	19 197
Other directly recognised in profit and loss	(4 105)	(1 195)	(216)	(188)
Impairment losses on securities	0	0	(4)	2
Impairment charges on securities	0	0	(6)	0
Reversal of impairment charges on securities	0	0	2	2
Impairment losses on off-balance sheet liabilities	6 095	962	5 447	7 143
Impairment charges on off-balance sheet liabilities	(27 812)	(10 097)	(38 544)	(7 793)
Reversal of impairment charges on off-balance sheet liabilities	33 907	11 059	43 991	14 936
Total	**(147 575)**	**(68 813)**	**(115 849)**	**(41 479)**

10) PROVISIONS FOR LEGAL RISK CONNECTED WITH FX MORTGAGE LOANS

01.01.2022 - 30.06.2022	TOTAL	Allocated for credit portfolio	Provisions for pending legal issues
Balance at the beginning of the period	3 332 614	2 916 779	415 835
Amounts written off	(72 020)	0	(72 020)
Costs of provisions for legal risk connected wIth FX mortgage loans	1 014 630	0	1 014 630
Change of accounting principles from IAS 37 to IFRS 9	0	996 473	(996 473)
Increase of provisions due to FX rates differences	221 132	0	221 132
Balance at the end of the period	4 496 356	3 913 252	583 104

01.04.2022 - 30.06.2022	TOTAL	Allocated for credit portfolio	Provisions for pending legal issues
Balance at the beginning of the period	3 872 105	3 326 906	545 199
Amounts written off	(46 860)	0	(46 860)
Costs of provisions for legal risk connected wIth FX mortgage loans	515 450	0	515 450
Change of accounting principles from IAS 37 to IFRS 9	0	586 346	(586 346)
Increase of provisions due to FX rates differences	155 661	0	155 661
Balance at the end of the period	4 496 356	3 913 252	583 104

01.01.2021 - 30.06.2021	TOTAL	Allocated for credit portfolio	Provisions for pending legal issues
Balance at the beginning of the period	960 046	884 755	75 291
Amounts written off	0	0	0
Costs of provisions for legal risk connected wIth FX mortgage loans	1 047 044	0	1 047 044
Change of accounting principles from IAS 37 to IFRS 9	0	765 062	(765 062)
Increase of provisions due to FX rates differences	(27 208)	0	(27 208)
Balance at the end of the period	1 979 882	1 649 817	330 065

01.04.2021 - 30.06.2021	TOTAL	Allocated for credit portfolio	Provisions for pending legal issues
Balance at the beginning of the period	1 489 958	1 103 007	386 951
Amounts written off	0	0	0
Costs of provisions for legal risk connected wIth FX mortgage loans	513 641	0	513 641
Change of accounting principles from IAS 37 to IFRS 9	0	546 810	(546 810)
Increase of provisions due to FX rates differences	(23 717)	0	(23 717)
Balance at the end of the period	1 979 882	1 649 817	330 065

11) Corporate income tax

11a. Income tax reported in income statement

	1.01.2022 - 30.06.2022	1.04.2022 - 30.06.2022	1.01.2021 - 30.06.2021	1.04.2021 - 30.06.2021
Current tax	(65 249)	(44 617)	(132 954)	(70 336)
Current year	(65 249)	(44 617)	(132 954)	(70 336)
Deferred tax:	(193 803)	(82 665)	(29 753)	(26 063)
Recognition and reversal of temporary differences	(195 427)	(87 057)	(22 482)	(22 968)
Recognition / (Utilisation) of tax loss	1 624	4 392	(7 271)	(3 095)
Total income tax reported in income statement	**(259 052)**	**(127 282)**	**(162 707)**	**(96 399)**

11b. Effective tax rate

	1.01.2022 - 30.06.2022	1.04.2022 - 30.06.2022	1.01.2021 - 30.06.2021	1.04.2021 - 30.06.2021
Profit before tax	(3 549)	(12 980)	(348 941)	(103 911)
Statutory tax rate	19%	19%	19%	19%
Income tax according to obligatory income tax rate of 19%	675	2 466	66 299	19 743
Impact of permanent differences on tax charges:	**(260 183)**	**(130 204)**	**(231 230)**	**(118 366)**
- Non-taxable income	19 777	10 155	15 382	11 017
Dividend income	466	466	456	456
Release of other provisions	17 911	8 444	14 921	10 559
Other	1 400	1 245	5	2
- Cost which is not a tax cost	(279 960)	(140 359)	(246 612)	(129 383)
Write-down of unrealized deferred tax assets	0	0	0	0
Loss on sale of receivables	(170)	(170)	(11)	(11)
PFRON fee	(498)	(339)	(672)	(324)
Fees for Banking Guarantee Fund	(22 929)	(6 618)	(15 830)	(5 734)
Banking tax	(32 077)	(16 500)	(28 874)	(14 616)
Income/cost of provisions for factoring and leasing receivables	637	585	337	1 691
Receivables written off	(4 055)	(3 360)	(11 299)	(4 044)
Costs of litigations and claims	(217 605)	(114 938)	(189 000)	(105 827)
Depreciation and insurance costs of cars (in excess of PLN 150,000)	(377)	(253)	(443)	(200)
costs related to concluded settlements	(890)	(212)	0	0
BFG SKOK Piast settements	(142)	(45)	0	0
Other	(1 854)	1 491	(820)	(318)
Deduction of the tax paid abroad	0	0	0	0
Other differences between the gross financial result and taxable income (including R&D relief)	456	456	2 224	2 224
Total income tax reported in income statement	**(259 052)**	**(127 281)**	**(162 707)**	**(96 399)**
Effective tax rate	/-/*	/-/*	/-/*	/-/*

* For the I half 2022 and 2021, the Group recorded a negative gross financial result and at the same time a tax burden of a cost nature, therefore the Group did not calculate the effective tax rate.

11C. DEFERRED TAX REPORTED IN EQUITY

	30.06.2022	31.03.2022	31.12.2021	30.06.2021
Valuation of investment assets at fair value through other comprehensive income	247 477	204 793	129 857	(16 577)
Valuation of cash flow hedging instruments	107 146	85 545	71 993	15 819
Actuarial gains (losses)	(445)	(445)	(444)	708
Deferred tax reported directly in equity	354 178	289 893	201 406	(50)

Withholding tax audit for years 2015-17

On February 2019 the Head of Western Pomeranian Customs & Tax Office (Zachodniopomorski Urząd Celno-Skarbowy w Szczecinie, ZUCS) commenced tax audits regarding the correctness of withholding tax (WHT) settlements for years 2015 and 2016. On 17 December 2019 the Bank received audit results as of 13 December 2019, in which ZUCS questioned WHT-exemption on coupon interest from bonds paid to MB Finance AB with the seat in Sweden constituting a collateral to 10Y subordinated bonds with a par value of EUR 150 mio. issued by this company in December 2007 (fully amortized in December 2017). On 11 June 2021 Bank received 2nd instance decisions of ZUCS decreasing the amount of WHT arrear from PLN 6.6 to 5.3 mio. This amount with penalty interests were paid by Bank on 18 June 2021. Bank lodged complaints on these decisions to the administrative court in Szczecin (WSA). WSA in its judgements as of 13 and 27 October 2021 wholly overruled both ZUCS's decisions. ZUCS appealed from these judgments to the Supreme Administrative Court.

On 13 April 2021 Head of ZUCS commenced a WHT audit for year 2017. As expected in the audit result ZUCS challenged WHT-exemption on coupon interests paid by Bank to MBF in this year as well (disputable WHT amount is ca. PLN 2.2 mio.). Bank does not agree with such findings as well and will continue a dispute with ZUCS. On 21 March 2022 Bank received the ZUCS's decision on WHT audit transformation into a tax proceeding. On 30 June 2022 Bank received the ZUCS's decision determining WHT arrear of ca. PLN 2.2 mio. Bank will appeal from this decision.

Bank received an expert opinion as of January 29, 2020 of tax professors from the Public Finances Law Department of the Faculty of Law and Administration at Nicolaus Copernicus University in Torun, according to which ZUCS's statement violates binding tax law provisions.

12) FINANCIAL ASSETS HELD FOR TRADING

12A. FINANCIAL ASSETS HELD FOR TRADING

	30.06.2022	31.03.2022	31.12.2021	30.06.2021
Debt securities	**30 474**	**100 479**	**86 438**	**101 312**
Issued by State Treasury	30 474	100 479	86 438	101 312
a) bills	0	0	0	0
b) bonds	30 474	100 479	86 438	101 312
Other securities	0	0	0	0
a) quoted	0	0	0	0
b) non quoted	0	0	0	0
Equity instruments	**105**	**121**	**145**	**285**
Quoted on the active market	105	121	145	285
a) financial institutions	25	34	53	147
b) non-financial institutions	79	88	92	138
Adjustment from fair value hedge	0	0	0	0
Positive valuation of derivatives	220 865	188 433	85 900	125 023
Total	**251 444**	**289 033**	**172 483**	**226 620**

12B. FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING - VALUATION OF DERIVATIVES, ADJUSTMENT FROM FAIR VALUE HEDGE AND SHORT POSITIONS AS AT:

	Fair Values 30.06.2022			Fair Values 31.03.2022		
	Total	Total	Total	Total	Assets	Liabilities
1. Interest rate derivatives	(39 161)	25 453	64 614	(28 917)	16 164	45 081
Forward Rate Agreements (FRA)	0	0	0	0	0	0
Interest rate swaps (IRS)	(40 288)	2 686	42 974	(29 473)	1 770	31 243
Other interest rate contracts: options	1 127	22 767	21 640	556	14 394	13 838
2. FX derivatives	22 179	121 759	99 580	19 529	118 131	98 602
FX contracts	10 827	21 646	10 820	9 653	26 151	16 498
FX swaps	12 985	100 113	87 128	15 379	91 980	76 601
Other FX contracts (CIRS)	(1 633)	0	1 633	(5 503)	0	5 503
FX options	0	0	0	0	0	0
3. Embedded instruments	(73 422)	0	73 422	(53 568)	9	53 577
Options embedded in deposits	(73 422)	0	73 422	(53 577)	0	53 577
Options embedded in securities issued	0	0	0	9	9	0
4. Indexes options	72 522	73 654	1 132	52 891	54 129	1 238
Total	**(17 883)**	**220 865**	**238 749**	**(10 065)**	**188 433**	**198 498**
Valuation of hedged position in fair value hedge accounting	-	0	0	-	0	0
Liabilities from short sale of debt securities	-	-	10 208	-	-	20 823

	Fair Values 31.12.2021			Fair Values 30.06.2021		
	Total	Assets	Liabilities	Total	Assets	Liabilities
1. Interest rate derivatives	(15 497)	10 099	25 596	9 547	18 881	9 335
Forward Rate Agreements (FRA)	0	0	0	363	363	0
Interest rate swaps (IRS)	(15 511)	4 124	19 635	9 258	17 512	8 254
Other interest rate contracts: options	14	5 975	5 961	(74)	1 006	1 080
2. FX derivatives	(24 530)	46 793	71 323	49 290	89 071	39 781
FX contracts	9 077	16 603	7 526	(11 088)	5 471	16 559
FX swaps	(33 607)	30 190	63 797	60 378	83 600	23 222
Other FX contracts (CIRS)	0	0	0	0	0	0
FX options	0	0	0	0	0	0
3. Embedded instruments	(28 872)	0	28 872	(17 060)	3	17 063
Options embedded in deposits	(28 872)	0	28 872	(16 970)	0	16 970
Options embedded in securities issued	0	0	0	(90)	3	93
4. Indexes options	28 397	29 008	611	16 748	17 068	320
Total	**(40 502)**	**85 900**	**126 402**	**58 525**	**125 023**	**66 499**
Valuation of hedged position in fair value hedge accounting	-	0	0	-	0	0
Liabilities from short sale of debt securities	-	-	16 614	-	-	11 095

13) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30.06.2022	31.03.2022	31.12.2021	30.06.2021
Debt securities	**17 757 283**	**17 678 623**	**17 968 972**	**21 981 373**
Issued by State Treasury	17 283 807	17 228 428	17 498 704	18 986 349
a) bills	0	0	0	0
b) bonds	17 283 807	17 228 428	17 498 704	18 986 349
Issued by Central Bank	85 000	42 500	34 990	2 499 993
a) bills	85 000	42 500	34 990	2 499 993
b) bonds	0	0	0	0
Other securities	388 475	407 695	435 278	495 031
a) listed	388 475	407 695	435 278	495 031
b) not listed	0	0	0	0
Shares and interests in other entities	28 791	28 727	28 727	29 549
Other financial instruments	0	0	0	0
Total financial assets at fair value through other comprehensive income	**17 786 074**	**17 707 350**	**17 997 699**	**22 010 922**

14) LOANS AND ADVANCES TO CUSTOMERS

14A. LOANS AND ADVANCES TO CUSTOMERS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

Balance sheet value:	30.06.2022	31.03.2022	31.12.2021	30.06.2021
Mandatorily at fair value through profit or loss	189 813	296 693	362 992	1 671 619
Companies	52	100	40	11 042
Individuals	189 762	296 593	362 952	1 660 470
Public sector	0	0	0	107

At the implementation of IFRS9 Group separated credit exposures which include, in the interest rate definition, leverage/multiplier feature and presents aforementioned exposures in these financial statements as "Non-trading financial assets mandatorily at fair value through profit or loss - Credits and advances". The provisions of IFRS 9 indicate that the multiplier feature modifies money over time and causes the need to apply fair value measurement, however the economic sense of the transaction, i.e. portfolio management not based on fair value and maintaining the portfolio to obtain cash flows from the contract, constitute characteristics of portfolios valued at amortized cost. In 2021, as a result of a change in contractual provisions (eliminating the multiplier feature), some of these exposures began to be re-measured at amortized cost. The change concerned loans where clients fully repaid their commitment, the interest on which was calculated based on the old formula containing a multiplier. Exposures recorded after that time under new contractual conditions (without a multiplier) are measured at amortized cost).

The Bank writes down the gross carrying amount of a financial asset when there is no reasonable probability that it will be fully (total writes off) or partially (partial writes off) recovered. Following the recorded partial writes off the Bank provisioned (deducting the carrying value of gross receivables) penalty interest amounting to PLN 366 million as at 30.06.2022.

14B. LOANS AND ADVANCES TO CUSTOMERS VALUED AT AMORTISED COST

	Balance sheet value, gross			Accumulated impairment allowances			Balance sheet value, net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Valued at amortised cost, as at 30.06.2022	73 916 347	4 120 640	3 447 885	(328 102)	(239 103)	(1 765 623)	79 152 044
Companies	17 989 356	1 169 662	849 005	(98 653)	(41 998)	(335 459)	19 531 913
Individuals	55 672 603	2 950 975	2 598 880	(228 394)	(197 105)	(1 430 164)	59 366 795
Public sector	254 388	3	0	(1 055)	0	0	253 336
Valued at amortised cost, as at 31.03.2022	73 342 811	3 942 489	3 540 314	(315 933)	(238 758)	(1 865 039)	78 405 884
Companies	17 392 746	1 212 758	848 019	(103 708)	(50 692)	(336 250)	18 962 873
Individuals	55 692 623	2 729 726	2 692 295	(211 387)	(188 066)	(1 528 789)	59 186 402
Public sector	257 442	5	0	(838)	0	0	256 609
Valued at amortised cost, as at 31.12.2021	73 262 717	3 866 807	3 485 056	(340 177)	(234 353)	(1 799 716)	78 240 334
Companies	17 458 183	1 032 369	806 767	(114 852)	(45 876)	(320 591)	18 816 000
Individuals	55 561 933	2 834 434	2 678 289	(224 196)	(188 477)	(1 479 125)	59 182 858
Public sector	242 601	4	0	(1 129)	0	0	241 476
Valued at amortised cost, as at 30.06.2021	69 341 395	3 535 778	3 574 582	(367 663)	(185 846)	(1 775 614)	74 122 632
Companies	16 778 147	1 359 617	845 573	(120 775)	(50 950)	(359 903)	18 451 709
Individuals	52 315 116	2 176 037	2 723 811	(245 482)	(134 896)	(1 415 711)	55 418 875
Public sector	248 132	124	5 198	(1 406)	0	0	252 048

14C. LOANS AND ADVANCES TO CUSTOMERS

	30.06.2022		31.03.2022	
	Valued at amortised cost	Mandatorily at fair value through profit or loss	Valued at amortised cost	Mandatorily at fair value through profit or loss
Loans and advances	72 759 921	41 507	72 462 188	59 924
▪ to companies	12 858 695		12 481 601	
▪ to private individuals	59 808 271	41 507	59 898 040	59 924
▪ to public sector	92 954		82 547	
Receivables on account of payment cards	944 054	148 307	799 579	236 769
▪ due from companies	15 186	52	14 448	100
▪ due from private individuals	928 868	148 255	785 131	236 669
Purchased receivables	162 548		114 501	
▪ from companies	162 548		114 501	
▪ from public sector	0		0	
Guarantees and sureties realised	8 273		7 749	
Debt securities eligible for rediscount at Central Bank	43		33	
Financial leasing receivables	7 078 619		6 965 087	
Other	29 667		24 044	
Interest	501 748		452 433	
Total:	**81 484 872**	**189 813**	**80 825 614**	**296 693**
Impairment allowances	(2 332 828)	-	(2 419 730)	-
Total balance sheet value:	**79 152 044**	**189 813**	**78 405 884**	**296 693**

	31.12.2021		30.06.2021	
	Valued at amortised cost	Mandatorily at fair value through profit or loss	Valued at amortised cost	Mandatorily at fair value through profit or loss
Loans and advances	72 359 455	98 324	69 245 656	804 527
▪ to companies	12 356 995		12 400 986	
▪ to private individuals	59 921 206	98 324	56 752 145	804 527
▪ to public sector	81 254		92 525	
Receivables on account of payment cards	784 087	264 668	107 533	867 092
▪ due from companies	14 572	40	1 814	11 149
▪ due from private individuals	769 515	264 628	105 719	855 943
Purchased receivables	96 591		168 909	
▪ from companies	96 591		168 909	
▪ from public sector	0		0	
Guarantees and sureties realised	8 020		7 086	
Debt securities eligible for rediscount at Central Bank	103		104	
Financial leasing receivables	6 949 534		6 540 758	
Other	18 876		1 982	
Interest	397 914		379 727	
Total:	**80 614 580**	**362 992**	**76 451 755**	**1 671 619**
Impairment allowances	(2 374 246)	-	(2 329 123)	-
Total balance sheet value:	**78 240 334**	**362 992**	**74 122 632**	**1 671 619**

14D. QUALITY OF LOANS AND ADVANCES TO CUSTOMERS PORTFOLIO VALUED AT AMORTISED COST

	30.06.2022	31.03.2022	31.12.2021	30.06.2021
Loans and advances to customers (gross)	81 484 872	80 825 614	80 614 580	76 451 755
impaired	3 447 885	3 540 314	3 485 056	3 574 582
not impaired	78 036 987	77 285 300	77 129 524	72 877 173
Impairment write-offs	(2 332 828)	(2 419 730)	(2 374 246)	(2 329 123)
for impaired exposures	(1 765 623)	(1 865 039)	(1 799 716)	(1 775 614)
for not impaired exposures	(567 205)	(554 691)	(574 530)	(553 509)
Loans and advances to customers (net)	**79 152 044**	**78 405 884**	**78 240 334**	**74 122 632**

14E. LOANS AND ADVANCES TO CUSTOMERS PORTFOLIO VALUED AT AMORTISED COST BY METHODOLOGY OF IMPAIRMENT ASSESSMENT

	30.06.2022	31.03.2022	31.12.2021	30.06.2021
Loans and advances to customers (gross)	81 484 872	80 825 614	80 614 580	76 451 755
case by case analysis	768 339	795 046	820 462	823 253
collective analysis	80 716 533	80 030 568	79 794 118	75 628 502
Impairment allowances	(2 332 828)	(2 419 730)	(2 374 246)	(2 329 123)
on the basis of case by case analysis	(255 761)	(262 080)	(261 290)	(266 868)
on the basis of collective analysis	(2 077 068)	(2 157 650)	(2 112 956)	(2 062 255)
Loans and advances to customers (net)	**79 152 044**	**78 405 884**	**78 240 334**	**74 122 632**

14F. LOANS AND ADVANCES TO CUSTOMERS PORTFOLIO VALUED AT AMORTISED COST BY KIND OF CUSTOMERS

	30.06.2022	31.03.2022	31.12.2021	30.06.2021
Loans and advances to customers (gross)	81 484 872	80 825 614	80 614 580	76 451 755
corporate customers	20 262 414	19 710 970	19 539 924	19 236 791
individuals	61 222 458	61 114 644	61 074 656	57 214 964
Impairment allowances	(2 332 828)	(2 419 730)	(2 374 246)	(2 329 123)
for receivables from corporate customers	(477 165)	(491 488)	(482 448)	(533 034)
for receivables from private individuals	(1 855 663)	(1 928 242)	(1 891 798)	(1 796 089)
Loans and advances to customers (net)	**79 152 044**	**78 405 884**	**78 240 334**	**74 122 632**

14G. MOVEMENTS IN IMPAIRMENT ALLOWANCES FOR LOANS AND ADVANCES TO CUSTOMERS CARRIED AT AMORTISED COST

	01.01.2022 - 30.06.2022	01.01.2022 - 31.03.2022	01.01.2021 - 31.12.2021	01.01.2021 - 30.06.2021
Balance at the beginning of the period	2 374 246	2 374 246	2 372 635	2 372 635
Change in value of allowances:	(41 418)	45 484	1 611	(43 512)
Impairment allowances created in the period	879 684	477 120	1 607 350	826 439
Amounts written off	(159 880)	(68 171)	(340 852)	(148 214)
Impairment allowances released in the period	(667 925)	(385 268)	(1 167 777)	(645 772)
Sale of receivables	(138 831)	0	(145 828)	(81 973)
KOIM created in the period*	31 209	16 963	35 850	14 590
Changes resulting from FX rates differences	13 411	4 408	9 287	(9 342)
Other	914	432	3 581	760
Balance at the end of the period	**2 332 828**	**2 419 730**	**2 374 246**	**2 329 123**

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

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

The value of POCI assets is as follows:

	Gross balance sheet value	Accumulated impairment	Net balance sheet value
30.06.2022			
- Companies	58	127	186
- Individuals	174 970	(14 492)	160 478
- Public sector	0	0	0
31.03.2022			
- Companies	58	139	197
- Individuals	233 748	(37 125)	196 623
- Public sector	0	0	0
31.12.2021			
- Companies	59	231	290
- Individuals	241 218	(15 488)	225 730
- Public sector	0	0	0
30.06.2021			
- Companies	59	241	300
- Individuals	314 121	(23 144)	290 977
- Public sector	0	0	0

14H. LOANS AND ADVANCES TO CUSTOMERS PORTFOLIO VALUED AT AMORTISED COST BY CURRENCY

	30.06.2022	31.03.2022	31.12.2021	30.06.2021
in Polish currency	68 906 281	67 594 195	66 605 331	60 882 857
in foreign currencies (after conversion to PLN)	12 578 590	13 231 419	14 009 249	15 568 898
currency: USD	128 665	168 829	116 213	101 697
currency: EUR	3 950 522	3 864 722	3 888 269	3 668 780
currency: CHF	8 493 791	9 191 203	9 998 378	11 790 995
other currencies	5 612	6 665	6 389	7 426
Total gross	**81 484 872**	**80 825 614**	**80 614 580**	**76 451 755**

15) FINANCIAL ASSETS AT AMORTISED COST OTHER THAN LOANS AND ADVANCES TO CUSTOMERS

15A. FINANCIAL ASSETS AT AMORTISED COST OTHER THAN LOANS AND ADVANCES TO CUSTOMERS

30.06.2022	Balance sheet value, gross			Accumulated impairment allowances			Balance sheet value, net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	1 615 237	0	0	(1)	0	0	1 615 236
Deposits, loans and advances to banks and other monetary institutions	1 080 304	0	0	(198)	0	0	1 080 106
Repurchase agreements	8 223	0	0	0	0	0	8 223

31.03.2022	Balance sheet value, gross			Accumulated impairment allowances			Balance sheet value, net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	789 466	0	0	(1)	0	0	789 465
Deposits, loans and advances to banks and other monetary institutions	986 496	0	0	(227)	0	0	986 269
Repurchase agreements	25 938	0	0	0	0	0	25 938

31.12.2021	Balance sheet value, gross			Accumulated impairment allowances			Balance sheet value, net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	37 089	0	0	(1)	0	0	37 088
Deposits, loans and advances to banks and other monetary institutions	770 770	0	0	(239)	0	0	770 531
Repurchase agreements	268 837	0	0	0	0	0	268 837

30.06.2021	Balance sheet value, gross			Accumulated impairment allowances			Balance sheet value, net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	37 064	0	0	(7)	0	0	37 057
Deposits, loans and advances to banks and other monetary institutions	605 507	0	0	0	0	0	605 507
Repurchase agreements	18 361	0	0	0	0	0	18 361

15B. DEBT SECURITIES

	30.06.2022	31.03.2022	31.12.2021	30.06.2021
credit institutions	0	0	0	0
other companies	0	0	0	0
public sector	1 615 236	789 465	37 088	37 057
Total	1 615 236	789 465	37 088	37 057

15C. DEPOSITS, LOANS AND ADVANCES TO BANKS AND OTHER MONETARY INSTITUTIONS

	30.06.2022	31.03.2022	31.12.2021	30.06.2021
Current accounts	255 357	188 190	152 661	167 400
Deposits	822 051	797 120	617 682	438 030
Export letters of credit	1 560	707	267	0
Interest	1 336	479	160	77
Total (gross) deposits, loans and advances	1 080 304	986 496	770 770	605 507
Impairment allowances	(198)	(227)	(239)	0
Total (net) deposits, loans and advances	**1 080 106**	**986 269**	**770 531**	**605 507**

15D. REPURCHASE AGREEMENTS

	30.06.2022	31.03.2022	31.12.2021	30.06.2021
credit institutions	0	0	0	0
other customers	8 220	25 935	268 534	18 361
interest	3	3	303	0
Total	8 223	25 938	268 837	18 361

16) DERIVATIVES - HEDGE ACCOUNTING

16A. HEDGE RELATIONS

Detailed information on cash flow hedge relations applied by the Group, items designated as hedged and hedging and presentation of the result (active as at 30.06.2022) is shown in a table below:

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

	Fair value hedge of a fixed interest rate debt instrument	Cash flow volatility hedge due to future income and interest costs denominated in foreign currencies
Description of hedge transactions	The Group hedges part of the interest rate risk associated with the change in the fair value of a fixed-rate debt instrument recorded in other comprehensive income, resulting from fluctuations in market interest rate.	The Group hedges the risk of the volatility of cash flows generated by income and interest costs denominated in foreign currencies. The volatility of cash flows results from the currency risk.
Hedged items	A portfolio of fixed coupon debt securities classified as financial assets measured at fair value through other comprehensive income denominated in PLN.	Cash flows resulting from income and interest costs denominated in foreign currencies.
Hedging instruments	IRS transactions	FX position resulting from recognized future leasing liabilities.
Presentation of the result on the hedged and hedging transactions	The result on the change in the fair value measurement of hedged items in the hedged risk is referred to the result on hedge accounting. The remaining part of the change in fair value measurement is recognized in other comprehensive income. Interest on debt securities is recognized in net interest income. The change in fair value measurement of derivative instruments being a hedge is presented in the result on hedge accounting, and interest on these instruments is recognized in the interest result.	The effective part of the spot revaluation of hedging instruments is recognized in the revaluation reserve. The ineffective part of the valuation of the hedging item is recognized in the income statement as a result on instruments measured at fair value through profit and loss.

16B. HEDGE ACCOUNTING - BALANCE SHEET VALUATION

	Fair values 30.06.2022			Fair values 31.03.2022		
	Total	Assets	Liabilities	Total	Assets	Liabilities
1. Derivative instruments constituting cash flow hedges related to interest rate and/or exchange rate						
CIRS contracts	(326 549)	0	326 549	(195 435)	52 245	247 680
IRS contracts	(505 524)	0	505 524	(413 323)	0	413 323
FXS contracts	0	0	0	0	0	0
2. Derivatives used as interest rate hedges related to interest rates						
IRS contracts	0	0	0	0	0	0
3. Total hedging derivatives	(832 073)	0	832 073	(608 758)	52 245	661 003

	Fair values 31.12.2021			Fair values 30.06.2021		
	Total	Assets	Liabilities	Total	Assets	Liabilities
1. Derivative instruments constituting cash flow hedges related to interest rate and/or exchange rate						
CIRS contracts	(283 605)	14 385	297 990	(119 451)	38 102	157 553
IRS contracts	(316 584)	0	316 584	(88 025)	0	88 025
FXS contracts	0	0	0	0	0	0
2. Derivatives used as interest rate hedges related to interest rates						
IRS contracts	0	0	0	(5 725)	0	5 725
3. Total hedging derivatives	(600 189)	14 385	614 574	(213 201)	38 102	251 303

17) IMPAIRMENT WRITE-OFFS FOR SELECTED ASSETS

Impairment write-offs:	Investment securities	Property. plant and equipment	Intangibles	Non-current assets held for sale	Other assets
As at 01.01.2022	5 005	8 875	3 988	137	31 618
- Write-offs created	0	0	0	0	8 604
- Write-offs released	0	0	0	0	(5 634)
- Utilisation	(8)	0	0	0	(3 121)
- Other	0	0	0	0	0
As at 30.06.2022	4 997	8 875	3 988	137	31 467
As at 01.01.2022	5 005	8 875	3 988	137	31 618
- Write-offs created	0	0	0	0	5 424
- Write-offs released	0	0	0	0	(2 801)
- Utilisation	0	0	0	0	(4 438)
- Other	0	0	0	0	0
As at 31.03.2022	5 005	8 875	3 988	137	29 803
As at 01.01.2021	5 007	8 875	3 988	3 697	22 700
- Write-offs created	6	0	0	0	22 069
- Write-offs released	(7)	0	0	0	(14 397)
- Utilisation	0	0	0	0	(2 314)
- Other	0	0	0	(3 560)	3 560
As at 31.12.2021	5 005	8 875	3 988	137	31 618
As at 01.01.2021	5 007	8 875	3 988	3 697	22 700
- Write-offs created	4	0	0	0	13 425
- Write-offs released	0	0	0	0	(6 622)
- Utilisation	0	0	0	0	(1 259)
- Other	0	0	0	(3 560)	3 560
As at 30.06.2021	5 011	8 875	3 988	137	31 804

18) DEFERRED INCOME TAX ASSETS AND LIABILITY

	30.06.2022			31.03.2022		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	13 052	(27 678)	(14 626)	20 615	(26 547)	(5 932)
Balance sheet valuation of financial instruments	73 895	(83 803)	(9 908)	(4 912)	(3 549)	(8 461)
Unrealised receivables/ liabilities on account of derivatives	38 094	(31 503)	6 591	20 444	(17 608)	2 836
Interest on deposits and securities to be paid/ received	28 366	(287 617)	(259 251)	16 976	(167 428)	(150 452)
Interest and discount on loans and receivables	0	(94 368)	(94 368)	0	(85 597)	(85 597)
Income and cost settled at effective interest rate	136 755	(279)	136 476	141 957	(1 245)	140 712
Impairment of loans presented as temporary differences	462 800	0	462 800	456 706	0	456 706
Employee benefits	19 973	0	19 973	19 400	0	19 400
Rights to use	5 478	0	5 478	6 041	0	6 041
Provisions for future costs	109 266	0	109 266	77 372	0	77 372
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	405 487	(51 309)	354 178	339 492	(49 598)	289 894
Valuation of shares	1 273	(34 684)	(33 411)	1 273	(36 959)	(35 686)
Tax loss deductible in the future	56 480	0	56 480	52 087	0	52 087
Other	(2 669)	32	(2 637)	471	(3 870)	(3 399)
Net deferred income tax asset	1 348 250	(611 209)	737 041	1 147 922	(392 401)	755 521

	31.12.2021			30.06.2021		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	24 993	(26 214)	(1 221)	26 930	(20 038)	6 892
Balance sheet valuation of financial instruments	(8 231)	(2 131)	(10 362)	50 236	(62 240)	(12 004)
Unrealised receivables/ liabilities on account of derivatives	12 450	(13 284)	(834)	10 034	(8 321)	1 713
Interest on deposits and securities to be paid/ received	12 215	(77 358)	(65 143)	14 945	(33 038)	(18 093)
Interest and discount on loans and receivables	0	(75 831)	(75 831)	0	(73 931)	(73 931)
Income and cost settled at effective interest rate	147 394	(1 455)	145 939	159 295	(1 165)	158 130
Impairment of loans presented as temporary differences	445 223	0	445 223	461 167	0	461 167
Employee benefits	19 874	0	19 874	19 215	0	19 215
Rights to use	6 691	0	6 691	7 364	0	7 364
Provisions for future costs	93 345	0	93 345	96 022	0	96 022
Valuation of investment assets, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	258 220	(56 814)	201 406	41 185	(41 235)	(50)
Valuation of shares	1 273	(36 440)	(35 167)	1 273	(20 160)	(18 887)
Tax loss deductible in the future	54 855	0	54 855	49 834	0	49 834
Other	657	(2 326)	(1 669)	2 802	(2 384)	418
Net deferred income tax asset	1 068 959	(291 853)	777 106	940 303	(262 512)	677 790

19) LIABILITIES TO BANKS AND OTHER MONETARY INSTITUTIONS

	30.06.2022	31.03.2022	31.12.2021	30.06.2021
In current account	39 635	41 389	63 176	107 328
Term deposits	202 699	288 421	106 570	190 411
Loans and advances received	300 418	315 079	368 313	443 298
Interest	4 085	1 757	1 349	1 276
Total	546 837	646 646	539 408	742 313

20) LIABILITIES TO CUSTOMERS

	30.06.2022	31.03.2022	31.12.2021	30.06.2021
Amounts due to private individuals	65 165 193	64 271 506	66 022 086	64 966 051
Balances on current accounts	50 929 496	53 420 765	56 192 055	54 591 857
Term deposits	13 947 811	10 585 881	9 565 716	10 116 008
Other	244 964	242 329	237 776	222 763
Accrued interest	42 922	22 531	26 539	35 423
Amounts due to companies	24 417 762	24 373 575	21 814 451	21 822 399
Balances on current accounts	14 575 737	15 886 519	15 070 590	15 994 147
Term deposits	9 409 873	8 041 073	6 398 936	5 493 880
Other	400 117	432 840	342 618	326 238
Accrued interest	32 035	13 143	2 307	8 134
Amounts due to public sector	6 539 074	8 659 739	3 610 978	3 210 037
Balances on current accounts	4 901 242	5 228 402	3 385 597	2 757 658
Term deposits	1 629 446	3 424 771	215 889	442 973
Other	2 471	1 955	9 417	9 397
Accrued interest	5 915	4611	75	9
Total	**96 122 029**	**97 304 820**	**91 447 515**	**89 998 487**

21) LIABILITIES FROM SECURITIES SOLD WITH BUY-BACK CLAUSE

	30.06.2022	31.03.2022	31.12.2021	30.06.2021
to the Central Bank	0	0	0	0
to banks	0	27	0	0
to customers	0	0	18 037	0
interest	0	0	1	0
Total	0	27	18 038	0

22) CHANGE OF DEBT SECURITIES

	01.01.2022 - 30.06.2022	01.01.2022 - 31.03.2022	01.01.2021 - 31.12.2021	01.01.2021 - 30.06.2021
Balance at the beginning of the period	39 568	39 568	558 560	558 560
Increases, on account of:	525	317	3 769	2 364
issue of Banking Securities	0	0	0	0
interest accrual	525	317	3 769	2 364
Reductions, on account of:	(40 093)	(241)	(522 761)	(250 230)
repurchase of Banking Securities	0	0	(234 427)	(213 653)
repurchase of bonds by the Bank	0	0	(250 000)	0
repurchase of bonds by the Millennium Leasing	(39 450)	0	(34 350)	(34 150)
interest payment	(643)	(241)	(3 984)	(2 427)
Balance at the end of the period	**0**	**39 644**	**39 568**	**310 694**

23) Change of subordinated debt

	01.01.2022 - 30.06.2022	01.01.2022 - 31.03.2022	01.01.2021 - 31.12.2021	01.01.2021 - 30.06.2021
Balance at the beginning of the period	1 541 144	1 541 144	1 540 209	1 540 209
Increases, on account of:	39 949	17 819	40 076	19 368
issue of subordinated bonds	0	0	0	0
interest accrual	39 949	17 819	40 076	19 368
Reductions, on account of:	(27 458)	(10 670)	(39 141)	(19 696)
interest payment	(27 458)	(10 670)	(39 141)	(19 696)
Balance at the end of the period	**1 553 635**	**1 548 293**	**1 541 144**	**1 539 881**

During 2021 and 2022 the Group did not have any delays in the payment of principal and interest instalments, nor did it infringe any contractual provisions resulting from its subordinated liabilities.

24) Provisions

24a. Provisions

	30.06.2022	31.03.2022	31.12.2021	30.06.2021
Provision for commitments and guarantees given	38 339	39 272	44 354	46 206
Provision for pending legal issues	720 755	681 782	551 176	362 095
Total	759 094	721 054	595 530	408 301

24b. Change of provision for commitments and guarantees given

	01.01.2022 - 30.06.2022	01.01.2022 - 31.03.2022	01.01.2021 - 31.12.2021	01.01.2021 - 30.06.2021
Balance at the beginning of the period	44 354	44 354	51 728	51 728
Charge of provision	27 812	17 715	55 368	38 544
Release of provision	(33 907)	(22 848)	(62 805)	(43 991)
FX rates differences	80	51	63	(75)
Balance at the end of the period	38 339	39 272	44 354	46 206

24c. Change of provision for pending legal issues

	01.01.2022 - 30.06.2022	01.01.2022 - 31.03.2022	01.01.2021 - 31.12.2021	01.01.2021 - 30.06.2021
Balance at the beginning of the period	551 176	551 176	106 922	106 922
Charge of provision	6 616	3 232	113 173	4 493
Release of provision	(4 131)	(1 815)	(9 463)	(4 095)
Utilisation of provision	(72 196)	(25 335)	(24 059)	0
Creation of provisions for legal risk connected with FX mortgage loans *	1 014 630	499 180	2 305 157	1 047 044
Allocation to the loans portfolio	(996 473)	(410 127)	(2 032 024)	(765 061)
FX differences	221 133	65 471	91 470	(27 208)
Balance at the end of the period	720 755	681 782	551 176	362 095

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

5. CHANGES IN RISK MANAGEMENT PROCESS

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

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

Credit risk

In the first half of 2022 the Bank Millennium Group, both in the corporate and retail segments, focused on introducing changes to the lending policy aimed at ensuring the appropriate quality of the portfolio in the new, more demanding economic environment. The direct and indirect effects of the armed conflict in Ukraine have created an additional element of uncertainty in credit risk management.

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

In the corporate segment, the Group focused on analysing the loan portfolio and industries of borrowers to monitor risk, with particular emphasis on customers directly affected by the negative effects of the conflict in Ukraine, as well as customers with low profitability, potentially most exposed to negative changes in the macroeconomic environment. Additionally, the Group worked on improving credit processes and products.

In the retail segment, the Bank focused on adjusting the lending policy to the changing macroeconomic environment, in particular, changes were implemented to mitigate the potential increase in risk related to growing credit costs and inflation. Additionally, the monitoring frequency of the loan portfolio granted to Polish residents with Ukrainian citizenship was increased.

At the same time, the Bank continued to implement changes aimed at improving the efficiency of the risk assessment process for retail and mortgage-secured transactions through automation while maintaining an unchanged level of risk.

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

Changes in the loan portfolio of the Group after 6 months of 2022 are summarized below:

	30.06.2022		31.12.2021	
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
Not overdue and without impairment	76 327 475	1 080 305	75 721 712	770 770
Overdue*, but without impairment	1 892 461	0	1 765 405	0
Total without impairment	78 219 936	1 080 305	77 487 117	770 770
With impairment	3 506 620	0	3 556 803	0
Total	**81 726 556**	**1 080 305**	**81 043 920**	**770 770**
Impairment write-offs	(2 332 828)	(198)	(2 374 246)	(239)
Fair value adjustment**	(51 871)	0	(66 349)	0
Total, net	**79 341 857**	**1 080 107**	**78 603 326**	**770 531**
Loans with impairment / total loans	4.29%	0.00%	4.39%	0.00%

(*) Loans overdue not more than 4 days are treated as technical and are not shown in this category.
(**) Fair value adjustment is defined as the difference between the nominal value and the fair value of the portfolio measured at fair value through profit or loss. The fair value adjustment is influenced by considering the credit risk of the portfolio.

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

Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria, Gross carrying amount	Number of obligors	TOTAL	Of which: legislative moratoria	Of which: expired
Loans and advances for which moratorium was offered	**53 415**	**6 408 868**		
Loans and advances subject to moratorium (granted)	**53 181**	**5 901 285**	**9 584**	**5 901 285**
of which: Households		5 164 359	9 584	5 164 359
of which: Collateralised by residential immovable property		3 913 613	8 256	3 913 613
of which: Non-financial corporations		736 926	0	736 926
of which: Small and Medium-sized Enterprises		399 006	0	399 006
of which: Collateralised by commercial immovable property		65 363	0	65 363

Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria, Gross carrying amount	Residual maturity of moratoria				
	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances subject to moratorium (granted)	**0**	**0**	**0**	**0**	**0**
of which: Households	0	0	0	0	0
of which: Collateralised by residential immovable property	0	0	0	0	0
of which: Non-financial corporations	0	0	0	0	0
of which: Small and Medium-sized Enterprises	0	0	0	0	0
of which: Collateralised by commercial immovable property	0	0	0	0	0

Loans and advances subject to legislative and non-legislative moratoria Gross carrying amount	TOTAL	Performing		
		Performing Gross carrying amount	Of which: grace period of capital and interest	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)
Loans and advances subject to moratorium	**0**	0	0	0
of which: Households	**0**	0	0	0
of which: Collateralised by residential immovable property	0	0	0	0
of which: Non-financial corporations	0	0	0	0
of which: Small and Medium-sized Enterprises	0	0	0	0
of which: Collateralised by commercial immovable property	0	0	0	0

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

Information on loans and advances subject to legislative and non-legislative moratoria, Accumulated impairment	TOTAL	Performing		
		Performing Accumulated impairment	Of which: grace period of capital and interest	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)
Loans and advances subject to moratorium	0	0	0	0
of which: Households	0	0	0	0
of which: Collateralised by residential immovable property	0	0	0	0
of which: Non-financial corporations	0	0	0	0
of which: Small and Medium-sized Enterprises	0	0	0	0
of which: Collateralised by commercial immovable property	0	0	0	0

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

Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis	Gross carrying amount		Gross carrying amount
	TOTAL	of which: forborne	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	1 499 016	10 820	15 835
of which: Households	0		0
of which: Collateralised by residential immovable property	0		0
of which: Non-financial corporations	1 499 016	10 820	15 835
of which: Small and Medium-sized Enterprises	750 100		5 322
of which: Collateralised by commercial immovable property	0		0

Market risk

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

The market risk limits are revised at least once a year and to consider, inter alia, the change of the consolidated Own Funds, current and projected balance sheet structure as well as the market environment. The current limits in place have been valid since 1st June 2022.

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

Open positions contain mainly interest rate and FX risk instruments. According to the Risk Strategy approved in the Group, the FX open position is allowed, however should be kept at low levels. For this purpose, the Group has introduced a system of conservative limits for FX open positions (both Intraday and Overnight limits) and allows keeping FX open positions only in Trading Book. In the 1H2022, the FX Total open position (Intraday as well as Overnight) remained below internal limits in place and well below 2% of Own Funds.

In 1H2022, the VaR remained on average at the level of approx. PLN499.8mn for the total Group, which is jointly Trading Book and Banking Book, (173% of the limit) and at approx. PLN4.1mn for Trading Book (14% of the limit). The exposure to market risk at the end of June 2022 was approx. PLN621.9mn for Global Bank (112% of the limit) and approx. PLN2.0mn for Trading Book (8% of the limit). In 1H2022, the market volatility was still very high. All excesses of market risk limits are always reported, documented, and ratified at the proper competence level.

The market risk exposure in 1H2022 in terms of value at risk for Trading Book, together with risk type division, is presented in the table below (PLN thousands).

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

	30.06.2022		VaR (1Q 2022)			31.12.2021	
	Exposure	Limit usage	Average	Maximum	Minimum	Exposure	Limit usage
Total risk	**1 986**	**8%**	**4 091**	**9 532**	**799**	**2 518**	**8%**
Generic risk	1 984	n.a.	4 088	9 528	796	2 514	8%
Interest Rate VaR	1 955	10%	4 081	9 507	794	2 485	10%
FX Risk	183	4%	125	2 346	13	228	4%
Diversification Effect	7.8%					7.9%	
Specific risk	2	0%	2	2	2	2	0%

In addition to above mention market risk limits, the stop loss limits are introduced for the financial markets portfolios. The aim is to limit the maximum losses of the trading activity of the Group. In case of the limit is reached, a review of the management strategy and assumptions for the positions in question must be undertaken.

Interest rate risk in Banking Book (IRRBB)

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

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

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

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

The exposure to interest rate risk in the Banking Book are primarily generated by the differences in repricing dates of assets and liabilities as well as its reference indexes, if contractually existing. It is specifically affected by the unbalance between assets and liabilities that have fixed rate, especially by the liabilities which cannot have interest rate lower than zero. Consequently, the level of sensitivity to interest rate changes is influenced by the level of interest rates taken as a reference. Additionally, due to specificity of the polish legal system, the interest rate of credits is limited (it cannot exceed two times Reference Rate of the National Bank of Poland increased by 7 percentage points). In situations of decreasing interest rates, the impact on Net Interest Income is negative and depends on the share of the fixed rate loan portfolio that is affected by the new maximum rate. On the other hand, assumptions regarding the timing and size of deposits repricing are also especially important when assessing the interest rate sensitivity and risk.

Considering the increase of interest rates that occurred in Poland in the last months, the results of the IRRBB measurement as of the end of June 2022 indicate that the Group is now in a more balanced situation regarding the scenario of a decline or increase in interest rates.

The results of sensitivity of NII for the next 12 months after 30th June 2022 and for position in Polish Zloty in Banking Book are conducted under the following assumptions:

- static balance sheet structure as of that reference date (no change during the following 12 months),
- reference level of net interest income if all assets and liabilities with variable interest rate already reflect market interest rates levels as of 30th June 2022 (for example, the NBP Reference rate was set at 6.0%),
- application of a parallel move of 100bp in the yield curve up and down is an additional shock to all market interest rates levels as of 30th June 2022 and is set at the repricing date of the assets and liabilities that happens during the 12 following months.

In a scenario of parallel decrease of interest rates by 100bp, the results are negative and equal to -PLN178mn or -5.0% of the Group's NII reference level. In a scenario of parallel increase of interest rates by 100bp, the results are positive and equal to PLN178mn PLN or +5.0% of the Group's NII reference level. The level of asymmetry that existed in past reporting dates is now eliminated as interest rates were meaningfully above 0% on 30th June 2022 and there is no leverage impact of the maximum interest rate in opposite to previous years due to changes in the structure of portfolio and pricing of loans.

Sensitivity of NII for PLN to changes of interest rates	30.06.2022	31.12.2021
Parallel yield curve increases by 100 bp	+5.0%	+5.9%
Parallel yield curve decreases by 100 bp	-5.0%	-6.0%

When it comes to impact of interest rate changes to economic value at equity (EVE) in the long term, the supervisory outlier stress tests result as of 30th June 2022 show that even under the most severe outlier test scenario, the decline of EVE for Banking Book is still below supervisory limit of 15% of Tier1. Similarly, decline of EVE under standard scenario of sudden parallel +/-200 basis points shift of the yield curve also stayed far below supervisory maximum of 20% of Own Funds.

Liquidity risk

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

The liquidity risk limits are revised at least once a year to consider, inter alia, the change of the size of the consolidated own funds, current and expected balance sheet structure, historical limits' consumption, as well as current market conditions and supervisory requirements. The current limits in place have been valid since 1st of January 2022. The annual revision was conducted and approved by the Risk Committee in December 2021.

In 1H2022, the Group was characterized still by solid liquidity position. All the supervisory and internal liquidity indicators remained significantly above minimum limits in place. The steps taken as part of standard and binding risk management procedures have proved sufficient for managing liquidity in the current market environment.

The Group manages FX liquidity using FX-denominated bilateral loans as well as subordinated debt, Cross Currency Swap and FX Swap transactions. The importance of swaps has been decreasing because of the reduction of the FX mortgage loan portfolio and the hedge in foreign currency of the provisions for legal risk. The swaps portfolio is diversified in term of counterparties and maturity dates. For most counterparties, the Bank has signed a Credit Support Annex to the master agreements. As a result, in case of unfavourable changes of FX rates (PLN depreciation), the Bank is obliged to place deposits as collateral with counterparties to secure the settlement of derivative instruments in the future, and in case of favourable FX rates changes (PLN appreciation) receives deposits as collateral from the counterparty. There is no relationship between level of the Bank's ratings and parameters of collateral in any of the signed ISDA Schedules and Credit Support Annexes (both international and domestic). A potential downgrade in any rating will not have an impact on the method of calculation or collateral exchange. It should be noted that the need of currency swaps has been decreasing at a relevant pace due to the reduction in the FX mortgage loan portfolio.

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

In 1H2022, the Group maintained Loan-to-Deposit ratio well below 100%. This ratio was equalled 83%% at the end of June 2022 (86% at the end of December 2021). The Group continue the policy of investing the liquidity surplus in the portfolio of liquid assets, especially in the debt securities with low specific risk (Polish Government Bonds, Treasury and NBP Bills) of which the share in total debt securities amounted to 98% at the end of June 2022. During 1H2022 this portfolio increased to the level of approx. PLN18.8bn at the end of June 2022 (17% of total assets) from PLN17.6bn at the end of December 2021 (17% of total assets). Those assets are Central Bank eligible and are characterized with high liquidity and can be easily used as collateral or sold without material loss on its value. The portfolio, supplemented by the cash and exposures to the National Bank of Poland, is liquid assets portfolio and is treated as the Group's liquidity reserve, which can overcome crisis situations.

Main liquidity ratios	30.06.2022	31.12.2021
Loans/Deposits ratio (%)	83%	86%
Liquid assets portfolio (PLN million)*	21 005	18 793
Liquidity Coverage Requirement, LCR (%)	158%	150%

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

Total Clients' deposits of the Group reached the level of PLN96.1bn (PLN91.4bn at the end of December 2021). The share of funds from individuals in total Client's deposits equalled to approx. 67.8% at the end of June 2022 (72.2% at the end of December 2021). The maintenance of high share of funds from individuals had a positive impact on the Group's liquidity and supported the safe compliance of the supervisory measures.

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

The level of deposit concentration is regularly monitored and did not have any negative impact on the stability of the deposit base in 1H2022. However, in case of significant increase of the share of the largest depositors, the additional funds from the depositors are not treated as stable. Despite of that, to prevent deposit base fluctuations, the Group maintains the reserves of liquid assets in the form of securities portfolio as described above.

According to the Regulation of European Parliament and Council no 575/2013 on prudential requirements for credit institutions and investment firms (CRR); the Group is daily calculating the liquidity coverage requirement (LCR) and quarterly net stable funding requirement (NSFR). In 1H2022, the regulatory minimum of 100% for both LCR and NSFR was fulfilled by the Group.

The LCR stayed at safe level of 158% at the end of June 2022 (150% at the end of December 2021). The comfortable liquidity position was kept due to increase of the Clients' deposits that guaranteed safe level of liquid assets portfolio.

Additionally, the Group employs an internal structural liquidity analysis based on cumulative liquidity gaps calculated on an actuarial basis (i.e., assuming a certain probability of cash flow occurrence). In 1H2022 the internally defined limit of 12% total assets was not breached and the liquidity position was confirmed as solid.

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

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

Operational risk

In the first half of 2022 there could be observed a continuous use of standards implemented for the purpose of efficient management of operational risk, which are in line with legal provisions in force and the best practice of national and international financial institutions.

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

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

In the first half of 2022 the registered level of operational risk losses was at the acceptable level.

Capital management

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

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

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

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

The Bank and the Group are obliged by law to meet minimum own funds and leverage ratio requirements, set in art. 92 of the Regulation (EU) 2019/876 of the European Parliament and of the Council as 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, market risk, exposures to central counterparties, exposures to collective investment undertaking, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012 (CRR II). At the same time, the following levels, recommendations, and buffers were included in capital limits/targets setting:

- Pillar II FX mortgage buffer (RRE FX) - KNF recommendation to maintain additional own funds for the coverage of additional capital requirements to secure the risk resulting from FX mortgage loans granted to households, in line with art. 138.1.2a of Banking Act. At present, the buffer was set by KNF in recommendations issued in the end of 2021 in the level of 2.82pp (the Bank) and 2.79pp (the Group) as for Total Capital Ratio (TCR), which corresponds to capital requirements for Tier 1 ratio of 2.11pp (the Bank) and of 2.09pp (the Group), and which corresponds to capital requirements for CET 1 ratio of 1.58pp (the Bank) and 1.56pp (the Group).
- Combined buffer – defined in Act on macro prudential supervision over the financial system and crisis management – that consists of:
  - Capital conservation buffer at the level of 2.5%,
  - Other systemically important institution buffer (OSII) – at the level of 0.25% and the value is set by KNF every year,
  - Systemic risk buffer at the level of 0%, reduced from 3% in March 2020,
  - Countercyclical buffer at the 0% level.

In February 2022, the Bank received a recommendation to maintain, on an individual and consolidated level, 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 0.89pp over the OCR value (Pillar II Guidance or "P2G"). According to the recommendation, the additional capital charge should consist of common equity Tier 1 capital (CET1 capital).

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

Capital adequacy	30.06.2022	31.03.2022	30.06.2021
Risk-weighted assets	49 819.7	48 956.9	50 677.5
Own Funds requirements, including:	3 985.6	3 916,6	4 054.2
- Credit risk and counterparty credit risk	3 473.1	3 401.2	3 584.6
- Market risk	28.0	32.4	24.6
- Operational risk	474.5	474.5	433.0
- Credit Valuation Adjustment CVA	10.0	8.4	12.0
Own Funds, including:	7 570.1	7 824.7	9 451.1
Common Equity Tier 1 Capital	6 040.1	6 294.7	7 921.1
Tier 2 Capital	1 530.0	1 530.0	1 530.0
Total Capital Ratio (TCR)	**15.19%**	**15.98%**	**18.65%**
Minimum required level	13.54%	13.54%	14.10%
Surplus (+) / Deficit (-) of TCR capital adequacy (pp)	1.65	2.44	4.55
Tier 1 Capital ratio (T1)	**12.12%**	**12.86%**	**15.63%**
Minimum required level	10.84%	10.84%	11.27%
Surplus (+) / Deficit (-) of T1 capital adequacy (pp)	1.28	2.02	4.36
Common Equity Tier 1 Capital ratio (CET1)	**12.12%**	**12.86%**	**15.63%**
Minimum required level	8.81%	8.81%	9.13%
Surplus (+) / Deficit (-) of CET1 capital adequacy (p.p.) (*)	1.28	2.02	4.36
Leverage ratio (LR)	**5.41%**	**5.66%**	**7.37%**

(*) This item is intended to show how much Common Equity Tier 1 capital is available for the combined buffer requirement and subsequent requirements in the hierarchy of capital requirements. In the case of banks subject to Pillar 2 buffers and correspondingly higher requirements relating to the Tier 1 capital ratio and the Total Capital Ratio (expressed in total risk exposure), they must use part of their surplus of Common Equity Tier 1 capital after meeting the Common Equity Tier 1 ratio (4.5% + Pillar II buffer) to meet the Tier 1 capital or total capital ratio requirements. In practical terms, this means that the surplus / deficit of CET1 capital adequacy decreases, and it becomes the surplus / deficit of T1 capital adequacy.

Drop of capital adequacy ratios in 2Q22 compared to 1Q22 came from the fall of own funds, whereas risk weighted assets / own funds requirements have been slightly increasing. Own funds went down by PLN255mn (by 3.3%), being before all a result of the recognition of net financial loss and an increase of a negative valuation of State Treasury debt securities. Own funds requirements rose by ca. PLN 69mn (by 1.8%). The leverage ratio is decreasing because of the said above reduction of own funds.

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. Having reference to that, the Bank prepared a Eurobond Issue Programme of the total nominal value not higher than EUR 3 billion, what was communicated in a current report in January 2022.

Due to expected costs generated because of the Act on crowdfunding for business ventures and assistance to borrowers, the Group assumes that for the 3rd quarter of 2022 capital ratios may fall 118-174 bps (depending on upfront cost representing between 75 to 90% of maximum potential impact above mentioned) below the minimum requirements set by KNF, on what the Group informed in the current report No. 21/2022 dated 15th July 2022.

6. OPERATIONAL SEGMENTS

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

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

Retail Customer Segment

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

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

Corporate Customer Segment

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

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

Treasury, ALM (assets and liabilities management) and Other

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

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

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

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

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

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

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

The comparable data for the first half of 2021 has been transformed into a new table layout that takes into account the separation of the FX mortgage segment.

Income statement 1.01.2022 – 30.06.2022

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Segments excluding FX mortgage	FX mortgage	TOTAL
Net interest income	1 978 647	378 022	(264 263)	2 092 406	47 515	2 139 921
Net fee and commission income	333 681	103 060	(17 236)	419 505	7 433	426 938
Dividends, other income from financial operations and foreign exchange profit	72 298	44 714	(18 890)	98 122	(228 084)	(129 962)
Result on non-trading financial assets mandatorily at fair value through profit or loss	5 571	0	(3 230)	2 341	0	2 341
Other operating income and cost	(14 365)	(2 356)	11 293	(5 428)	68 499	63 071
Operating income	2 375 832	523 440	(292 326)	2 606 946	(104 637)	2 502 309
Staff costs	(350 251)	(78 204)	(16 974)	(445 429)	0	(445 429)
Administrative costs, including:	(451 811)	(39 383)	(96 723)	(587 917)	(25 483)	(613 400)
- BGF and protection scheme costs	*(281 368)*	*(7 574)*	*(83 430)*	*(372 372)*	*0*	*(372 372)*
Depreciation and amortization	(87 880)	(13 830)	(2 517)	(104 227)	0	(104 227)
Operating expenses	(889 942)	(131 417)	(116 214)	(1 137 573)	(25 483)	(1 163 056)
Impairment losses on assets	(146 303)	2 900	(2 969)	(146 372)	(4 172)	(150 544)
Results on modification	(9 230)	426	0	(8 804)	0	(8 804)
Provisions for legal risk connected with FX mortgage loans	0	0	0	0	(1 014 630)	(1 014 630)
Total operating result	**1 330 357**	**395 349**	**(411 509)**	**1 314 197**	**(1 148 922)**	**165 275**
Share in net profit of associated companies						0
Banking tax						(168 824)
Profit / (loss) before income tax						**(3 549)**
Income taxes						(259 052)
Profit / (loss) after taxes						**(262 601)**

Balance sheet items as at 30.06.2022

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Segments excluding FX mortgage	FX mortgage	TOTAL
Loans and advances to customers	54 271 052	16 791 720	0	71 062 772	8 279 085	**79 341 857**
Liabilities to customers	70 419 655	25 538 958	163 416	96 122 029	0	**96 122 029**

Income statement 1.01.2021 – 30.06.2021

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Segments excluding FX mortgage	FX mortgage	TOTAL
Net interest income	793 824	144 943	288 517	1 227 284	49 882	1 277 166
Net fee and commission income	315 410	96 240	2 427	414 077	10	414 087
Dividends, other income from financial operations and foreign exchange profit	47 364	35 015	7 141	89 520	(71 547)	17 973
Result on non-trading financial assets mandatorily at fair value through profit or loss	(5 991)	0	16 451	10 460	0	10 460
Other operating income and cost	(10 620)	(3 906)	3 667	(10 859)	74 627	63 768
Operating income	1 139 987	272 292	318 203	1 730 482	52 972	1 783 454
Staff costs	(324 061)	(71 452)	(15 501)	(411 014)	0	(411 014)
Administrative costs, including:	(184 111)	(31 756)	(61 551)	(277 418)	(16 757)	(294 175)
- BGF costs	*(33 725)*	*(952)*	*(48 640)*	*(83 316)*	*0*	*(83 316)*
Depreciation and amortization	(85 797)	(12 558)	(2 320)	(100 675)	0	(100 675)
Operating expenses	(593 969)	(115 766)	(79 372)	(789 107)	(16 757)	(805 864)
Impairment losses on assets	(106 768)	(13 321)	(4 907)	(124 996)	4 208	(120 788)
Results on modification	(6 711)	(20)	0	(6 731)	0	(6 731)
Provisions for legal risk connected with FX mortgage loans	0	0	0	0	(1 047 044)	(1 047 044)
Total operating result	**432 539**	**143 185**	**233 924**	**809 648**	**(1 006 621)**	**(196 973)**
Share in net profit of associated companies						0
Banking tax						(151 968)
Profit / (loss) before income tax						**(348 941)**
Income taxes						(162 707)
Profit / (loss) after taxes						**(511 648)**

Balance sheet items as at 31.12.2021

In '000 PLN	Retail Banking	Corporate Banking	Treasury. ALM & Other	Segments excluding FX mortgage	FX mortgage	TOTAL
Loans and advances to customers	52 364 612	16 441 570	0	68 806 182	9 797 144	**78 603 326**
Liabilities to customers	70 999 352	20 208 669	239 494	91 447 515	0	**91 447 515**

7. TRANSACTIONS WITH RELATED ENTITIES

All and any transactions between entities of the Group in I half 2022 resulted from the current operations.

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

7.1. TRANSACTIONS WITH THE PARENT GROUP

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

	With parent company		With other entities from parent group	
	30.06.2022	31.12.2021	30.06.2022	31.12.2021
ASSETS				
Loans and advances to banks - accounts and deposits	4 324	611	0	0
Financial assets held for trading	0	0	0	0
Hedging derivatives	0	0	0	0
Other assets	0	0	0	0
LIABILITIES				
Loans and deposits from banks	82	100	0	0
Debt securities	0	0	0	0
Financial liabilities held for trading	8	159	0	0
Hedging derivatives	0	0	0	0
Other liabilities	0	0	68	65

	With parent company		With other entities from parent group	
	2022	2021	2022	2021
Income from:				
Interest	(138)	(133)	0	0
Commissions	96	40	0	0
Financial assets and liabilities held for trading	0	0	0	0
Expense from:				
Interest	76	0	0	(155)
Commissions	0	0	0	0
Financial assets and liabilities held for trading	8	315	0	0
Other net operating	0	5	0	0
Administrative expenses	0	0	124	7

	With parent company		With other entities from parent group	
	30.06.2022	31.12.2021	30.06.2022	31.12.2021
Conditional commitments	105 364	103 198	0	0
granted	102 583	101 500	0	0
obtained	2 781	1 698	0	0
Derivatives (par value)	14 309	14 675	0	0

7.2. TRANSACTIONS WITH THE MANAGING AND SUPERVISING PERSONS

	30.06.2022	31.12.2021
Total debt limit (in '000 PLN)	236.0	211.5
- including an unutilized limit (in '000 PLN)	180.4	145.2
Mortgage loans and credits	-	-
Active guarantees	-	-
Members of the Supervisory Board	**30.06.2022**	**31.12.2021**
Total debt limit (in '000 PLN)	111.0	112.0
- including an unutilized limit (in '000 PLN)	105.2	64.2
Mortgage loans and credits	-	-
Active guarantees	-	-

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

7.3. INFORMATION ON COMPENSATIONS AND BENEFITS OF THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARDS

Remuneration costs (including provisions charged) and benefits incurred by the Bank in favour of the Members of the Management Board (data in thousand PLN):

Period	Short term salaries	Benefits	TOTAL
1.01-30.06.2022	4 688	1 042	5 729
1.01-30.06.2021	5 250	1 084	6 334

The benefits are mainly the costs of accommodation of the foreign Members of the Management Board.

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

Period	Short term salaries and benefits
1.01-30.06.2022	1 041
1.01-30.06.2021	1 167

7.4. BALANCE OF THE BANK'S SHARES HELD BY THE BANK'S SUPERVISORY AND MANAGEMENT BOARD MEMBERS

Name and surname	Position/Function	Number of shares as of delivery date of semi-annual report 2022	including received under the incentive program blocked on investment accounts until 13.04.2023
Joao Nuno Lima Bras Jorge	Chairman of the Management Board,	**380 259**	101 359
Fernando Maria Cardoso Rodrigues Bicho	Deputy Chairman of the Management Board,	**176 252**	74 684
Wojciech Haase	Member of the Management Board	**151 107**	60 854
Andrzej Gliński	Member of the Management Board	**113 613**	60 854
Wojciech Rybak	Member of the Management Board	**143 613**	60 854
Antonio Ferreira Pinto Junior	Member of the Management Board	**143 613**	60 854
Jarosław Hermann	Member of the Management Board	**98 613**	60 854

Name and surname	Position/Function	Number of shares as of delivery date of annual report for year 2021	including received under the incentive program blocked on investment accounts until 14.06.22
Joao Nuno Lima Bras Jorge	Chairman of the Management Board	**278 900**	31 879
Fernando Maria Cardoso Rodrigues Bicho	Deputy Chairman of the Management Board	**101 568**	25 316
Wojciech Haase	Member of the Management Board	**90 253**	20 628
Andrzej Gliński	Member of the Management Board	**52 759**	20 628
Wojciech Rybak	Member of the Management Board	**82 759**	20 628
Antonio Ferreira Pinto Junior	Member of the Management Board	**82 759**	20 628
Jarosław Hermann	Member of the Management Board	**37 759**	20 628

The Bank made a transaction of purchasing its own shares in order to fulfill the obligations arising from the allocation of shares to employees or members of the Management Board of the Bank or the Group.

In connection with the above, from 5 October 2022 to 10 May 2022, 976,881 own shares with a total value of PLN 4,582,003.98 and the weighted average purchase price PLN 4.690 were acquired.

Name and surname	Position/Function	Number of shares as of delivery date of semi-annual report 2022	Number of shares as of delivery date of annual report for yearf 2021
Bogusław Kott	Chairman of the Supervisory Board	1 000	1 000
Nuno Manuel da Silva Amado	Deputy Chairman of the Supervisory Board	0	0
Dariusz Rosati	Deputy Chairman and Secretary of the Supervisory Board	0	0
Miguel de Campos Pereira de Bragança	Member of the Supervisory Board	0	0
Olga Grygier-Siddons	Member of the Supervisory Board	0	0
Anna Jakubowski	Member of the Supervisory Board	0	0
Grzegorz Jędrys	Member of the Supervisory Board	0	0
Alojzy Nowak	Member of the Supervisory Board	0	0
José Miguel Bensliman Schorcht da Silva Pessanha	Member of the Supervisory Board	0	0
Miguel Maya Dias Pinheiro	Member of the Supervisory Board	0	0
Beata Stelmach	Member of the Supervisory Board	0	0
Lingjiang Xu	Member of the Supervisory Board	0	0

8. FAIR VALUE

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

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

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

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

8.1. FINANCIAL INSTRUMENTS NOT RECOGNIZED AT FAIR VALUE IN THE BALANCE SHEET

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

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

Receivables and liabilities with respect to banks

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

Loans and advances granted to customers valued at amortised cost

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

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

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

Liabilities to customers

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

Liabilities from the issuance of structured debt securities

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

Subordinated liabilities and medium term loans

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

The table below presents results of the above-described analyses as at 30.06.2022 (data in PLN thousand):

	Note	Balance sheet value	Fair value
ASSETS MEASURED AT AMORTISED COST			
Debt securities	15	1 615 236	1 505 451
Deposits, loans and advances to banks and other monetary institutions	15	1 080 106	1 079 667
Loans and advances to customers*	14	79 152 044	76 823 757
LIABILITIES MEASURED AT AMORTISED COST			
Liabilities to banks and other monetary institutions	19	546 837	546 016
Liabilities to customers	20	96 122 029	96 071 239
Debt securities issued	22	0	0
Subordinated debt	23	1 553 635	1 549 576

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

Models used for determination of the fair value of financial instruments presented in the above table and not recognized at fair value in Group's balance sheet, use techniques based on parameters not derived from the market. Therefore, they are considered as the third level of valuation. The fair value of Treasury bonds held to maturity was calculated on market quotations basis and is included in the first level of the valuation category.

The table below presents data as at 31.12.2021 (data in PLN thousand):

	Note	Balance sheet value	Fair value
ASSETS MEASURED AT AMORTISED COST			
Debt securities	15	37 088	37 764
Deposits, loans and advances to banks and other monetary institutions	15	770 531	770 446
Loans and advances to customers*	14	78 240 334	76 143 058
LIABILITIES MEASURED AT AMORTISED COST			
Liabilities to banks and other monetary institutions	19	539 408	538 811
Liabilities to customers	20	91 447 515	91 385 178
Debt securities issued	22	39 568	40 148
Subordinated debt	23	1 541 144	1 538 598

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

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

Data in PLN'000, as at 30.06.2022

	Note	Quoted market prices	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs
		Level 1	Level 2	Level 3
ASSETS				
Financial assets held for trading	12			
Valuation of derivatives			147 211	73 654
Equity instruments		105		
Debt securities		30 474		
Non-trading financial assets mandatorily at fair value through profit or loss	14			
Equity instruments			53 483	66 609
Debt securities				128 993
Loans and advances				189 813
Financial assets at fair value through other comprehensive income	13			
Equity instruments		263		28 528
Debt securities		17 672 283	85 000	
Derivatives – Hedge accounting	16		0	
LIABILITIES				
Financial liabilities held for trading	12			
Valuation of derivatives			164 195	74 554
Short positions		10 208		
Derivatives – Hedge accounting	16		832 073	

Data in PLN'000, as at 31.12.2021

	Note	Quoted market prices	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs
		Level 1	Level 2	Level 3
ASSETS				
Financial assets held for trading	12			
Valuation of derivatives			56 892	29 008
Equity instruments		145		
Debt securities		86 438		
Non-trading financial assets mandatorily at fair value through profit or loss	14			
Equity instruments			71 795	66 609
Debt securities				127 499
Loans and advances				362 992
Financial assets at fair value through other comprehensive income	13			
Equity instruments		290		28 437
Debt securities		17 933 983	34 990	
Derivatives - Hedge accounting	16		14 385	
LIABILITIES				
Financial liabilities held for trading	12			
Valuation of derivatives			96 918	29 483
Short positions		16 614		
Derivatives - Hedge accounting	16		614 573	

Using the criterion of valuation techniques as at 30.06.2022 Group classified into the third category following financial instruments:

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

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

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

	Indexes options	Options embedded in securities issued and deposits	Shares	Debt securities	Loans and advances
Balance on 01.01.2022	**28 397**	**(28 872)**	**95 046**	**127 499**	**362 992**
Settlement/sell/purchase	47 076	(46 458)	85	0	(195 371)
Change of valuation recognized in equity	0	0	0	0	0
Interest income and other of similar nature	0	0	0	0	16 621
Results on financial assets and liabilities held for trading	(2 951)	1 908	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	1 494	5 571
Result on exchange differences	0	0	6	0	0
Balance on 30.06.2022	**72 522**	**(73 422)**	**95 137**	**128 993**	**189 813**

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

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

	Indexes options	Options embedded in securities issued and deposits	Shares	Debt securities	Loans and advances
Balance on 01.01.2021	**19 911**	**(19 559)**	**95 827**	**50 335**	**1 615 753**
Settlement/sell/purchase	4 158	(5 055)	3	0	(1 348 014)
Change of valuation recognized in equity	0	0	(785)	0	0
Interest income and other of similar nature	0	0	0	0	55 372
Results on financial assets and liabilities held for trading	4 328	(4 258)	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	77 164	39 881
Result on exchange differences	0	0	0	0	0
Balance on 31.12.2021	**28 397**	**(28 872)**	**95 046**	**127 499**	**362 992**

9. CONTINGENT LIABILITIES AND ASSETS

9.1. LAWSUITS

Below please find the data on the court cases pending, brought up by and against entities of the Group. A separate category are the proceedings related to the activities of the Tax Control Authority described in **Chapter 4. note 11) "Corporate Income Tax"**.

Court cases brought up by the Group

Value of the court litigations, as at 30.06.2022, in which the companies of the Group were a plaintiff, totalled PLN 730.2 million. The increase in the value of the subject of litigation in cases brought by the Bank in relation to previous periods results from the fact of filing lawsuits against FX mortgage loan customers.

Proceedings on infringement of collective consumer interests

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

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

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

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

The Bank lodged an appeal within the statutory time limit.

On January 7, 2020, the first instance court dismissed the Bank's appeal in its entirety. The bank appealed against the judgment within the statutory deadline. The court presented the view that the judgment issued in the course of the control of a contractual template (in the course of an abstract control), recognizing the provisions of the template as abusive, determines the abusiveness of similar provisions in previously concluded contracts. Therefore, the information provided to consumers was incorrect and misleading. As regards the penalty imposed by OPCC, the court pointed out that the policy of imposing penalties by the Office had changed in the direction of tightening penalties and that the court agrees with this direction.
In the Bank's assessment, the Court should not assess the Bank's behaviour in 2015 from the perspective of today's case-law views on the importance of abstract control (it was not until January 2016 that the Supreme Court's resolution supporting the view of the OPCC Chairman was published), the more penalties for these behaviours should not be imposed using current policy. The above constitutes a significant argument against the validity of the judgment and supports the appeal which the Bank submitted to the Court of second instance.
The second instance court, in its judgment of February 24, 2022, completely revoked the decision of the OPCC Chairman. The OPCC Chairman may file a cassation appeal against the judgment. The deadline for submitting a cassation complaint by OPCC Chairman is the beginning of August this year.

Proceedings on competition-restricting practice

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

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

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

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

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

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

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

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

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

The decision is not final and binding. The Bank appealed against the said decision within statutory term.

On March 31, 2022, the first instance court revoked the entire decision of the Chairman of the OPCC. On May 23, 2022, the Chairman of the OPCC filed an appeal. The case is pending.

The Bank believes that chances for it to win the case are positive.

Court cases against the Group

As at 30.06.2022, the most important proceedings, in the group of the court cases where the Group's companies were defendant, were following:

- The Bank is a defendant in three court proceedings in which the subject of the dispute is the amount of the interchange fee. In two of the abovementioned cases, the Bank was sued jointly and severally with another bank, and in one with another bank and card organizations. The total value of claims submitted in these cases is PLN 729.6 million. The proceedings with the highest value of the submitted claim are brought by PKN Orlen SA, in which the plaintiff demands payment of PLN 635.7 million. The plaintiff in this proceeding alleges that the banks acted under an agreement restricting competition on the acquiring services market by jointly setting the level of the national interchange fee in the years 2006-2014. In the other two cases, the charges are similar to those raised in the case brought by PKN Orlen SA, while the period of the alleged agreement is indicated for the years 2008-2014. According to current estimates of the risk of losing a dispute in these matters, the Bank did not create a provision. In addition, we point out that the Bank participates as a side intervener in four other proceedings regarding the interchange fee. Other banks are the defendant. Plaintiffs in these cases also accuse banks of acting as part of an agreement restricting competition on the acquiring services market by jointly setting the level of the national interchange fee in the years 2008-2014.

- A lawsuit brought up by Europejska Fundacja Współpracy Polsko-Belgijskiej/European Foundation for Polish-Belgian Cooperation (EFWP-B) against Bank Millennium S.A., worth of the dispute 521.9 million PLN with statutory interest from 05.04.2016 until the day of payment. The plaintiff filed the suit dated 23.10.2015 to the Regional Court in Warsaw; the suit was served to the Bank on 04.04.2016. According to the plaintiff, the basis for the claim is damage to their assets, due to the actions taken by the Bank and consisting in the wrong interpretation of the Agreement for working capital loan concluded between the Bank and PCZ S.A., which resulted in placing the loan on demand. In the case brought by EFWP-B, the plaintiff moved for securing the claim in the amount of 250.0 million PLN. The petition was dismissed on 5.09.2016 with legal validity by the Appellate Court. The Bank is requesting complete dismissal of the suit, stating disagreement with the charges raised in the claim. Supporting the position of the Bank, the Bank's attorney submitted a binding copy of final verdict of Appeal Court in Wrocław favourable to the Bank, issued in the same legal state in the action brought by PCZ SA against the Bank. At present, the Court of first instance is conducting evidence proceedings.

As at 30.06.2022, the total value of the subjects of the other litigations in which the Group appeared as defendant, stood at PLN 3,075.2 million (excluding the class actions described below and in the **Chapter 10**). In this group the most important category are cases related with FX loans mortgage portfolio and cases related to forward transactions (option cases).

The class action related to the LTV insurance:

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

Actual status:

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

By the resolution of 1 April 2020 the court established the composition of the group as per request of the plaintiff and decided to take witness evidence in writing and called on the parties to submit questions to the witnesses. The Bank submitted a pleading with questions to witnesses in July 2020. Currently, the court is collecting written testimony from witnesses. The date of the hearing has not been set at the moment.

As at 30 June 2022, there were also 270 individual court cases regarding LTV insurance (cases in which only a claim for the reimbursement of the commission or LTV insurance fee is presented).

Lawsuits filed by Financial Ombudsman for discontinuation of unfair market practices

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

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

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

FX mortgage loans legal risk

FX mortgage loans legal risk is described in the **Chapter 10.** "Legal risk related to foreign currency mortgage loans".

9.2. OFF – BALANCE ITEMS

Amount '000 PLN	30.06.2022	31.03.2022	31.12.2021	30.06.2021
Off-balance conditional commitments granted and received	**15 723 210**	**15 923 016**	**16 007 921**	**15 634 722**
Commitments granted:	13 372 384	13 588 180	13 882 138	13 886 478
loan commitments	11 460 363	11 375 887	12 034 696	12 155 238
guarantee	1 912 021	2 212 293	1 847 442	1 731 240
Commitments received:	2 350 827	2 334 836	2 125 784	1 748 244
financial	59 301	315 515	40 000	452
guarantee	2 291 526	2 019 321	2 085 784	1 747 792

10. LEGAL RISK RELATED TO FOREIGN CURRENCY MORTGAGE LOANS

10.1. COURT CLAIMS AND CURRENT PROVISIONS ON LEGAL RISK

On June 30, 2022, the Bank had 13,902 loan agreements and additionally 1,103 loan agreements from former Euro Bank (87% loans agreements before the Court of first instance and 13% loans agreements before the court of second instance) under individual ongoing litigations (excluding claims submitted by the bank against clients i.e. debt collection cases) concerning indexation clauses of FX mortgage loans submitted to the courts with the total value of claims filed by the plaintiffs amounting to PLN 2,146.9 million and CHF 164.4 million (Bank Millennium portfolio: PLN 1,980.6 million and CHF 161.3 million and former Euro Bank portfolio: PLN 166.3 million and CHF 3.0 million).

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

In addition, the Bank is a party to the group proceedings (class action) subject matter of which is to determine the Bank's liability towards the group members based on unjust enrichment (undue benefit) ground in connection with the foreign currency mortgage loans concluded. It is not a payment dispute. The judgment in these proceedings will not grant any amounts to the group members. The number of credit agreements covered by these proceedings iswas originally 3,281. At the current stage, the composition of the group has been established and confirmed by the court. On 2 February 2022 the court dismissed the Bank's evidentiary motions regarding witnesses, court-appointed experts, private expert reports, as well as part of the documents submitted by the Bank, and ordered the parties to submit in writing their final positions in the case prior to issuing the judgment in a closed hearing. The judgment has not been issued yet. On 24 May 2022 the court issued a decision changing the composition of the group, thus limiting the number credit agreements involved to 3,272, as well as a judgment on the merits, dismissing the claim in full. Both parties requested a written justification of the judgment. Upon receiving the written justification, the claimant will be able to appeal the judgment. The judgment is not yet final.

The pushy advertising campaign observed in the public domain affects the number of court disputes. Until the end of 2019, 1,981 individual claims were filed against the Bank (in addition, 236 against former Euro Bank), in 2020 the number increased by 3,005 (265), in 2021 the number increased by 6,151 (421), while in the 1st half of 2022 the number increased by 3,126 (211).

Based on ZBP (the Polish Banking Association) data gathered from all banks having FX mortgage loans, vast majority of disputes were finally resolved in favour of banks until 2019 year. However, after the Court of Justice of the European Union (CJEU) judgment issued on 3 October 2019 (Case C-260/18) the proportion have adversely changed and vast majority of court cases have been lost by banks, particularly in first instance proceedings. As far as the Bank itself is concerned, until 30 of June 2022 only 593 cases were finally resolved (540 in claims submitted by clients against the Bank and 53 in claims submitted by the Bank against clients i.e. debt collection cases). 46% of finalised individual lawsuits against the Bank were favourable for the Bank including remissions and settlements with plaintiffs. Unfavourable rulings (54%) included both invalidation of loan agreements as well as conversions into PLN+LIBOR. The Bank submits cassation appeals to the Supreme Court against unfavourable for the Bank legally binding verdicts. On the other hand, the statistics of first instance court decisions have been much more unfavourable in recent periods and its number has also increased. In general, the Bank submits appeals against 1st instance negative court rulings.

The outstanding gross balance of the loan agreements under individual court cases and class action against the Bank on 30.06.2022 was PLN 5,180 million (of which the outstanding amount of the loan agreements under the class action proceeding was 959 million PLN).

If all Bank Millennium's loan agreements currently under individual and class action court proceedings would be declared invalid without proper compensation for the use of capital, the pre-tax cost could reach PLN 4,925 million. Overall losses would be higher or lower depending on the final court jurisprudence in this regard.

In II quarter 2022 the Bank created PLN 467.4 million provisions and PLN 48.0 million for former Euro Bank originated portfolio. The balance sheet value of provisions for the Bank Millennium portfolio at the end of June 2022 was at the level of PLN 4,154.5 million, and PLN 341.8 million for former Euro Bank originated portfolio.

The methodology developed by the Bank is based on the following main parameters:

(1) the number of current (including class action) and potential future court cases that will appear within a specified (three-year) time horizon,

(2) the amount of the Bank's potential loss in the event of a specific court judgment three negative judgment scenarios were taken into account:

- invalidity of the agreement
- average NBP
- PLN + LIBOR

(3) the probability of obtaining a specific court verdict calculated on the basis of statistics of judgments of the banking sector in Poland and legal opinions obtained. Variation in the level of provisions or concrete losses will depend on the final court decisions about each case and on the number of court cases.

(4) in the case of a loan agreement invalidity scenario, a component recognized in the methodology, taking legal assessments into consideration, is the calculation of the Bank's loss taking into account the assignment of a minimum probability of receiving the settlement of a remuneration for the cost of use of capital.

(5) new component recognized in the methodology is the amicable settlement with clients in or out of court. Notwithstanding the Bank's determination to continue taking all possible actions to protect its interests in courts, the Bank has been open to its customers in order to reach amicable solutions on negotiated terms, case by case, providing favourable conditions for conversion of loans to PLN and / or early repayment (partial or total). As a result of these negotiations the number of active FX mortgage loans was materially reduced in 2021 and in 1st half 2022. As the Bank is still conducting efforts to further signing of agreements which involved some costs, a scenario of further materialization of negotiations was added. However, it should be noted that:

a. negotiations are conducted on a case-by-case basis and can be stopped at any time by the Bank
b. as the effort was material in 2021 and in 1st half 2022, the probability of success may be lower in the future and at the same time, gradually most of the client base has had contact with the Bank regarding potential negotiation of the conversion of the loans to PLN, so the Bank is taking a conservative approach when calculating the potential future impact for the time being.

Legal risk from former Euro Bank portfolio is fully covered by Indemnity Agreement with Societe Generale.

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

Parameter	Scenario	Impact on loss due to legal risk related to the portfolio of mortgage loans in convertible currencies
Change in the number of lawsuits	Additionally, 1 p.p. of active clients file a lawsuit against the Bank	PLN 64 million
Change in the probability of winning a case	The probability of the Bank winning a case is lower by 1 p.p	PLN 43 million
Change in estimated losses for each variant of the judgment	Increase in losses for each variant of the judgment by 1 p.p	PLN 41 million

The Bank is open to negotiate case by case favourable conditions for early repayment or conversion of loans to PLN. As a result of these negotiations the number of active FX mortgage loans decreased by 8,449 in 2021 and 4,456 in the 1st half of 2022 compared to over 47,500 active loans at the end of 2021. Cost incurred in conjunctions with these negotiations totalled PLN 364.3 million in 2021 and PLN 233.3 million in the 1st half of 2022 is presented mainly in ‘Result on exchange differences’ in the profit and loss statement.

Finally it should also be mentioned, that the Bank, as at 30.06.2022, had to maintain additional own funds for the coverage of additional capital requirements related to FX mortgage portfolio risks (Pillar II FX buffer) in the amount of 2.82 p.p. (2.79 p.p. at the Group level), part of which is allocated to operational/legal risk.

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

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

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

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

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

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

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

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

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

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

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

It can reasonably be assumed that the legal issues relating to foreign currency mortgage loans will be further examined by the national courts within the framework of disputes considered which would possibly result in the emergence of further interpretations, which are relevant for the assessment of the risks associated with subject matter proceedings. This circumstance indicates the need for constant analysis of these matters. Further request for clarification and ruling addressed to the European Court of Justice and Polish Supreme Court have already been filed and may still be filed with potential impact on the outcome of the court cases.

10.2. EVENTS THAT MAY IMPACT FX MORTGAGE LEGAL RISK AND RELATED PROVISION

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

On 11 May the Civil Chamber of the Supreme Court requested opinions on Swiss franc mortgage loans from five institutions including the National Bank of Poland (NBP), the Polish Financial Supervision Authority (UKNF), the Commissioner for Human Rights, the Children's Rights Ombudsman and the Financial Ombudsman.

The positions of: the Commissioner for Human Rights, the Children's Rights Ombudsman and the Financial Ombudsman are in general favorable to consumers, while the National Bank of Poland and the Polish Financial Supervision Authority present a more balanced position, including fair principles of treatment of FX mortgage borrowers vis-à-vis PLN mortgage borrowers, as well as balanced economic aspects regarding solutions for the problem that could be considered by the Supreme Court.

In the next meeting of the Supreme Court that took place on 2 September 2021, the Court did not address the answers to the submitted questions and no new meeting date is known. The Bank will assess in due time the implications of the decisions of the Supreme Court on the level of provisions for the legal risk.

In August 2021, the CJEU was asked for a preliminary ruling (C-520/21) whether, in the event that a loan agreement concluded by a bank and a consumer is deemed invalid from the beginning due to unfair contract terms, the parties, in addition to the reimbursement of the money paid in contracts (bank - loan capital, consumer - installments, fees, commissions and insurance premiums) and statutory interest for delay from the moment of calling for payment, may also claim any other benefits, including receivables in particular, remuneration, compensation, reimbursement of costs or valorization of the performance. The hearing has been set for October 12, 2022.

Notwithstanding the above there are a number of questions addressed by polish courts to the European Court of Justice which may be relevant for the outcome of the court disputes in Poland.

The subject matter questions relate, in particular, to:

- the possibility of replacing of an abusive contractual clause with a dispositive law provision;

- the limitation period of a consumer claims concerning reimbursement of benefits made as performance of an agreement which has been declared to be invalid

- the possibility of declaration by the Court of abusiveness of only part of a contractual provision.

With the scope of settlements between the Bank and borrower following the fall of the loan agreement is also connected the legal issue directed to the seven-person composition of the Supreme Court (case sign: III CZP 54/21). The date of case review has not been specified yet.

The Supreme Court was also presented with the issue of whether the loan agreement is a mutual agreement in the light of the regulations concerning retention right.

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

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

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

Based on current information some of the above mentioned aspects are not likely to be fully clarified and / or achieved.

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

According to the current calculations, implementation of a solution whereby loans would be voluntarily converted to Polish zloty as if from the very beginning they had been a PLN loan bearing interest at an appropriate WIBOR rate increased by the margin historically employed for such loans, could imply provisions for the losses resulting from conversion of such loans (if all the existing portfolio would be converted) with a pre-tax impact between PLN 4,527 million to PLN 5,021 million (not audited data). The impacts can significantly change in case of variation of the exchange rate and several assumptions. Impacts on capital could be partially absorbed and mitigated by the combination of the existing surplus of capital over the current minimum requirements, the reduction of risk weighted assets and the decrease or elimination of Pillar 2 buffer.

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

11. ADDITIONAL INFORMATION

11.1. DATA ABOUT ASSETS, WHICH SECURE LIABILITIES

As at 30.06.2022 r. (PLN'000):

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	123 292
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	304 000	288 314
3.	Treasury bonds OK0423	Held to Collect and for Sale	Security of payment obligation to BFG contribution - guarantee fund	134 100	127 180
4.	Treasury bonds OK0423	Held to Collect and for Sale	Security of payment obligation to BFG contribution - compulsory resolution fund	95 500	90 572
5.	Cash	receivables	initial settlement deposit in KDPW CCP (MAGB)	5 000	5 000
6.	Cash	receivables	ASO guarantee fund (PAGB)	1 138	1 138
7.	Cash	receivables	right settlement deposit in KDPW CCP (MATS)	554	554
8.	Cash	receivables	Settlement on transactions concluded	157 675	157 675
9.	Deposits	Deposits in banks	Settlement on transactions concluded	702 051	702 051
10.	Leasing receivables	Loans and advances	Loans granted to Millennnium Leasing	192 729	192 729
		TOTAL		1 722 747	1 688 505

As at June 30, 2022, the Group had not concluded short-term transactions of Treasury securities sale with a repurchase agreement.

As at 31.12.2021 r. (PLN'000):

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	124 254
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	328 000	313 502
3.	Treasury bonds PS0425	Held to Collect and for Sale	Securing the Fund for Protection of Funds Guaranteed as part of the Bank Guarantee Fund	7 000	6 399
4.	Treasury bonds OK0423	Held to Collect and for Sale	Security of payment obligation to BFG contribution - guarantee fund	130 100	124 350
5.	Treasury bonds OK0423	Held to Collect and for Sale	Security of payment obligation to BFG contribution - compulsory resolution fund	106 500	101 793
6.	Cash	receivables	initial deposit in KDPW CCP (MAGB)	5 000	5 000
7.	Cash	receivables	ASO guarantee fund (PAGB)	398	398
8.	Cash	receivables	payment to the OTC Guarantee Fund - KDPW_CCP	8 989	8 989
9.	Cash	receivables	Settlement on transactions concluded	111 907	111 907
10.	Deposits	Deposits in banks	Settlement on transactions concluded	572 681	572 681
11.	Leasing receivables	Loans and advances	Loans granted to Millennnium Leasing	215 120	215 120
		TOTAL		1 615 696	1 584 394

Additionally, as at December 31, 2021, the Group had concluded short-term transactions (usually settled within 7 days) of Treasury securities sale with a repurchase agreement, subject of securities worth PLN 17,933 thousand.

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

Following securities (presented in the Group's balance-sheet) were underlying Sell-buy-back transactions (PLN'000):

As at 30.06.2022

Type of security	Par value	Balance sheet value
Treasury bonds	0	0
TOTAL	0	0

As at 31.12.2021

Type of security	Par value	Balance sheet value
Treasury bonds	21 347	17 933
TOTAL	21 347	17 933

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

11.3. 2021 DIVIDEND

Bank Millennium has a dividend policy of distribution between 35% and 50% of net profit, taking into account supervisory recommendations. The Bank recorded a net loss in 2021, resulting from the creation of provisions for legal risk related to FX mortgage loans, hence there was no basis for the payment of dividends. The Management Board of the Bank presented a proposal and the Ordinary General Meeting of the Bank, held on March 30, 2022, decided to allocate the amount of PLN 1,357,451,533.94 from the reserve capital to cover the loss incurred in 2021.

11.4. EARNINGS PER SHARE

Loss per share calculated for I half 2022 (and diluted loss per share) on the basis of the consolidated data amounts to -PLN 0.22.

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

Because the Bank is a public company whose shares are traded on the WSE primary market, the Bank has no detailed information about the shareholding structure as of March 31, 2022. Information on shareholders, contained in the table below, is provided on the basis of data collected in connection with the registration of shareholders entitled to participate in the Ordinary General Meeting of the Bank convened for June 30, 2022.

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

Shareholder as at 30.06.2022	Number of shares	% share in share capital	Number of votes	% share in votes at Shareholders' Meeting
Banco Comercial Portugues S.A.	607 771 505	50.10	607 771 505	50.10
Nationale-Nederlanden Otwarty Fundusz Emerytalny	99 291 000	8.18	99 291 000	8.18
Aviva Otwarty Fundusz Emerytalny Aviva Santander	72 760 000	6.00	72 760 000	6.00
Otwarty Fundusz Emerytalny PZU „Złota Jesień"	67 000 000	5.52	67 000 000	5.52
Shareholder as at 31.12.2021	**Number of shares**	**% share in share capital**	**Number of votes**	**% share in votes at Shareholders' Meeting**
Banco Comercial Portugues S.A.	607 771 505	50.10	607 771 505	50.10
Nationale-Nederlanden Otwarty Fundusz Emerytalny	99 291 825	8.18	99 291 825	8.18
Aviva Otwarty Fundusz Emerytalny Aviva Santander	72 760 035	6.00	72 760 035	6.00
Otwarty Fundusz Emerytalny PZU „Złota Jesień"	69 451 428	5.73	69 451 428	5.73

11.6. INFORMATION ABOUT LOAN SURETIES OR GUARANTEES EXTENDED BY THE GROUP

In the I half 2022, the Group did not grant any sureties or guarantees for a loan or bank loan which would cause the Group's exposure on this account as at 30 June 2022 to be significant.

11.7. SEASONALITY AND BUSINESS CYCLES

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

11.8. OTHER ADDITIONAL INFORMATION AND EVENTS AFTER THE BALANCE SHEET DATE

As at 30 June 2022, the Group has no material obligations under the purchase of property, plant and equipment and during the period covered by the condensed consolidated statements, Group did not:
- create substantial write-offs for inventories,
- conclude significant acquisitions and sales of property, plant and equipment,
- make correction of prior period errors,
- introduce significant changes in determining the fair value for financial instruments valued at fair value,
- make any reclassification of financial assets as a result of changes in purpose or use,
- change the method of determining the estimated values, which would exert a significant influence on the current interim period.

CREATION OF PROTECTION SCHEME

Management Board of the Bank informed that on 7 June 2022 it received information that the Management Boards and Supervisory Boards Alior Bank S.A., Bank Millennium S.A. Bank Polska Kasa Opieki S.A., BNP Paribas Bank Polska S.A., ING Bank Śląski S.A., mBank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Santander Bank Polska S.A. (Member Banks) had passed resolutions on consenting to submitting an application to the Polish Financial Supervision Authority for approval and recognition of the Protection Scheme, the members of which are banks operating in the form of a joint-stock company together with the draft agreement on the Protection Scheme, i.e. Member Bank's participation in the creation of the Protection Scheme referred to in Article 4(1)(9a) of the Banking Law Act of 29 August 1997 (Banking Law).

The objective of the Protection Scheme is to:
1. ensure liquidity and solvency of the Member Banks on the terms and conditions and to the extent set out in the agreement on the protection scheme; and
2. support:
   a) the resolution procedure pursued by the Bank Guarantee Fund for the bank being a joint-stock company; and
   b) acquisition of the bank being a joint-stock company under Article 146b.1 of the Banking Law.

As a result of the above, the Bank recognized in the administrative costs of the first half of 2022 a contribution to the protection system in the amount of PLN 251.7 million, at the same time, starting from the second quarter of 2022, the Bank does not recognize contributions to the Banking Guarantee Fund.

DEMERGER OF MILLENNNIUM DOM MAKLERSKI

The Bank and Millennium Dom Maklerski (100% subsidiary of the Bank) made a decision on the Demerger by way of the inclusion of the Brokerage Activity in the Bank's structures in order to integrate within a single entity the brokerage services so far provided through the Demerged Company. The decision to effectuate the Demerger is dictated by:

– an interest in improving the efficiency of the operation of the brokerage activity in the Bank's Group both in the area of institutional and retail client services;

– efforts to increase the quality and comprehensiveness of the brokerage service offer addressed to both individual and institutional clients.

The MDM Division will be effected (in third quarter of 2022) in accordance with the procedure specified in Article 529 § 1.4 of the CCC, i.e. through:

a) a transfer to the Bank of a part of the property (assets and liabilities) and the rights and obligations of the Company Being Divided in the form of an organised part of the enterprise of MDM connected with the provision of brokerage services (the "Brokerage Business"); and

b) the retaining by MDM of a part of the property (assets and liabilities) and the rights and obligations of the Company Being Divided in the form of an organised part of the enterprise of MDM connected with the remaining business activity (the "Non-Regulated Business").

The Bank's share capital will not be increased in connection with the transfer to the Bank of a part of the property (assets and liabilities) and the rights and obligations of the Company Being Divided. The MDM division plan (the "MDM Division Plan") has been made available pursuant to Article 535 § 3 of the CCC by being posted on the Bank's website at:

https://www.bankmillennium.pl/plan_podzialu_MDM

INFORMATION ON EXPECTED NEGATIVE IMPACT OF CREDIT HOLIDAYS ON 3 RD QUARTER 2022 RESULTS OF BANK MILLENNIUM S.A. CAPITAL GROUP AND ON LAUNCHING OF THE RECOVERY PLAN

The Management Board of the Bank Millennium S.A. on July 15th informed that, following the signing by the President of the Republic of Poland and announcement in the Journal of Laws of the Republic of Poland on the same day of the Act of 7 July 2022 on crowdfunding for business ventures and assistance to borrowers ('the Act'), introducing, among others, a possibility of up to 8 months of credit holidays in 2022-2023 for PLN mortgage borrowers, the Bank estimated the maximum impact of the implementation of this Act for the Group level at PLN 1,779 million (of which PLN 1,731 million at solo level and PLN 48 million at Millennium Bank Hipoteczny S.A. level) if all eligible Group's borrowers were to use such an opportunity. The Group / Bank expects to recognise an upfront cost in 3 rd quarter 2022 results in the range between 75-90% of the above amounts, which would translate in a reduction of capital ratios by approximately 300 bps. The impact of each 10% of eligible borrowers fully using the credit holidays is estimated at PLN 178 million at the Group level.

Due to costs generated as a result of the above mentioned Act, it could be reasonably assumed that the Bank will post a negative net result for the 3rd quarter of 2022 and as a result its capital ratios may fall 118-174 bps (depending on upfront cost representing between 75 to 90% of maximum potential impact above mentioned) below the current minimum requirements set by Polish Financial Supervision Authority ('PFSA'). As the emergence of risk of a breach of respective capital ratios represents a prerequisite stipulated in the art. 142 sec. 1 and 2 of the Banking Act of 29 August 1997 (Journal of Laws 2021, item 2439, i.e. 28 December 2021, as amended), on July 15th the Management Board of the Bank took a decision to launch the Recovery Plan, notifying of the fact both PFSA and Bank Guarantee Fund.

The Management Board of the Bank intends to increase capital ratios comfortably above the minimum required levels through a combination of further improvement of operational profitability and capital optimisation initiatives such as management of risk weighted assets (including securitisations).

The Act introduced also:

- ✓ a process leading to the WIBOR interest rate benchmark being replaced with a new benchmark. Act contains only a legal delegation to announce new benchmark by means of a Decree of Ministry of Finance. Due to the lack of information on the details of potential new index that will be replacing WIBOR, it is not possible to estimate the potential impact of the above changes in the future.

- ✓ contribution in amount of PLN 1,4 billion to Borrowers' Support Fund till the end of 2022 year to be made by banking sector. There is no information yet on the exact amount that the Bank will be obliged to contribute to the Fund. The Act introduces several conditions enabling the release from the obligation to make a payment to the Fund, the Bank will assess whether these conditions apply to the Bank.

OPCC PROCEEDINGS

On 18.07.2022 Bank Millennium received an order from the President of the Office for Protection of Competition and Consumers (the President of the Office) on launching of the proceedings in the matter of practices that infringe collective consumer interests, which, in the opinion of the President of the Office, relate to the manner of processing consumer notifications on unauthorized payment transactions made using a payment instrument.

In addition, the President of the Office is alleging, in the order mentioned above, that given information which is being delivered to consumers regarding the authorization of transactions, may - in the opinion of the President of the Office - mislead consumers.

According to information made public by the Office of Competition and Consumer Protection, currently similar proceedings have been initiated by the President of the Office against 4 other banks.

The Bank is analyzing the order in question. The Bank will take appropriate legal action in due course.

Date	Name and surname	Position/Function	Signature
25.07.2022	Joao Bras Jorge	Chairman of the Management Board	Signed by a qualified electronic signature
25.07.2022	Fernando Bicho	Deputy Chairman of the Management Board	Signed by a qualified electronic signature
25.07.2022	Wojciech Haase	Member of the Management Board	Signed by a qualified electronic signature
25.07.2022	Andrzej Gliński	Member of the Management Board	Signed by a qualified electronic signature
25.07.2022	Wojciech Rybak	Member of the Management Board	Signed by a qualified electronic signature
25.07.2022	Antonio Pinto Junior	Member of the Management Board	Signed by a qualified electronic signature
25.07.2022	Jarosław Hermann	Member of the Management Board	Signed by a qualified electronic signature

Condensed Interim Standalone Financial Statements of the Bank Millennium S.A. for the 6 months ended 30 June 2022

Contents

1. INTRODUCTION AND ACCOUNTING POLICY

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as adopted by European Union. The condensed consolidated interim financial statement do not include all of the information which is presented in full annual financial statements, and should be read in conjunction with the financial statements of the Bank as at and for the year ended 31 December 2021.

Pursuant to the Regulation of the Minister of Finance of March 29, 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757) the Bank is required to publish financial data for the six months ending June 30, 2022.

Condensed interim financial statements of the Bank:

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

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

In addition to financial data these condensed interim financial statements of the Bank also presents information and data that is important for appropriate assessment of the Bank’s economic and financial situation and its financial performance, and which was not included in the condensed interim consolidated statements of the Group for the six months period ended 30 June 2022. Other information and explanations presented in the condensed interim consolidated financial statements of the Group for six months period ended 30 June 2022 contain all important information, which also serves as explanatory data to these standalone statements of the Bank.

These condensed interim separate financial statements have been prepared on the assumption that the Bank will continue as going concerns.

For the semi-annual period ended June 30, 2022, the Bank incurred a financial loss. The financial loss of the Bank in the amount of PLN 256.8 million was mainly caused by the creation of provisions for legal risk related to the portfolio of foreign currency mortgage loans (excluding Euro Bank) in the amount of PLN 918.6 million, additional costs incurred with individual amicable settlements with FX mortgage borrowers and with legal costs (more information on the issue is presented in Chapter 6 “Legal risk related to foreign currency mortgage loans”). Beside of aforementioned costs the Bank incurred single-row costs of the reserve related to the establishment of the Protection Scheme amounting to PLN 203.9 million net (after taking into account the tax effect). If it were not recognized the one-off costs of the provision related to the establishment of the Protection Scheme, the Bank would have achieved a positive net profit in the 2nd quarter at the standalone level and consolidated level, which reflects the growing profit on operating activities over the quarters.

Following the signing by the President of the Republic of Poland and announcement in the Journal of Laws of the Republic of Poland on the same day of the Act of 7 July 2022 on crowdfunding for business ventures and assistance to borrowers (‘the Act’), introducing, among others, a possibility of up to 8 months of credit holidays in 2022-2023 for PLN mortgage borrowers, the Bank estimated the maximum impact of the implementation of this Act for the Group level at PLN 1,779 million (of which PLN 1,731 million at solo level and PLN 48 million at Millennium Bank Hipoteczny S.A. level) if all eligible Group’s borrowers were to use such an opportunity. The Group / Bank expects to recognise an upfront cost in 3 rd quarter 2022 results in the range between 75-90% of the above amounts, which would translate in a reduction of capital ratios by approximately 300 bps. The impact of each 10% of eligible borrowers fully using the credit holidays is estimated at PLN 178 million at the Group level.

Due to costs generated as a result of the above mentioned Act, it could be reasonably assumed that the Bank will post a negative net result for the 3rd quarter of 2022 and as a result its capital ratios may fall 118-174 bps (depending on upfront cost representing between 75 to 90% of maximum potential impact above mentioned) below the current minimum requirements set by Polish Financial Supervision Authority ('PFSA'). As the emergence of risk of a breach of respective capital ratios represents a prerequisite stipulated in the art. 142 sec. 1 and 2 of the Banking Act of 29 August 1997 (Journal of Laws 2021, item 2439, i.e. 28 December 2021, as amended), on July 15th the Management Board of the Bank took a decision to launch the Recovery Plan, notifying of the fact both PFSA and Bank Guarantee Fund.

Additionally, when the breach of combined buffer requirements will actually occur , the Bank will also submit to PFSA the Capital Protection Plan, pursuant to the Article 60 sec. 1 of the Act of 5 August 2015 on macroprudential supervision of the financial system and crisis management in the financial system (Journal of Laws of 2022, item 963, i.e. of 6 May 2022, as amended).

The Management Board of the Bank intends to increase capital ratios comfortably above the minimum required levels through a combination of further improvement of operational profitability and capital optimisation initiatives such as management of risk weighted assets (including securitisations).

The Bank will monitor, on the current basis, the financial situation and, if needed, will undertake actions to launch additional remedial activities.

The Bank would like to emphasise that the only reason for forecasted exceeding of the leading indicators of the Recovery Plan in the area of capital were external factors independent from the Bank, in the form of the announcement of the Act on Crowdfunding and the need to recognise the cost of Credit Holidays.

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

All data for the quarterly periods presented in these condensed interim separate financial statements of the Bank has not been reviewed by a Auditor.

The Management Board approved these condensed interim financial statements on 25th July 2022.

2. STANDALONE FINANCIAL DATA (BANK)

INCOME STATEMENT

Amount '000 PLN	1.01.2022 - 30.06.2022	1.04.2022 - 30.06.2022	1.01.2021 - 30.06.2021	1.04.2021 - 30.06.2021
Net interest income	2 072 827	1 141 966	1 232 136	632 643
Interest income and other of similar nature	2 483 728	1 455 257	1 292 691	661 810
Income calculated using the effective interest method	2 515 127	1 480 316	1 251 635	640 383
Interest income from Financial assets at amortised cost	2 031 107	1 197 786	1 178 160	603 919
Interest income from Financial assets at fair value through other comprehensive income	484 020	282 530	73 475	36 464
Result of similar nature to interest from Financial assets at fair value through profit or loss	(31 399)	(25 059)	41 056	21 427
Interest expenses	(410 901)	(313 291)	(60 555)	(29 167)
Net fee and commission income	376 663	182 736	360 354	180 991
Fee and commission income	463 131	229 823	431 509	218 445
Fee and commission expenses	(86 468)	(47 087)	(71 155)	(37 454)
Dividend income	44 856	2 761	51 364	2 565
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(1 265)	(397)	9 029	8 279
Results on financial assets and liabilities held for trading	(5 339)	(2 540)	(5 815)	(2 130)
Result on non-trading financial assets mandatorily at fair value through profit or loss	2 341	(8 485)	10 460	2 344
Result on hedge accounting	(3 346)	(676)	(274)	(1 164)
Result on exchange differences	(123 013)	(59 932)	11 678	(11 272)
Other operating income	123 548	57 842	101 575	67 466
Other operating expenses	(53 394)	(31 420)	(31 748)	(14 588)
Administrative expenses	(1 022 546)	(605 691)	(678 386)	(315 185)
Impairment losses on financial assets	(125 163)	(55 106)	(88 492)	(30 067)
Impairment losses on non-financial assets	(2 969)	(347)	(4 921)	(2 544)
Provisions for legal risk connected with FX mortgage loans	(1 014 630)	(515 450)	(1 047 044)	(513 641)
Result on modification	(8 804)	(5 027)	(6 731)	(3 186)
Depreciation	(101 188)	(51 119)	(96 053)	(47 260)
Share of the profit of investments in subsidiaries	0	0	0	0
Banking tax	(168 824)	(86 840)	(151 968)	(76 927)
Profit before income taxes	**(10 246)**	**(37 725)**	**(334 836)**	**(123 676)**
Corporate income tax	(246 552)	(121 974)	(155 354)	(92 274)
Profit after taxes	**(256 798)**	**(159 699)**	**(490 190)**	**(215 950)**

STATEMENT OF TOTAL COMPREHENSIVE INCOME

Amount '000 PLN	1.01.2022 - 30.06.2022	1.04.2022 - 30.06.2022	1.01.2021 - 30.06.2021	1.04.2021 - 30.06.2021
Profit after taxes	(256 798)	(159 699)	(490 190)	(215 950)
Other comprehensive income items that may be (or were) reclassified to profit or loss	(832 693)	(329 180)	(117 601)	(3 652)
Result on debt securities	(618 742)	(224 519)	(207 621)	(121 526)
Result on credit portfolio designated for pooling to Mortgage Bank	(28 935)	9 029	128 861	128 861
Hedge accounting	(185 016)	(113 690)	(38 841)	(10 987)
Other comprehensive income items that will not be reclassified to profit or loss	0	0	0	0
Actuarial gains (losses)	0	0	0	0
Result on equity instruments	0	0	0	0
Total comprehensive income items before taxes	**(832 693)**	**(329 180)**	**(117 601)**	**(3 652)**
Corporate income tax on other comprehensive income items that may be (or were) reclassified to profit or loss	158 212	62 544	22 344	694
Corporate income tax on other comprehensive income items that will not be reclassified to profit or loss	0	0	0	0
Total comprehensive income items after taxes	**(674 481)**	**(266 636)**	**(95 257)**	**(2 958)**
Total comprehensive income for the period	**(931 279)**	**(426 335)**	**(585 447)**	**(218 908)**

BALANCE SHEET

ASSETS

Amount '000 PLN	30.06.2022	31.03.2022	31.12.2021	30.06.2021
Cash, cash balances at central banks	5 810 033	8 285 941	3 179 736	2 676 407
Financial assets held for trading	251 435	288 928	173 089	226 938
Derivatives	220 961	188 449	86 651	125 627
Equity instruments	0	0	0	0
Debt securities	30 474	100 479	86 438	101 311
Non-trading financial assets mandatorily at fair value through profit or loss, other than Loans and advances to customers	249 085	257 121	265 903	158 516
Equity instruments	120 092	122 786	138 404	103 072
Debt securities	128 993	134 335	127 499	55 444
Financial assets at fair value through other comprehensive income	17 690 974	17 654 718	17 952 492	21 910 575
Equity instruments	28 524	28 437	28 433	29 212
Debt securities	17 662 450	17 626 281	17 924 059	21 881 363
Loans and advances to customers	78 472 593	78 411 041	78 237 587	75 518 014
Mandatorily at fair value through profit or loss	189 813	296 693	362 992	1 671 619
Fair valued through other comprehensive income	11 343 969	12 097 723	11 485 351	9 126 239
Valued at amortised cost	66 938 811	66 016 625	66 389 244	64 720 156
Financial assets at amortised cost other than Loans and advances to customers	3 471 062	1 951 889	1 249 240	660 924
Debt securities	1 615 236	789 465	37 088	37 057
Deposits, loans and advances to banks and other monetary institutions	1 847 603	1 136 486	943 315	605 506
Reverse sale and repurchase agreements	8 223	25 938	268 837	18 361
Derivatives – Hedge accounting	0	52 245	14 385	38 102
Investments in subsidiaries, joint ventures and associates	259 984	259 984	208 889	208 874
Tangible fixed assets	518 792	531 498	528 565	519 983
Intangible fixed assets	391 675	376 976	385 199	360 745
Income tax assets	579 860	609 268	608 395	527 078
Current income tax assets	0	11 987	377	0
Deferred income tax assets	579 860	597 281	608 018	527 078
Other assets	752 964	653 399	584 589	670 042
Non-current assets and disposal groups classified as held for sale	0	0	0	0
Total assets	**108 448 457**	**109 333 008**	**103 388 069**	**103 476 198**

LIABILITIES AND EQUITY

Amount '000 PLN	30.06.2022	31.03.2022	31.12.2021	30.06.2021
LIABILITIES				
Financial liabilities held for trading	248 615	219 046	143 409	77 599
Derivatives	238 407	198 223	126 795	66 504
Liabilities from short sale of securities	10 208	20 823	16 614	11 095
Financial liabilities measured at amortised cost	98 149 890	99 442 016	93 417 725	92 344 609
Liabilities to banks and other monetary institutions	257 811	369 889	186 247	334 784
Liabilities to customers	96 338 444	97 523 807	91 672 296	90 198 950
Sale and repurchase agreements	0	27	18 038	0
Debt securities issued	0	0	0	270 994
Subordinated debt	1 553 635	1 548 293	1 541 144	1 539 881
Derivatives – Hedge accounting	832 073	661 003	614 573	251 303
Provisions	757 973	720 978	594 405	407 363
Pending legal issues	719 029	680 056	549 450	360 592
Commitments and guarantees given	38 944	40 922	44 955	46 771
Income tax liabilities	24 670	0	0	13 580
Current income tax liabilities	24 670	0	0	13 580
Deferred income tax liabilities	0	0	0	0
Other liabilities	2 738 957	2 162 728	1 985 775	2 134 853
Total Liabilities	**102 752 178**	**103 205 771**	**96 755 887**	**95 229 307**
EQUITY				
Share capital	1 213 117	1 213 117	1 213 117	1 213 117
Own shares	(21)	(21)	(21)	(3 386)
Share premium	1 147 241	1 147 241	1 147 241	1 147 241
Accumulated other comprehensive income	(1 320 168)	(1 053 532)	(645 686)	101 752
Retained earnings	4 656 110	4 820 432	4 917 531	5 788 167
Total equity	5 696 279	6 127 237	6 632 182	8 246 891
Total equity and total liabilities	**108 448 457**	**109 333 008**	**103 388 069**	**103 476 198**

Book value of net assets	5 696 279	6 127 237	6 632 182	8 246 891
Number of shares (pcs.)	1 213 116 777	1 213 116 777	1 213 116 777	1 213 116 777
Book value per share (in PLN)	4.70	5.05	5.47	6.80

STATEMENT OF CHANGES IN EQUITY

Amount '000 PLN	Total equity	Share capital	Own Shares	Share premium	Accumulated other comprehensive income	Retained earnings	
						Unappropriated result	Other reserves
01.01.2022 - 30.06.2022							
Equity at the beginning of the period	**6 632 182**	**1 213 117**	**(21)**	**1 147 241**	**(645 686)**	**(1 357 452)**	**6 274 983**
Total comprehensive income for the period (net)	(931 280)	0	0	0	(674 482)	(256 798)	0
net profit/ (loss) of the period	(256 798)	0	0	0	0	(256 798)	0
valuation of debt securities	(501 182)	0	0	0	(501 182)	0	0
Valuation of credit portfolio designated for pooling to Mortgage Bank	(23 437)	0	0	0	(23 437)	0	0
hedge accounting	(149 863)	0	0	0	(149 863)	0	0
Purchase and transfer of own shares to employees	(4 623)	0	0	0	0	0	(4 623)
Transfer between items of reserves	0	0	0	0	0	1 357 452	(1 357 452)
Equity at the end of the period	**5 696 279**	**1 213 117**	**(21)**	**1 147 241**	**(1 320 168)**	**(256 798)**	**4 912 908**
01.04.2022 - 30.06.2022							
Equity at the beginning of the period	**6 127 237**	**1 213 117**	**(21)**	**1 147 241**	**(1 053 532)**	**(97 099)**	**4 917 531**
Total comprehensive income for the period (net)	(426 335)	0	0	0	(266 636)	(159 699)	0
net profit/ (loss) of the period	(159 699)	0	0	0	0	(159 699)	0
valuation of debt securities	(181 860)	0	0	0	(181 860)	0	0
Valuation of credit portfolio designated for pooling to Mortgage Bank	7 313	0	0	0	7 313	0	0
hedge accounting	(92 089)	0	0	0	(92 089)	0	0
Purchase and transfer of own shares to employees	(4 623)	0	0	0	0	0	(4 623)
Transfer between items of reserves	0	0	0	0	0	0	0
Equity at the end of the period	**5 696 279**	**1 213 117**	**(21)**	**1 147 241**	**(1 320 168)**	**(256 798)**	**4 912 908**
01.01.2021 - 31.12.2021							
Equity at the beginning of the period	**8 835 703**	**1 213 117**	**(21)**	**1 147 241**	**197 009**	**18 579**	**6 259 778**
Total comprehensive income for the period (net)	(2 200 147)	0	0	0	(842 695)	(1 357 452)	0
net profit/ (loss) of the period	(1 357 452)	0	0	0	0	(1 357 452)	0
valuation of debt securities	(791 682)	0	0	0	(791 682)	0	0
valuation of shares	(636)	0	0	0	(636)	0	0
valuation of loans portfolio dedicated for pooling to Mortgage Bank	216 334	0	0	0	216 334	0	0
hedge accounting	(270 938)	0	0	0	(270 938)	0	0
actuarial gains (losses)	4 227	0	0	0	4 227	0	0
Purchase and transfer of own shares to employees	(3 374)	0	0	0	0	0	(3 374)
Transfer between items of reserves	0	0	0	0	0	(18 579)	18 579
Equity at the end of the period	**6 632 182**	**1 213 117**	**(21)**	**1 147 241**	**(645 686)**	**(1 357 452)**	**6 274 983**
01.01.2021 - 30.06.2021							
Equity at the beginning of the period	**8 835 703**	**1 213 117**	**(21)**	**1 147 241**	**197 009**	**18 579**	**6 259 778**
Total comprehensive income for the period (net)	(585 447)	0	0	0	(95 257)	(490 190)	0
net profit/ (loss) of the period	(490 190)	0	0	0	0	(490 190)	0
valuation of debt securities	(168 173)	0	0	0	(168 173)	0	0
Valuation of credit portfolio designated for pooling to Mortgage Bank	104 377	0	0	0	104 377	0	0
hedge accounting	(31 461)	0	0	0	(31 461)	0	0
Purchase and transfer of own shares to employees	(3 365)	0	(3 365)	0	0	0	0
Transfer between items of reserves	0	0	0	0	0	(18 579)	18 579
Equity at the end of the period	**8 246 891**	**1 213 117**	**(3 386)**	**1 147 241**	**101 752**	**(490 190)**	**6 278 357**

CASH FLOW STATEMENT

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	1.01.2022 - 30.06.2022	1.04.2022 - 30.06.2022	1.01.2021 - 30.06.2021	1.04.2021 - 30.06.2021
Profit (loss) after taxes	(256 798)	(159 699)	(490 190)	(215 950)
Total adjustments:	5 260 773	(1 080 328)	5 522 617	(47 615)
Interest received	2 289 574	1 319 653	1 294 525	679 528
Interest paid	(317 857)	(238 132)	(59 813)	(23 890)
Depreciation and amortization	101 188	51 119	96 053	47 260
Foreign exchange (gains)/ losses	0	0	0	0
Dividends	(44 856)	(2 761)	(51 364)	(2 565)
Changes in provisions	163 568	36 995	248 992	(64 816)
Result on sale and liquidation of investing activity assets	1 974	590	(7 818)	(7 712)
Change in financial assets held for trading	(241 958)	(14 393)	175 819	215 536
Change in loans and advances to banks	(776 305)	(768 365)	284 875	53 260
Change in loans and advances to customers	(2 303 337)	(1 208 461)	(3 497 398)	(1 805 476)
Change in receivables from securities bought with sell-back clause (loans and advances)	251 461	11 753	47 989	5 762
Change in financial liabilities valued at fair value through profit and loss (held for trading)	322 706	200 639	(578 507)	(240 564)
Change in deposits from banks	87 085	(106 611)	(222 061)	(45 004)
Change in deposits from customers	4 950 013	(969 038)	8 422 232	1 667 492
Change in liabilities from securities sold with buy-back clause	5 593	16 408	(248 557)	(9 976)
Change in debt securities	0	0	(211 529)	(111 508)
Change in income tax settlements	246 551	133 959	155 354	92 274
Income tax paid	(35 134)	(5 350)	(140 431)	(85 705)
Change in other assets and liabilities	520 464	439 437	(205 187)	(421 313)
Other	40 043	22 229	19 443	9 802
Net cash flows from operating activities	**5 003 975**	**(1 240 027)**	**5 032 427**	**(263 565)**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	1.01.2022 - 30.06.2022	1.04.2022 - 30.06.2022	1.01.2021 - 30.06.2021	1.04.2021 - 30.06.2021
Inflows:	86 093 897	40 322 926	89 985 577	45 696 994
Proceeds from sale of property, plant and equipment and intangible assets	5 508	1 154	5 032	49
Proceeds from sale of shares in related entities	0	0	0	0
Proceeds from sale of investment financial assets	86 043 533	40 319 011	89 929 181	45 694 380
Other	44 856	2 761	51 364	2 565
Outflows:	(84 176 166)	(38 036 834)	(91 102 401)	(45 023 735)
Acquisition of property, plant and equipment and intangible assets	(39 858)	(29 317)	(24 084)	(13 879)
Purchase of of shares in related entities	(51 095)	0	0	0
Acquisition of investment financial assets	(84 085 213)	(38 007 517)	(91 078 317)	(45 009 856)
Other	0	0	0	0
Net cash flows from investing activities	**1 917 731**	**2 286 092**	**(1 116 824)**	**673 259**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	1.01.2022 - 30.06.2022	1.04.2022 - 30.06.2022	1.01.2021 - 30.06.2021	1.04.2021 - 30.06.2021
Inflows from financing activities:	0	0	0	0
Long-term bank loans	0	0	0	0
Issue of debt securities	0	0	0	0
Increase in subordinated debt	0	0	0	0
Net proceeds from issues of shares and additional capital paid-in	0	0	0	0
Other inflows from financing activities	0	0	0	0
Outflows from financing activities:	(32 617)	(16 883)	(24 815)	(8 953)
Repayment of long-term bank loans	(5 000)	0	(5 000)	0
Redemption of debt securities	0	0	0	0
Decrease in subordinated debt	0	0	0	0
Issue of shares expenses	0	0	0	0
Redemption of shares	0	0	0	0
Dividends paid and other payments to owners	0	0	0	0
Other outflows from financing activities	(27 617)	(16 883)	(19 815)	(8 953)
Net cash flows from financing activities	**(32 617)**	**(16 883)**	**(24 815)**	**(8 953)**

D. Net cash flows. Total (A + B + C)	**6 889 089**	**1 029 182**	**3 890 788**	**400 741**
including change resulting from FX differences	4 821	2 446	(1 926)	(5 912)
E. Cash and cash equivalents at the beginning of the reporting period	**3 372 244**	**9 232 151**	**1 586 434**	**5 076 480**
F. Cash and cash equivalents at the end of the reporting period (D + E)	**10 261 333**	**10 261 333**	**5 477 222**	**5 477 222**

3. SUPPLEMENTARY INFORMATION FOR STANDALONE FINANCIAL DATA

As at 30 June 2022, the Bank has no material obligations under the purchase of property, plant and equipment and during the period covered by the condensed statements, Bank did not:

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

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

Impairment losses on financial assets

	1.01.2022 - 30.06.2022	1.04.2022 - 30.06.2022	1.01.2021 - 30.06.2021	1.04.2021 - 30.06.2021
Impairment losses on loans and advances to customers	(131 255)	(57 113)	(94 371)	(37 033)
Impairment charges on loans and advances to customers	(763 200)	(348 012)	(728 778)	(302 593)
Reversal of impairment charges on loans and advances to customers	573 960	240 820	575 330	232 747
Amounts recovered from loans written off	22 421	11 606	26 427	13 589
Sale of receivables	39 668	39 668	32 866	19 413
Other directly recognised in profit and loss	(4 104)	(1 195)	(216)	(189)
Impairment losses on securities	0	0	(4)	1
Impairment charges on securities	0	0	(6)	(1)
Reversal of impairment charges on securities	0	0	2	2
Impairment losses on off-balance sheet liabilities	6 092	2 007	5 883	6 965
Impairment charges on off-balance sheet liabilities	(27 815)	(9 052)	(38 108)	(7 971)
Reversal of impairment charges on off-balance sheet liabilities	33 907	11 059	43 991	14 936
Total	**(125 163)**	**(55 106)**	**(88 492)**	**(30 067)**

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

	1.01.2022 - 30.06.2022	1.01.2022 - 31.03.2022	1.01.2021 - 31.12.2021	1.01.2021 - 30.06.2021
Balance at the beginning of the period	2 210 000	2 210 000	2 204 743	2 204 743
Change in value of provisions:	(59 420)	35 578	5 257	(37 960)
Impairment allowances created in the period	733 699	398 829	1 377 980	724 271
Amounts written off	(151 630)	(66 441)	(270 015)	(102 797)
Impairment allowances released in the period	(547 812)	(318 396)	(992 801)	(570 980)
Sale of receivables	(138 831)	0	(145 828)	(81 973)
Exclusion of FVOCI portfolio	0	0	(12 884)	(12 884)
KOIM created in the period(*)	31 209	16 963	35 850	14 590
Changes resulting from FX rates differences	13 032	4 190	9 372	(8 947)
Other	913	433	3 583	760
Balance at the end of the period	**2 150 580**	**2 245 578**	**2 210 000**	**2 166 783**

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

Impairment write-offs for selected assets

Impairment write-offs:	Investment securities	Investments in subsidiaries, joint ventures and associates	Property. plant and equipment	Intangibles	Other assets
As at 01.01.2022	4 997	6 700	8 856	0	27 842
- Write-offs created	0	0	0	0	8 604
- Write-offs released	(1)	0	0	0	(5 634)
- Utilisation	0	0	0	0	(3 029)
- Other	0	0	0	0	0
As at 30.06.2022	4 996	6 700	8 856	0	27 783
As at 01.01.2022	4 997	6 700	8 856	0	27 842
- Write-offs created	0	0	0	0	5 424
- Write-offs released	0	0	0	0	(2 801)
- Utilisation	0	0	0	0	(4 438)
- Other	0	0	0	0	0
As at 31.03.2022	4 996	6 700	8 856	0	26 027
As at 01.01.2021	4 999	6 700	8 856	0	22 514
- Write-offs created	6	0	0	0	22 039
- Write-offs released	(7)	0	0	0	(14 397)
- Utilisation	0	0	0	0	(2 314)
- Other	0	0	0	0	0
As at 31.12.2021	4 997	6 700	8 856	0	27 842
As at 01.01.2021	4 999	6 700	8 856	0	22 514
- Write-offs created	4	0	0	0	13 407
- Write-offs released	0	0	0	0	(6 622)
- Utilisation	0	0	0	0	(1 259)
- Other	0	0	0	0	0
As at 30.06.2021	5 003	6 700	8 856	0	28 040

Change of Provision for commitments and guarantees given

	1.01.2022 - 30.06.2022	1.01.2022 - 31.03.2022	1.01.2021 - 31.12.2021	1.01.2021 - 30.06.2021
Balance at the beginning of the period	44 955	44 955	52 728	52 728
Charge of provision	27 815	18 763	54 970	38 108
Release of provision	(33 907)	(22 848)	(62 805)	(43 991)
FX rates differences	81	52	62	(74)
Balance at the end of the period	**38 944**	**40 922**	**44 955**	**46 771**

Change of Provision for pending legal issues

	1.01.2022 - 30.06.2022	1.01.2022 - 31.03.2022	1.01.2021 - 31.12.2021	1.01.2021 - 30.06.2021
Balance at the beginning of the period	549 450	549 450	105 643	105 643
Charge of provision	6 616	3 232	112 726	4 270
Release of provision	(4 131)	(1 815)	(9 463)	(4 095)
Utilisation of provision	(72 196)	(25 335)	(24 059)	0
Creation of provision for legal risk connected with FX mortgage loans	1 014 630	499 180	2 305 157	1 047 044
Allocation to the loans portfolio	(996 473)	(410 127)	(2 032 024)	(765 062)
FX differencies	221 133	65 471	91 470	(27 208)
Reclassification	0	0	0	0
Balance at the end of the period	719 029	680 056	549 450	360 592

Provisions for legal risk connected with fx mortgage loans

01.01.2022 - 30.06.2022	TOTAL	Allocated for credit portfolio	Provisions for pending legal issues
Balance at the beginning of the period	3 332 614	2 916 779	415 835
Amounts written off	(72 020)	0	(72 020)
Costs of provisions for legal risk connected wIth FX mortgage loans	1 014 630	0	1 014 630
Change of accounting principles from IAS 37 to IFRS 9	0	996 473	(996 473)
Increase of provisions due to FX rates differences	221 132	0	221 132
Balance at the end of the period	4 496 356	3 913 252	583 104

01.04.2022 - 30.06.2022	TOTAL	Allocated for credit portfolio	Provisions for pending legal issues
Balance at the beginning of the period	3 872 105	3 326 906	545 199
Amounts written off	(46 860)	0	(46 860)
Costs of provisions for legal risk connected wIth FX mortgage loans	515 450	0	515 450
Change of accounting principles from IAS 37 to IFRS 9	0	586 346	(586 346)
Increase of provisions due to FX rates differences	155 661	0	155 661
Balance at the end of the period	4 496 356	3 913 252	583 104

01.01.2021 - 30.06.2021	TOTAL	Allocated for credit portfolio	Provisions for pending legal issues
Balance at the beginning of the period	960 046	884 755	75 291
Amounts written off	0	0	0
Costs of provisions for legal risk connected wIth FX mortgage loans	1 047 044	0	1 047 044
Change of accounting principles from IAS 37 to IFRS 9	0	765 062	(765 062)
Increase of provisions due to FX rates differences	(27 208)	0	(27 208)
Balance at the end of the period	1 979 882	1 649 817	330 065

01.04.2021 - 30.06.2021	TOTAL	Allocated for credit portfolio	Provisions for pending legal issues
Balance at the beginning of the period	1 489 958	1 103 007	386 951
Amounts written off	0	0	0
Costs of provisions for legal risk connected wIth FX mortgage loans	513 641	0	513 641
Change of accounting principles from IAS 37 to IFRS 9	0	546 810	(546 810)
Increase of provisions due to FX rates differences	(23 717)	0	(23 717)
Balance at the end of the period	1 979 882	1 649 817	330 065

Deferred income tax assets and liability

	30.06.2022			31.03.2022		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	1 659	(2 704)	(1 045)	1 659	(3 044)	(1 385)
Balance sheet valuation of financial instruments	56 769	(83 800)	(27 031)	(21 481)	(3 546)	(25 028)
Unrealised receivables/ liabilities on account of derivatives	38 094	(31 503)	6 591	20 444	(17 608)	2 836
Interest on deposits and securities to be paid/ received	24 462	(287 559)	(263 097)	14 709	(167 300)	(152 590)
Interest and discount on loans and receivables	0	(93 528)	(93 528)	0	(85 515)	(85 515)
Income and cost settled at effective interest rate	137 603	0	137 603	141 957	0	141 957
Impairment of loans presented as temporary differences	413 778	0	413 778	408 103	0	408 103
Employee benefits	18 543	0	18 543	18 181	0	18 181
Rights to use	5 423	0	5 423	5 975	0	5 975
Provisions for future costs	105 074	0	105 074	73 748	0	73 748
Valuation of investment assets, loans, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	360 346	(50 677)	309 669	296 086	(48 961)	247 125
Valuation of shares	1 273	(34 684)	(33 411)	1 273	(36 959)	(35 686)
Other	1 554	(263)	1 291	1 924	(2 363)	(439)
Total	1 164 578	(584 718)	579 860	962 578	(365 297)	597 281

	31.12.2021			30.06.2021		
	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset	Deferred income tax asset	Deferred income tax provision	Net deferred income tax asset
Difference between tax and balance sheet depreciation	1 659	(3 421)	(1 762)	1 659	(3 967)	(2 308)
Balance sheet valuation of financial instruments	(21 915)	(2 128)	(24 043)	39 751	(62 238)	(22 487)
Unrealised receivables/ liabilities on account of derivatives	12 450	(13 284)	(834)	10 035	(8 321)	1 715
Interest on deposits and securities to be paid/ received	10 742	(77 286)	(66 544)	13 511	(33 038)	(19 527)
Interest and discount on loans and receivables	0	(75 737)	(75 737)	0	(73 801)	(73 801)
Income and cost settled at effective interest rate	147 394	0	147 394	159 295	0	159 295
Impairment of loans presented as temporary differences	398 267	0	398 267	408 029	0	408 029
Employee benefits	18 687	0	18 687	18 194	0	18 194
Rights to use	6 620	0	6 620	7 297	0	7 297
Provisions for future costs	88 584	0	88 584	92 957	0	92 957
Valuation of investment assets, loans, cash flows hedge and actuarial gains (losses) recognized in other comprehensive income	207 631	(56 174)	151 457	16 552	(40 420)	(23 868)
Valuation of shares	1 273	(36 440)	(35 167)	1 273	(20 160)	(18 887)
Other	2 332	(1 236)	1 096	2 874	(2 404)	470
Total	873 724	(265 706)	608 018	771 427	(244 349)	527 078

4. TRANSACTIONS WITH RELATED ENTITIES

All transactions among members of the Group made in I half 2022 and 2021 were driven by current activity. The below table presents major amounts of intergroup transactions, these were transactions with the following entities:

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

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

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

Assets and liabilities from transactions with related parties (data in '000 pln) as at 30.06.2022

	With subsidiaries	With parent company	With other entities from parent group
ASSETS			
Loans and advances to banks - accounts and deposits	767 500	4 324	0
Loans and advances to customers	6 638 850	0	0
Investments in associates	259 984	0	0
Financial assets valued at fair value through profit and loss (held for trading)	96	0	0
Hedging derivatives	0	0	0
Other assets	31 755	0	0
LIABILITIES			
Deposits from banks	4 196	82	0
Deposits from customers	379 831	0	0
Liabilities from securities sold with buy-back clause	0	0	0
Liabilities arising from debt securities	0	0	0
Financial liabilities valued at fair value through profit and loss (held for trading)	1 641	8	0
Subordinated debt	0	0	0
Other liabilities, including:	56 160	0	68
financial leasing liabilities	54 089	0	0

Assets and liabilities from transactions with related parties (data in '000 pln) as at 31.12.2021

	With subsidiaries	With parent company	With other entities from parent group
ASSETS			
Loans and advances to banks – accounts and deposits	172 801	611	0
Loans and advances to customers	6 410 915	0	0
Investments in associates	208 874	0	0
Financial assets valued at fair value through profit and loss (held for trading)	751	0	0
Hedging derivatives	0	0	0
Other assets	34 361	0	0
LIABILITIES			
Deposits from banks	1 133	100	0
Deposits from customers	464 275	0	0
Liabilities from securities sold with buy-back clause	0	0	0
Liabilities arising from debt securities	0	0	0
Financial liabilities valued at fair value through profit and loss (held for trading)	394	159	0
Subordinated debt	0	0	0
Other liabilities, including:	64 085	0	65
financial leasing liabilities	60 956	0	0

Profit and loss on transactions with related parties (data in '000 pln) for the period 1.01-30.06.2022

	With subsidiaries	With parent company	With other entities from parent group
Income from:			
Interest	119 805	(138)	0
Commissions	12 492	96	0
Financial instruments valued at fair value through profit and loss	0	0	0
Dividends	41 796	0	0
Other net operating	11 716	0	0
Expense from:			
Interest	5 510	76	0
Commissions	2	0	0
Financial instruments valued at fair value through profit and loss	659	8	0
Other net operating	0	0	0
General and administrative expenses	5 622	0	124

Profit and loss on transactions with related parties (data in ‘000 pln) for the period 1.01-30.06.2021

	With subsidiaries	With parent company	With other entities from parent group
Income from:			
Interest	33 196	(133)	0
Commissions	12 612	40	0
Financial instruments valued at fair value through profit and loss	0	0	0
Dividends	48 663	0	0
Other net operating	6 684	0	0
Expense from:			
Interest	901	0	(155)
Commissions	30	0	0
Financial instruments valued at fair value through profit and loss	889	315	0
Other net operating	0	5	0
General and administrative expenses	8 235	0	7

Off-balance transactions with related parties (data in ‘000 pln) as at 30.06.2022

	With subsidiaries	With parent company	With other entities from parent group
Conditional commitments	1 573 075	105 364	0
granted	1 569 717	102 583	0
obtained	3 357	2 781	0
Derivatives (par value)	65 797	14 309	0

Off-balance transactions with related parties (data in ‘000 pln) as at na 31.12.2021

	With subsidiaries	With parent company	With other entities from parent group
Conditional commitments	1 510 199	103 198	0
granted	1 506 920	101 500	0
obtained	3 278	1 698	0
Derivatives (par value)	72 276	14 675	0

5. FAIR VALUE

The methodology used by the Bank for valuation of assets and liabilities at fair value is described in detail in Chapter 8. Condensed interim consolidated financial statements of Bank Millennium S.A. for the 6 months ended 30 June 2022.

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

5.1. FINANCIAL INSTRUMENTS NOT RECOGNIZED AT FAIR VALUE IN THE BALANCE SHEET

30.06.2022	Balance sheet value	Fair value
ASSETS MEASURED AT AMORTISED COST		
Debt securities	1 615 236	1 505 451
Deposits, loans and advances to banks and other monetary institutions	1 847 603	1 847 164
Loans and advances to customers (*)	66 938 811	64 597 221
LIABILITIES MEASURED AT AMORTISED COST		
Liabilities to banks and other monetary institutions	257 811	257 169
Liabilities to customers	96 338 444	96 287 654
Debt securities issued	0	0
Subordinated debt	1 553 635	1 549 576

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

31.12.2021	Balance sheet value	Fair value
ASSETS MEASURED AT AMORTISED COST		
Debt securities	37 088	37 764
Deposits, loans and advances to banks and other monetary institutions	943 315	943 230
Loans and advances to customers (*)	66 389 244	64 295 912
LIABILITIES MEASURED AT AMORTISED COST		
Liabilities to banks and other monetary institutions	186 247	185 787
Liabilities to customers	91 672 296	91 609 959
Debt securities issued	0	0
Subordinated debt	1 541 144	1 538 598

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

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

Data in PLN'000, as at na 30.06.2022

	Quoted market prices	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs
	Level 1	Level 2	Level 3
ASSETS			
Financial assets held for trading			
Valuation of derivatives		147 307	73 654
Debt securities	30 474		
Non-trading financial assets mandatorily at fair value through profit or loss			
Equity instruments		53 483	66 609
Debt securities			128 993
Loans and advances			189 813
Financial assets at fair value through other comprehensive income			
Equity instruments			28 524
Debt securities	17 662 450		
Loans and advances			11 343 969
Derivatives – Hedge accounting		0	
LIABILITIES			
Financial liabilities held for trading			
Valuation of derivatives		163 853	74 554
Short positions	10 208		
Derivatives – Hedge accounting		832 073	

Data in PLN'000, as at 31.12.2021

	Level 1	Level 2	Level 3
ASSETS			
Financial assets held for trading			
Valuation of derivatives		57 643	29 008
Debt securities	86 438		
Non-trading financial assets mandatorily at fair value through profit or loss			
Equity instruments		71 795	66 609
Debt securities			127 499
Loans and advances			362 992
Financial assets at fair value through other comprehensive income			
Equity instruments			28 433
Debt securities	17 924 059		
Loans and advances			11 485 351
Derivatives - Hedge accounting		14 385	
LIABILITIES			
Financial liabilities held for trading			
Valuation of derivatives		97 312	29 483
Short positions	16 614		
Derivatives - Hedge accounting		614 573	

As a result of the creation of a new business model at the Bank's individual level the Bank measures the fair value of mortgage loans classified to the Held to Collect and for Sale model using the discounted cash flow method and as that the valuation is based on input data that is not observable market data, the valuation method is classified under Level 3.

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

	Indexes options	Options embedded in securities issued and deposits	Shares	Debt securities	Loans and advances at fair value through profit or loss	Loans and advances at fair value through other comprehensive income
Balance as at 01.01.2022	**28 397**	**(28 872)**	**95 042**	**127 499**	**362 992**	**11 485 351**
Settlement/sell/purchase/transfer to the portfolio	47 076	(46 458)	85	0	(195 371)	(405 516)
Change of valuation recognized in equity	0	0	0	0	0	(23 437)
Interest income and other of similar nature	0	0	0	0	16 621	287 571
Results on financial assets and liabilities held for trading	(2 951)	1 908	0	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	1 494	5 571	0
Result on exchange differences	0	0	6	0	0	0
Balance as at 30.06.2022	**72 522**	**(73 422)**	**95 133**	**128 993**	**189 813**	**11 343 969**

	Indexes options	Options embedded in securities issued and deposits	Shares	Debt securities	Loans and advances at fair value through profit or loss	Loans and advances at fair value through other comprehensive income
Balance as at 01.01.2021	**19 911**	**(19 559)**	**95 827**	**50 335**	**1 615 753**	**0**
Settlement/sell/purchase/transfer to the portfolio	4 158	(5 055)	0	0	(1 348 014)	11 081 946
Change of valuation recognized in equity	0	0	(785)	0	0	267 079
Interest income and other of similar nature	0	0	0	0	55 372	136 326
Results on financial assets and liabilities held for trading	4 328	(4 258)	0	0	0	0
Result on non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	77 164	39 881	0
Result on exchange differences	0	0	0	0	0	0
Balance as at 31.12.2021	**28 397**	**(28 872)**	**95 042**	**127 499**	**362 992**	**11 485 351**

6. LEGAL RISK RELATED TO FOREIGN CURRENCY MORTGAGE LOANS

6.1. COURT CLAIMS AND CURRENT PROVISIONS ON LEGAL RISK

On June 30, 2022, the Bank had 13,902 loan agreements and additionally 1,103 loan agreements from former Euro Bank (87% loans agreements before the Court of first instance and 13% loans agreements before the court of second instance) under individual ongoing litigations (excluding claims submitted by the bank against clients i.e. debt collection cases) concerning indexation clauses of FX mortgage loans submitted to the courts with the total value of claims filed by the plaintiffs amounting to PLN 2,146.9 million and CHF 164.4 million (Bank Millennium portfolio: PLN 1,980.6 million and CHF 161.3 million and former Euro Bank portfolio: PLN 166.3 million and CHF 3.0 million).

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

In addition, the Bank is a party to the group proceedings (class action) subject matter of which is to determine the Bank's liability towards the group members based on unjust enrichment (undue benefit) ground in connection with the foreign currency mortgage loans concluded. It is not a payment dispute. The judgment in these proceedings will not grant any amounts to the group members. The number of credit agreements covered by these proceedings iswas originally 3,281. At the current stage, the composition of the group has been established and confirmed by the court. On 2 February 2022 the court dismissed the Bank's evidentiary motions regarding witnesses, court-appointed experts, private expert reports, as well as part of the documents submitted by the Bank, and ordered the parties to submit in writing their final positions in the case prior to issuing the judgment in a closed hearing. The judgment has not been issued yet. On 24 May 2022 the court issued a decision changing the composition of the group, thus limiting the number credit agreements involved to 3 272, as well as a judgment on the merits, dismissing the claim in full. Both parties requested a written justification of the judgment. Upon receiving the written justification, the claimant will be able to appeal the judgment. The judgment is not yet final.

The pushy advertising campaign observed in the public domain affects the number of court disputes. Until the end of 2019, 1,981 individual claims were filed against the Bank (in addition, 236 against former Euro Bank), in 2020 the number increased by 3,005 (265), in 2021 the number increased by 6,151 (421), while in the 1st half of 2022 the number increased by 3,126 (211).

Based on ZBP (the Polish Banking Association) data gathered from all banks having FX mortgage loans, vast majority of disputes were finally resolved in favour of banks until 2019 year. However, after the Court of Justice of the European Union (CJEU) judgment issued on 3 October 2019 (Case C-260/18) the proportion have adversely changed and vast majority of court cases have been lost by banks, particularly in first instance proceedings. As far as the Bank itself is concerned, until 30 of June 2022 only 593 cases were finally resolved (540 in claims submitted by clients against the Bank and 53 in claims submitted by the Bank against clients i.e. debt collection cases). 46% of finalised individual lawsuits against the Bank were favourable for the Bank including remissions and settlements with plaintiffs. Unfavourable rulings (54%) included both invalidation of loan agreements as well as conversions into PLN+LIBOR. The Bank submits cassation appeals to the Supreme Court against unfavourable for the Bank legally binding verdicts. On the other hand, the statistics of first instance court decisions have been much more unfavourable in recent periods and its number has also increased. In general, the Bank submits appeals against 1st instance negative court rulings.

The outstanding gross balance of the loan agreements under individual court cases and class action against the Bank on 30.06.2022 was PLN 5,180 million (of which the outstanding amount of the loan agreements under the class action proceeding was 959 million PLN).

If all Bank Millennium's loan agreements currently under individual and class action court proceedings would be declared invalid without proper compensation for the use of capital, the pre-tax cost could reach PLN 4,925 million. Overall losses would be higher or lower depending on the final court jurisprudence in this regard.

In II quarter 2022 the Bank created PLN 467.4 million provisions and PLN 48.0 million for former Euro Bank originated portfolio. The balance sheet value of provisions for the Bank Millennium portfolio at the end of June 2022 was at the level of PLN 4,154.5 million, and PLN 341.8 million for former Euro Bank originated portfolio.

The methodology developed by the Bank is based on the following main parameters:

(1) the number of current (including class action) and potential future court cases that will appear within a specified (three-year) time horizon,

(2) the amount of the Bank's potential loss in the event of a specific court judgment three negative judgment scenarios were taken into account:

- invalidity of the agreement
- average NBP
- PLN + LIBOR

(3) the probability of obtaining a specific court verdict calculated on the basis of statistics of judgments of the banking sector in Poland and legal opinions obtained. Variation in the level of provisions or concrete losses will depend on the final court decisions about each case and on the number of court cases.

(4) in the case of a loan agreement invalidity scenario, a component recognized in the methodology, taking legal assessments into consideration, is the calculation of the Bank's loss taking into account the assignment of a minimum probability of receiving the settlement of a remuneration for the cost of use of capital.

(5) new component recognized in the methodology is the amicable settlement with clients in or out of court. Notwithstanding the Bank's determination to continue taking all possible actions to protect its interests in courts, the Bank has been open to its customers in order to reach amicable solutions on negotiated terms, case by case, providing favourable conditions for conversion of loans to PLN and / or early repayment (partial or total). As a result of these negotiations the number of active FX mortgage loans was materially reduced in 2021 and in 1st half 2022. As the Bank is still conducting efforts to further signing of agreements which involved some costs, a scenario of further materialization of negotiations was added. However, it should be noted that:

c. negotiations are conducted on a case-by-case basis and can be stopped at any time by the Bank
d. as the effort was material in 2021 and in 1st half 2022, the probability of success may be lower in the future and at the same time, gradually most of the client base has had contact with the Bank regarding potential negotiation of the conversion of the loans to PLN, so the Bank is taking a conservative approach when calculating the potential future impact for the time being.

Legal risk from former Euro Bank portfolio is fully covered by Indemnity Agreement with Societe Generale.

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

Parameter	Scenario	Impact on loss due to legal risk related to the portfolio of mortgage loans in convertible currencies
Change in the number of lawsuits	Additionally, 1 p.p. of active clients file a lawsuit against the Bank	PLN 64 million
Change in the probability of winning a case	The probability of the Bank winning a case is lower by 1 p.p	PLN 43 million
Change in estimated losses for each variant of the judgment	Increase in losses for each variant of the judgment by 1 p.p	PLN 41 million

The Bank is open to negotiate case by case favourable conditions for early repayment or conversion of loans to PLN. As a result of these negotiations the number of active FX mortgage loans decreased by 8,449 in 2021 and 4,456 in the 1st half of 2022 compared to over 47,500 active loans at the end of 2021. Cost incurred in conjunctions with these negotiations totalled PLN 364.3 million in 2021 and PLN 233.3 million in the 1st half of 2022 is presented mainly in 'Result on exchange differences' in the profit and loss statement.

Finally it should also be mentioned, that the Bank, as at 30.06.2022, had to maintain additional own funds for the coverage of additional capital requirements related to FX mortgage portfolio risks (Pillar II FX buffer) in the amount of 2.82 p.p. (2.79 p.p. at the Group level), part of which is allocated to operational/legal risk.

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

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

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

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

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

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

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

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

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

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

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

It can reasonably be assumed that the legal issues relating to foreign currency mortgage loans will be further examined by the national courts within the framework of disputes considered which would possibly result in the emergence of further interpretations, which are relevant for the assessment of the risks associated with subject matter proceedings. This circumstance indicates the need for constant analysis of these matters. Further request for clarification and ruling addressed to the European Court of Justice and Polish Supreme Court have already been filed and may still be filed with potential impact on the outcome of the court cases.

6.2. EVENTS THAT MAY IMPACT FX MORTGAGE LEGAL RISK AND RELATED PROVISION

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

On 11 May the Civil Chamber of the Supreme Court requested opinions on Swiss franc mortgage loans from five institutions including the National Bank of Poland (NBP), the Polish Financial Supervision Authority (UKNF), the Commissioner for Human Rights, the Children's Rights Ombudsman and the Financial Ombudsman.

The positions of: the Commissioner for Human Rights, the Children's Rights Ombudsman and the Financial Ombudsman are in general favorable to consumers, while the National Bank of Poland and the Polish Financial Supervision Authority present a more balanced position, including fair principles of treatment of FX mortgage borrowers vis-à-vis PLN mortgage borrowers, as well as balanced economic aspects regarding solutions for the problem that could be considered by the Supreme Court.

In the next meeting of the Supreme Court that took place on 2 September 2021, the Court did not address the answers to the submitted questions and no new meeting date is known. The Bank will assess in due time the implications of the decisions of the Supreme Court on the level of provisions for the legal risk.

In August 2021, the CJEU was asked for a preliminary ruling (C-520/21) whether, in the event that a loan agreement concluded by a bank and a consumer is deemed invalid from the beginning due to unfair contract terms, the parties, in addition to the reimbursement of the money paid in contracts (bank - loan capital, consumer - installments, fees, commissions and insurance premiums) and statutory interest for delay from the moment of calling for payment, may also claim any other benefits, including receivables in particular, remuneration, compensation, reimbursement of costs or valorization of the performance. The hearing has been set for October 12, 2022.

Notwithstanding the above there are a number of questions addressed by polish courts to the European Court of Justice which may be relevant for the outcome of the court disputes in Poland.

The subject matter questions relate, in particular, to:

- the possibility of replacing of an abusive contractual clause with a dispositive law provision;
- the limitation period of a consumer claims concerning reimbursement of benefits made as performance of an agreement which has been declared to be invalid
- the possibility of declaration by the Court of abusiveness of only part of a contractual provision.

With the scope of settlements between the Bank and borrower following the fall of the loan agreement is also connected the legal issue directed to the seven-person composition of the Supreme Court (case sign: III CZP 54/21). The date of case review has not been specified yet.

The Supreme Court was also presented with the issue of whether the loan agreement is a mutual agreement in the light of the regulations concerning retention right.

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

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

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

Based on current information some of the above mentioned aspects are not likely to be fully clarified and / or achieved.

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

According to the current calculations, implementation of a solution whereby loans would be voluntarily converted to Polish zloty as if from the very beginning they had been a PLN loan bearing interest at an appropriate WIBOR rate increased by the margin historically employed for such loans, could imply provisions for the losses resulting from conversion of such loans (if all the existing portfolio would be converted) with a pre-tax impact between PLN 4,527 million to PLN 5,021 million (not audited data). The impacts can significantly change in case of variation of the exchange rate and several assumptions. Impacts on capital could be partially absorbed and mitigated by the combination of the existing surplus of capital over the current minimum requirements, the reduction of risk weighted assets and the decrease or elimination of Pillar 2 buffer.

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

7. ADDITIONAL INFORMATION

7.1. ISSUE, REDEMPTION OR REPAYMENT OF DEBT OR EQUITY INSTRUMENTS

During the 6 months ended June 30, 2022, the Bank's liabilities due to the issue of debt securities did not change and their balance as at that date amounted to PLN 0.

7.2. OFF BALANCE SHEET ITEMS

Structure of off-balance sheet liabilities was as follows:

Amount '000 PLN	30.06.2022	31.03.2022	31.12.2021	30.06.2021
Off-balance conditional commitments granted and received	**17 296 285**	**18 183 952**	**17 365 756**	**16 471 252**
Commitments granted:	14 942 101	15 845 702	15 236 694	14 719 998
- financial	12 345 061	13 182 979	12 658 407	12 211 864
- guarantee	2 597 040	2 662 723	2 578 287	2 508 133
Commitments received:	2 354 184	2 338 250	2 129 062	1 751 255
- financial	59 301	315 515	40 000	452
- guarantee	2 294 883	2 022 735	2 089 062	1 750 803

7.3. CREATION OF PROTECTION SCHEME

Management Board of the Bank informed that on 7 June 2022 it received information that the Management Boards and Supervisory Boards Alior Bank S.A., Bank Millennium S.A. Bank Polska Kasa Opieki S.A., BNP Paribas Bank Polska S.A., ING Bank Śląski S.A., mBank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Santander Bank Polska S.A. (Member Banks) had passed resolutions on consenting to submitting an application to the Polish Financial Supervision Authority for approval and recognition of the Protection Scheme, the members of which are banks operating in the form of a joint-stock company together with the draft agreement on the Protection Scheme, i.e. Member Bank's participation in the creation of the Protection Scheme referred to in Article 4(1)(9a) of the Banking Law Act of 29 August 1997 (Banking Law).

The objective of the Protection Scheme is to:

1. ensure liquidity and solvency of the Member Banks on the terms and conditions and to the extent set out in the agreement on the protection scheme; and
2. support:
   a) the resolution procedure pursued by the Bank Guarantee Fund for the bank being a joint-stock company; and
   b) acquisition of the bank being a joint-stock company under Article 146b.1 of the Banking Law.

As a result of the above, the Bank recognized in the administrative costs of the first half of 2022 a contribution to the protection system in the amount of PLN 251.7 million, at the same time, starting from the second quarter of 2022, the Bank does not recognize contributions to the Banking Guarantee Fund.

7.4. DEMERGER OF MILLENNNIUM DOM MAKLERSKI

The Bank and Millennium Dom Maklerski (100% subsidiary of the Bank) made a decision on the Demerger by way of the inclusion of the Brokerage Activity in the Bank's structures in order to integrate within a single entity the brokerage services so far provided through the Demerged Company. The decision to effectuate the Demerger is dictated by:

– an interest in improving the efficiency of the operation of the brokerage activity in the Bank's Group both in the area of institutional and retail client services;
– efforts to increase the quality and comprehensiveness of the brokerage service offer addressed to both individual and institutional clients.

The MDM Division will be effected (in third quarter of 2022) in accordance with the procedure specified in Article 529 § 1.4 of the CCC, i.e. through:

a) a transfer to the Bank of a part of the property (assets and liabilities) and the rights and obligations of the Company Being Divided in the form of an organised part of the enterprise of MDM connected with the provision of brokerage services (the "Brokerage Business"); and
b) the retaining by MDM of a part of the property (assets and liabilities) and the rights and obligations of the Company Being Divided in the form of an organised part of the enterprise of MDM connected with the remaining business activity (the "Non-Regulated Business").

The Bank's share capital will not be increased in connection with the transfer to the Bank of a part of the property (assets and liabilities) and the rights and obligations of the Company Being Divided. The MDM division plan (the "MDM Division Plan") has been made available pursuant to Article 535 § 3 of the CCC by being posted on the Bank's website at:

https://www.bankmillennium.pl/plan_podzialu_MDM

7.5. INFORMATION ON EXPECTED NEGATIVE IMPACT OF CREDIT HOLIDAYS ON 3 RD QUARTER 2022 RESULTS OF BANK MILLENNIUM S.A. CAPITAL GROUP AND ON LAUNCHING OF THE RECOVERY PLAN

The Management Board of the Bank Millennium S.A. on July 15th informed that, following the signing by the President of the Republic of Poland and announcement in the Journal of Laws of the Republic of Poland on the same day of the Act of 7 July 2022 on crowdfunding for business ventures and assistance to borrowers ('the Act'), introducing, among others, a possibility of up to 8 months of credit holidays in 2022-2023 for PLN mortgage borrowers, the Bank estimated the maximum impact of the implementation of this Act for the Group level at PLN 1,779 million (of which PLN 1,731 million at solo level and PLN 48 million at Millennium Bank Hipoteczny S.A. level) if all eligible Group's borrowers were to use such an opportunity. The Group / Bank expects to recognise an upfront cost in 3 rd quarter 2022 results in the range between 75-90% of the above amounts, which would translate in a reduction of capital ratios by approximately 300 bps. The impact of each 10% of eligible borrowers fully using the credit holidays is estimated at PLN 178 million at the Group level.

Due to costs generated as a result of the above mentioned Act, it could be reasonably assumed that the Bank will post a negative net result for the 3rd quarter of 2022 and as a result its capital ratios may fall 118-174 bps (depending on upfront cost representing between 75 to 90% of maximum potential impact above mentioned) below the current minimum requirements set by Polish Financial Supervision Authority ('PFSA'). As the emergence of risk of a breach of respective capital ratios represents a prerequisite stipulated in the art. 142 sec. 1 and 2 of the Banking Act of 29 August 1997 (Journal of Laws 2021, item 2439, i.e. 28 December 2021, as amended), on July 15th the Management

Board of the Bank took a decision to launch the Recovery Plan, notifying of the fact both PFSA and Bank Guarantee Fund.
The Management Board of the Bank intends to increase capital ratios comfortably above the minimum required levels through a combination of further improvement of operational profitability and capital optimisation initiatives such as management of risk weighted assets (including securitisations).

The Act introduced also:

- ✓ a process leading to the WIBOR interest rate benchmark being replaced with a new benchmark. Act contains only a legal delegation to announce new benchmark by means of a Decree of Ministry of Finance. Due to the lack of information on the details of potential new index that will be replacing WIBOR, it is not possible to estimate the potential impact of the above changes in the future.

- ✓ contribution in amount of PLN 1,4 billion to Borrowers' Support Fund till the end of 2022 year to be made by banking sector. There is no information yet on the exact amount that the Bank will be obliged to contribute to the Fund. The Act introduces several conditions enabling the release from the obligation to make a payment to the Fund, the Bank will assess whether these conditions apply to the Bank.

7.6. OPCC PROCEEDINGS

On 18.07.2022 Bank Millennium received an order from the President of the Office for Protection of Competition and Consumers (the President of the Office) on launching of the proceedings in the matter of practices that infringe collective consumer interests, which, in the opinion of the President of the Office, relate to the manner of processing consumer notifications on unauthorized payment transactions made using a payment instrument.

In addition, the President of the Office is alleging, in the order mentioned above, that given information which is being delivered to consumers regarding the authorization of transactions, may - in the opinion of the President of the Office - mislead consumers.

According to information made public by the Office of Competition and Consumer Protection, currently similar proceedings have been initiated by the President of the Office against 4 other banks.

The Bank is analyzing the order in question. The Bank will take appropriate legal action in due course

Date	Name and surname	Position/Function	Signature
25.07.2022	Joao Bras Jorge	Chairman of the Management Board	Signed by a qualified electronic signature
25.07.2022	Fernando Bicho	Deputy Chairman of the Management Board	Signed by a qualified electronic signature
25.07.2022	Wojciech Haase	Member of the Management Board	Signed by a qualified electronic signature
25.07.2022	Andrzej Gliński	Member of the Management Board	Signed by a qualified electronic signature
25.07.2022	Wojciech Rybak	Member of the Management Board	Signed by a qualified electronic signature
25.07.2022	Antonio Pinto Junior	Member of the Management Board	Signed by a qualified electronic signature
25.07.2022	Jarosław Hermann	Member of the Management Board	Signed by a qualified electronic signature