

Information on the tax strategy adopted by Bank Millennium S.A. in 2022

Warsaw, 12 July 2023

This information has been prepared based on § 16 sec. 5 of the Bank Millennium S.A.'s Tax Policy approved by resolution of the Bank's Management Board No. 129/2021 of 18 August 2021 to comply with the requirements under Article 27c of the Corporate Income Tax Act of 15 February 1992 and the international tax transparency standard GRI 207: Tax 2019 issued by the *Global Sustainability Standards Board* (<https://www.globalreporting.org/>).

1. Introductory remarks / GRI 207: Disclosure 207-4

Bank Millennium S.A. (hereinafter: Bank) is a domestic bank within the meaning of the Polish Banking Law Act with its registered office in Warsaw, ul. Stanisława Żaryna 2A, 02-593 Warszawa, entered in the Register of Entrepreneurs of the National Court Register under no. KRS 0000010186 maintained by the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, with the tax ID (NIP) number 526-021-29-31 and the share capital fully paid up of 1.213.116.777,00 PLN, The Bank is a public company listed on the Warsaw Stock Exchange (PLBIG0000016) since 1992.

Bank Millennium S.A. is a nationwide universal bank, performing banking activities under Art. 5-6 of the Banking Law Act (involved mainly in keeping bank accounts, issuing payment cards, granting loans and advances, intermediation in the sale of investment products and insurance policies), including brokerage activities, for individual clients (consumers) and entrepreneurs through its branch network (635 branch offices at the end of 2022) and electronic banking. The Bank's capital group employs ca. 6900 employees and is the 7th largest commercial bank in Poland in terms of assets - more about the Bank: <https://www.bankmillennium.pl/o-banku/kim-jestesmy>.

Current business strategy *Millennium 2024 Inspired by People* is available at the Bank's website: About the Bank/Investor Relations/Presentations and webcasts

The Bank is the parent company of the Bank Millennium Capital Group, which is also composed of: Millennium Leasing sp. z o.o. (leasing activities), Millennium Towarzystwo Funduszy Inwestycyjnych S.A.. (investment fund management), Fundacja Bank Millennium (non-profit activity), Millennium Goodie Sp. z o.o. (management of the smart shopping platform and mobile application goodie.pl), Millennium Service Sp. z o.o. (real estate management, insurance mediation), Millennium Consulting S.A. (advisory), Millennium Telecommunication Services Sp. z o.o. (telecommunications services), Millennium Bank Hipoteczny S.A. (raising long-term financing through the issue of mortgage bonds), Piast Expert Sp. z o.o. in liquidation (company acquired as a result of the acquisition of SKOK Piast in 2018 during the liquidation process). The Bank holds directly or indirectly 100% of the shares in these companies. All of the above companies are based in Poland (also for tax purposes).

The Bank has no branches or subsidiaries outside the Republic of Poland. The Bank's majority shareholder is Banco Comercial Portugues S.A. (50,1%) - the largest commercial bank in Portugal.

At the end of 2022, the balance sheet total of the Bank's assets was 110.6 bn PLN, of which tangible fixed assets amounted to 0,56 bn PLN. The balance sheet from section 3 of the Bank's stand-alone financial statement for 2022 is presented below.

3. Balance Sheet

ASSETS

<i>Amount '000 PLN</i>	<i>Nota</i>	<i>31.12.2022</i>	<i>31.12.2021</i>
Cash, cash balances at central banks	18	9 536 090	3 179 736
Financial assets held for trading	19	363 618	173 089
Derivatives		339 295	86 651
Equity instruments		113	0
Debt securities		24 210	86 438
Non-trading financial assets mandatorily at fair value through profit or loss, other than Loans and advances to customers	20	201 036	265 903
Equity instruments		128 979	138 404
Debt securities		72 057	127 499
Financial assets at fair value through other comprehensive income	21	16 438 458	17 952 492
Equity instruments		24 393	28 433
Debt securities		16 414 065	17 924 059
Loans and advances to customers	22	75 855 606	78 237 587
Mandatorily at fair value through profit or loss		97 982	362 992
Fair valued through other comprehensive income		11 221 252	11 485 351
Valued at amortised cost		64 536 372	66 389 244
Financial assets at amortised cost other than Loans and advances to customers	23	5 308 320	1 249 240
Debt securities		3 893 212	37 088
Deposits, loans and advances to banks and other monetary institutions		1 410 245	943 315
Reverse sale and repurchase agreements		4 863	268 837
Derivatives - Hedge accounting	24	135 804	14 385
Investments in subsidiaries, joint ventures and associates	25	247 823	208 809
Tangible fixed assets	26	557 542	528 565
Intangible fixed assets	27	432 820	385 199
Income tax assets		643 196	608 395
Current income tax assets		0	377
Deferred income tax assets	28	643 196	608 018
Other assets	29	923 009	584 589
Non-current assets and disposal groups classified as held for sale	30	0	0
Total assets		110 643 322	103 388 069

The Bank's net loss for 2022 was ca. 1bn PLN. The profit and loss account from section 1 of the Bank's stand-alone financial statement for 2022 is presented below.

1. Income Statement

<i>Amount '000 PLN</i>	<i>Nota</i>	<i>1.01.2022 - 31.12.2022</i>	<i>1.01.2021 - 31.12.2021</i>
Net interest income		3 237 781	2 614 214
Interest income and other of similar nature	1	4 900 722	2 739 464
Income calculated using the effective interest method		4 929 519	2 675 575
Interest income from Financial assets at amortised cost, including:		3 696 751	2 381 845
- the impact of the adjustment to the gross carrying amount of loans due to credit holidays		(1 291 600)	0
Interest income from Financial assets at fair value through other comprehensive income		1 232 768	293 730
Result of similar nature to interest from Financial assets at fair value through profit or loss		(28 797)	63 889
Interest expenses	2	(1 662 941)	(125 250)
Net fee and commission income		714 957	716 125
Fee and commission income	3	906 708	867 384
Fee and commission expenses	3	(191 751)	(151 259)
Dividend income	4	45 592	52 397
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	5	(2 377)	10 542
Results on financial assets and liabilities held for trading	6	(528)	(8 972)
Result on non-trading financial assets mandatorily at fair value through profit or loss	7	25 696	124 538
Result on hedge accounting	8	(7 130)	(3 185)
Result on exchange differences, including:		(203 746)	(149 855)
- costs of settlements on foreign currency mortgage loans	14	(382 239)	(364 525)
Other operating income	9	239 141	283 481
Other operating expenses	10	(176 977)	(198 660)
Administrative expenses	11	(1 817 488)	(1 300 202)
Impairment losses on financial assets	12	(300 641)	(276 613)
Impairment losses on non-financial assets	13	(3 515)	(7 642)
Provisions for legal risk connected with FX mortgage loans	14	(2 017 320)	(2 305 157)
Result on modification, including:		(126 664)	(12 839)
- costs of settlements on foreign currency mortgage loans	14	(102 153)	0
Depreciation	15	(202 412)	(193 501)
Share of the profit of investments in subsidiaries		0	0
Banking tax		(169 063)	(312 611)
Profit before income taxes		(764 694)	(1 047 940)
Corporate income tax	16	(265 205)	(309 512)
Profit after taxes		(1 029 899)	(1 357 452)

Revenues, as well as expenses from transactions with related parties of the BCP Group based abroad for 2022, were immaterial. The list in note 9 to the Bank's stand-alone financial statements is presented below:

PROFIT AND LOSS ON TRANSACTIONS WITH RELATED PARTIES (DATA IN '000 PLN) FOR THE PERIOD OF 1.01-31.12.2022

	With subsidiaries	With parent company	With other entities from parent group
Income from:			
Interest	328 439	1 008	0
Commissions	25 296	149	0
Financial instruments valued at fair value through other comprehensive income	0	30	0
Dividends	41 796	0	0
Other net operating	19 507	0	0
Expense from:			
Interest	11 780	75	0
Commissions	2	0	0
Financial instruments valued at fair value through profit and loss	346	0	0
Other net operating	0	0	0
General and administrative expenses	11 240	0	138

The annual financial and non-financial statements (ESG Report), as well as the current and periodic reports of the Bank, forwarded to the Stock Exchange in 2022, are published on the website <https://www.bankmillennium.pl/o-banku/relacje-inwestorskie>, as well as on the website of the Stock Exchange and in the eKRS system of the Ministry of Justice.

1.1. Bank as a taxpayer

The Bank is a taxpayer of the following types of taxes:

- corporate income tax (CIT);
- value-added tax (VAT);
- tax on certain financial institutions (PNIF);
- property tax (PoN).

In occasional cases, the Bank is also a taxpayer of other types of taxes, e.g. taxes on civil law transactions. The Bank is one of the largest CIT and PNIF taxpayers in Poland.

The amounts paid for 2022 of the above taxes are as follows:

Type of tax	(mln PLN)
CIT	226
PNIF	169,8*
VAT	68,6**
PoN	0,6
TOTAL:	465

*- since July 2022 the Bank benefits from PNIF-exemption on the basis of Article 11.2.1. of the Law on PNIF due to the initiated recovery plan

** - the amount represents the payment of the VAT liabilities to the tax office; as regards the actual VAT charge, it should be taken into account that the Bank provides financial services which are generally exempt from VAT, and therefore does not deduct all of the input VAT on purchases of goods and services (the amount of non-deducted VAT in 2022 was approximately 132.4 mln PLN).

The income tax burden (current and deferred) in the profit & loss account for 2022 amounted to 265,2 mln PLN. Note 16a to the Bank's stand-alone financial statements for 2022 is presented below (figures in thous. PLN):

16a. Income tax reported in income statement

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Current tax	(254 175)	(187 163)
Current year	(254 175)	(187 163)
Adjustment to prior periods	0	0
Deferred tax:	(11 030)	(122 349)
Recognition and reversal of temporary differences	(11 030)	(122 349)
Total income tax reported in income statement	(265 205)	(309 512)

Regardless of the pre-tax loss of 764.7 mln PLN, the income tax burden amounted to 265.2 mln PLN. The high effective tax rate results from permanent differences related to non-tax deductible charges for the Bank Guarantee Fund, PNIF (the so-called banking tax) and costs/provisions for legal risk related to the CHF mortgage loans. Reconciliation of effective tax is provided in the notes to the Bank's stand-alone financial statements - note 16b below:

16b. Effective tax rate

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Profit before tax / (loss)	(764 694)	(1 047 940)
Statutory tax rate	19%	19%
Income tax according to obligatory income tax rate of 19%	145 292	199 108
Impact of permanent differences on tax charges:	(413 301)	(510 845)
Non-taxable income	41 596	53 056
Dividend income	8 411	9 702
Release of other provisions	32 027	43 057
Settlement with SG due to adjustment of Euro Bank S.A. purchase price	0	0
Other	1 158	297
Cost which is not a tax cost	(454 897)	(563 900)
Write-down of unrealized deferred tax assets	0	0
Loss on sale of receivables	(4 425)	(17)
PFRON fee	(1 158)	(1 274)
Fees for Banking Guarantee Fund	(23 009)	(22 460)
Settlement of BFG SKOK PIAST	(142)	(397)
Banking tax	(32 122)	(59 396)
Income/cost of provisions for factoring and leasing receivables	469	1 073
Receivables written off	(4 830)	(19 667)
Costs of litigations and claims	(393 575)	(458 454)
Costs related to concluded agreements	5 310	(1 068)
Other	(1 415)	(2 240)
Amount of deductible temporary differences for which no deferred tax asset was recognized in the balance sheet	2 116	0
Deduction of the tax paid abroad	234	0
Other differences between gross financial result and taxable income with income tax (including R&D relief)	454	2 224
Total income tax reported in income statement	(265 205)	(309 512)
Effective tax rate	-/-*	-/-*

* For the years 2022 and 2021, the Bank 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.

1.2. Bank as a tax remitter

At the same time, the Bank acts as a tax remitter of the personal and corporate income tax. In 2022, the Bank withheld the following amounts of taxes as a remitter:

Name of the tax return / main taxes covered	(mIn PLN)
CIT-10Z return (tax on interest, intangible services and royalties paid to foreign legal persons)	0,6
CIT-6R return (tax on dividends of domestic legal persons)	2
PIT-4R return (PIT advance payments on employees salaries, foreign pensions transfers)	76,6
PIT-8AR return (tax on interest paid to individuals)	122,2

1.3. The Bank's reporting obligations

The Bank also performs a number of reporting obligations stipulated by tax law, in addition to filing tax returns related to the aforesaid taxes (CIT, PIT, VAT, PNIF) as a taxpayer and remitter:

- IFT-1/1R and IFT-2/2R information,
- IKE-1 and IKZE-1 information;
- CRS-1 information on reported accounts,
- FAT-1 information on reported accounts,
- information on accounts of qualified entities and transactions therein to be reported to the STIR system,
- TPR-C information,
- declarations on the fees and contributions to be paid by the Bank.

2. Information on the processes and procedures in place to manage and ensure the proper performance of tax law obligations / GRI 207: Disclosures 207- 2, -3, -4

The Bank applies a tax strategy ("Bank Millennium S.A.'s Tax Policy") approved by a resolution of the Bank's Management Board No. 129/2021 dated 18 August 2021 and published on the Bank's website: <https://www.bankmillennium.pl/o-banku/wladze-banku-i-lad-korporacyjny>. This document takes precedent in the tax area and sets out the principles of tax compliance risk management and tax governance, including the Bank's tax vision and objectives. "Bank Millennium S.A.'s Tax Policy" also sets out the principles for the preparation of this information on the implemented tax strategy.

Particular tax processes as well as the roles and responsibilities of the units are governed by dedicated internal laws (instructions, process charters and internal notices). Each tax process is formally governed to define the actors involved therein, the circulation of data, and the time limits for carrying out particular duties. The staff who perform reporting duties in the tax area carry out their tasks taking into account the 4 eyes principle and undergo training courses to improve their knowledge and competence. The correctness of the implementation of processes is subject to internal controls.

The Tax Department (DPD) operating within the structure of the Bank's Head Office performs most of the duties in the tax area and supervises the Bank's tax compliance risk under the Organisational By-Laws. All significant tax and risk issues are addressed by the Head of Tax to the relevant member of the Bank's Management Board overseeing the financial area and to the Processes and Operational Risk Committee. Head of Tax reports include a description of the issues/risks raised along with a recommendation on risk mitigants or solutions to be implemented. Head of Tax arranges cyclical meetings with the participation of employees involved in the performance of tax processes of Bank and its subsidiaries to discuss the most important tax issues for the Bank Millennium Capital Group, in particular, the status of implementation of amendments to tax regulations relevant to the Bank and/or its subsidiaries, identified tax risks, the correctness of the processes carried out with regard to the performance of tax obligations, tax inspections and disputes.

The Bank is also supported by external tax advisors in cases requiring an additional legal and tax opinion, a review of a particular process (the review is usually concluded by a report or memorandum with the advisor's assessment together with the identification of irregularities or identified significant risks).

On its website (section: About the Bank/Who we are/Tax FAQ) the Bank also published an Q&A regarding taxation rules of basic banking products, as well as related tax reporting obligations, including FATCA and CRS.

3. Information on voluntary forms of cooperation with the National Revenue Administration authorities (hereinafter: KAS) / GRI 207: Disclosure 207-3

The Bank is currently not a party to an agreement with the Head of KAS on cooperation referred to in Article 20s § 1 of the Act of 29 August 1997 - Tax Ordinance (hereinafter: Tax Ordinance). Nevertheless, the Bank is monitoring the development of the Co-operation Programme on the Polish market and is also working to fully comply with *the Guidance on the Internal Tax Surveillance Framework* published in June 2020 to join this programme.

In its relations with the Tax Authorities, the Bank maintains standards of utmost diligence proved by timely and comprehensive replies to summonses and other letters addressed to the Bank by the Tax Authorities, including under tax, customs and treasury inspections and tax proceedings. The rules of correspondence with Tax Authorities and handling of inspections/proceedings in tax matters are governed by internal procedures applied by the Bank.

The Bank also seeks to proactively present and discuss various tax issues with the account manager and the management of the tax office competent for the Bank's matters. Representatives of the Bank's Tax Department also actively participate in the work of tax experts at the Polish Bank Association (ZBP) and the Lewiatan Confederation, including providing opinions on draft amendments to tax legislation and meetings with representatives of the Ministry of Finance.

The Bank provides details on material disputes with the Tax Authorities in its periodic financial reports available to the public.

4. Information on the performance of tax obligations by the taxpayer on the territory of the Republic of Poland, together with the information on the number of reports on tax schemes referred to in Article 86a § 1(10) of the Tax Ordinance provided to the Head of KAS, with a breakdown into taxes to which they relate.

In 2022, the Bank did not submit reports on tax schemes due to suspension of this duty ruled by Article 31y of the Act of 2 March 2020 on the COVID-19 crisis counteracting (Journal of Laws of 2021 item 2095).

5. Information on transactions with related parties within the meaning of Article 11a(1)(4) the value of which exceeds 5% of the balance sheet total of assets within the meaning of accounting regulations, determined based on the last approved financial statements of the company, including entities not being tax residents of the Republic of Poland

The Bank's largest transaction by value is the financing of Millennium Leasing Sp. z o.o. (ML) through the acquisition of leasing-related receivables, loans and bonds issue. The sale of leasing-related receivables to the Bank is the main source of the financing of ML's operations (the current total financing limit is 6,9 bn PLN). Debt financing is a basic and natural way for leasing companies to finance themselves, both on the Polish market and worldwide.

At the end of 2022, the value of leasing receivables sold to the Bank amounted to 6,2 bn PLN, and loans granted and bonds subscribed by the Bank amounted to ca. 0,6 bn PLN. The carrying amount of the Bank's assets as at 31.12.2022 was 110,6 bn PLN.

6. Information on restructuring activities planned or undertaken by the taxpayer, which may affect the tax liability of the taxpayer or its related entities within the meaning of Article 11a(1)(4)

On July 29, 2022, the division took place by separating Millennium Dom Maklerski S.A. (MDM). The spin-off of MDM was made pursuant to art. 529 § 1 point 4 of the Commercial Companies Code, i.e. through:

1. transfer to the Bank of a part of the assets (assets and liabilities) and rights and obligations of the Company being divided in the form of an organized part of MDM's enterprise related to the provision of brokerage services ("Brokerage Activity"), and
2. leaving in MDM a part of the assets (assets and liabilities) and rights and obligations of the Company Being Divided, in the form of an organized part of the MDM enterprise, related to other activities not related to the provision of brokerage services ("Unregulated Activity").

Documentation related to this restructuring is publicly available on the Bank's website: https://www.bankmillennium.pl/plan_podzialu_mdm The economic justification for the spin-off of MDM is given in point 13 of the MDM's Spin-off Plan. The restructuring was not aimed at and did not lead to any tax benefits.

7. Information on requests for tax interpretations submitted by the taxpayer

In 2022, the Bank received 13 individual tax rulings within the meaning of Article 14b of the Tax Ordinance:

Date of ruling, reference no.	The subject of the ruling
12.09.2022, 0111-KDIB1-3.4010.172.2022.1.PC	Recognition in tax-deductible costs in CIT of the costs of cancellations of loans indexed to foreign currency and foreign currency loans
01.07.2022, 0111-KDIB1-2.4010.228.2022.1.DP	Rules for applying CIT exemptions pursuant to Article 24n-o of the CIT Act (<i>Polska Spółka Holdingowa</i>)
14.10.2022, 0114-KDIP2-3.4010.50.2018.12.S/JBB/SP	Rules for recognising in tax-deductible costs write-offs of commercial guarantees
18.10.2022, 0111-KDIB1-2.4010.530.2022.1.AW	Recognition of costs of FX option cancellations in tax-deductible costs in CIT
25.05.2022, 0113-KDIPT1-1.4012.250.2022.1.MG	The right to deduct VAT at the rate of 23% shown on the invoice for the fee for the electricity distribution service
05.09.2022, 0114-KDIP4-3.4012.339.2022.2.DS	VAT treatment of insurance intermediary services
17.10.2022, 0111-KDIB1-3.4016.3.2022.1.MBD	The principle of applying the exemption from bank tax pursuant to Article 11(2)(1) of the PNIF Act
17.06.2022, 0113-KDIBPT2-3.4011.274.2022.1.SJ	Principle of taxation of competitions organised for employees of franchise outlets
21.06.2022, 0112-KDIL2.4011.321.2022.1.IM	Principle of taxation of competitions organized for franchisees
14.06.2022, DOP3.8222.73.2021.CNRU	Change of interpretation <i>ex officio</i> by the Head of KAS regarding the obligation to issue PIT-11 information in the case of so-called unfounded complaints
18.07.2022, 0115-KDIT2.4011.360.2022.1.HD	Obligation to issue PIT-11 information when reimbursing court costs and UNWW fees as part of settlements concluded with clients
19.08.2022, 0114-KDIP3-1.4011.526.2022.1.MS2	Obligation to issue PIT-11 information in the case of recognition ("plus") of customer accounts for accrued fines for late settlement in accordance with the CSDR

	Regulation
20.09.2022, 0112-KDIL2-1.4011.580.2022.1.MKA	Obligation to issue PIT-11 information when customers' credit obligations expire

The text of these individual interpretations is publicly available at <https://eureka.mf.gov.pl> (Customs&Fiscal Information System EUREKA).

In 2022, the Bank did not request:

- a) a general tax interpretation referred to in Article 14a§1 of the Tax Ordinance,
- b) binding information on the rate referred to in Article 42a of the Value Added Tax Act,
- c) binding excise tax information referred to in Article 7d(1) of the Corporate Income Tax 1 Act of 6 December 2008

- 8. Information concerning tax settlements of the taxpayer in territories or countries applying harmful tax competition referred to in executive acts issued under Article 11j (2) and Article 23v (2) of the Personal Income Tax Act of 26 July 1991 and in the announcement of the minister competent for public finance issued under Article 86a § 10 of the Tax Ordinance**

The Bank has not made tax settlements in territories or countries applying harmful tax competition ("tax havens"). The Bank has no subsidiaries in such locations, either.

In case of any queries please contact us by e-mail: podatki@bankmillennium.pl