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Annual Report
2022

Millennium
leasing

Dear Sirs,

2022 was a year full of challenges for Millennium Leasing, as well as for the entire economy. The war in Ukraine overlapped with the already visible threats related to rising inflation and, as a consequence, rising interest rates. This put our Clients in a situation of great uncertainty. In these conditions, the most important thing for us was to look after the foundations of our business, wisely support the Clients, especially those who have been cooperating with us for years, as well as conscious, well-targeted acquisition, allowing for development in market areas that we consider safe.

Thanks to this approach, we ended 2022 with a gross result of PLN 54.2 million, i.e. a 56% increase year on year. The total volume of new production was lower by 8.6%, and at the same time we observe one of the lowest costs of risk in history (62 bp). In the key product for the Company – leasing with a BGK guarantee, we achieved a record level of production, executing leasing contracts for a total value of PLN 309 million.

Three areas remained crucial for us:

Operational efficiency

Changing processes and improving their efficiency remain a routine challenge in the daily management of the Company. This is a natural way for us to improve the quality of the services we offer, but also a way to improve economic efficiency. The most important initiatives implemented in 2022 concerned:

1. simplifying and automating after-sales processes
2. focusing on the quality of customer service via the hotline
3. implementing improvements and robots supporting the operational work.

Digitalisation

In 2022, over 85% of the Clients used the Electronic Customer Service Centre (eBOK service), available in the Millenet Bank Millennium system. We extended the functionality of the eBOK service with the possibility of digitally initiating several dozen post-sales processes, obtaining a 25% of the applications submitted in this way in a short time. We continued the service of remote signing of contracts, which was used by 33% of corporate Clients cooperating with us. At the same time, we reduced the number of printed documents by nearly 30% compared to the previous year.

Environmental awareness

We continued to support the energy transformation of Polish enterprises, which has become even more important in the face of rising energy prices. In 2022, as part of the proprietary MilleSun programme, we financed PLN 188 million of investments in photovoltaics, at the same time expanding the programme to include the leasing of heat pumps and energy storage facilities.

Supporting our current Clients, carefully targeted acquisition and ensuring Client satisfaction with after-sales service using the best practices of the Millennium Group – these will remain our priorities in the next year.

I would like to express my gratitude to the Employees for their contribution to the development of our company, the Partners for their fruitful cooperation and the Clients for the trust they place in us.



Best regards,

A handwritten signature in blue ink that reads "Balicki".

Marcin Balicki

President of the Management Board
Millennium Leasing

Supervisory Board of Millennium Leasing

Joao Bras Jorge

Chairman of the Supervisory Board
President of the Management Board
of Bank Millennium

Andrzej Gliński

Deputy Chairman of the Supervisory Board
Member of the Management Board
of Bank Millennium

Fernando Bicho

Member of the Supervisory Board
Deputy President of the Management Board
of Bank Millennium

António Pinto Júnior

Wojciech Haase

Wojciech Rybak

Jarosław Hermann

Members of the Supervisory Board
Members of the Management Board
of Bank Millennium



Management Board of Millennium Leasing

Marcin Balicki

President of the Management Board

Dorota Kotelska

Member of the Management Board

Agnieszka Kozakiewicz-Pietrzak

Member of the Management Board

Piotr Maj

Member of the Management Board



Experience – a great asset

We are one of the longest established leasing companies on the Polish market, operating for over 30 years. Our activities include the financing of a variety of fixed assets: cars and vans, machinery and equipment for most industries, heavy transport (including road, rail, water and air transport), as well as real estate.

Our Clients range from micro-entrepreneurs to corporate. We have both simplified processes for template transactions and specialised expertise for structuring and coordinating large leasing transactions.



Security and transparency

We are a member of the Millennium Bank Group, which guarantees us and our Clients financial stability and reliability of services provided, as well as security of transactions. The greatest importance is attached to the transparency of our offer, maintaining simple procedures and minimum formalities. We believe that valuable, long-term relationships require that the instalment indexation clause in the General Terms and Conditions of the Leasing Contract describes in a clear, understandable way how a change in reference rates will affect the lease instalment.

Comprehensive Client approach

Close cooperation with Bank Millennium means a joint approach to the Client, offering complementary products and electronic handling of leasing contracts (eBOK service) integrated with the Bank's online banking (Millenet for Corporate). It is not only convenient and time-saving, but also a coherent and uniform financing policy in the Bank Millennium Group. Security, attention to high quality service and an individual approach are the key aspects of cooperation on which we base long-term relationships with our Clients.

Millennium Leasing in numbers



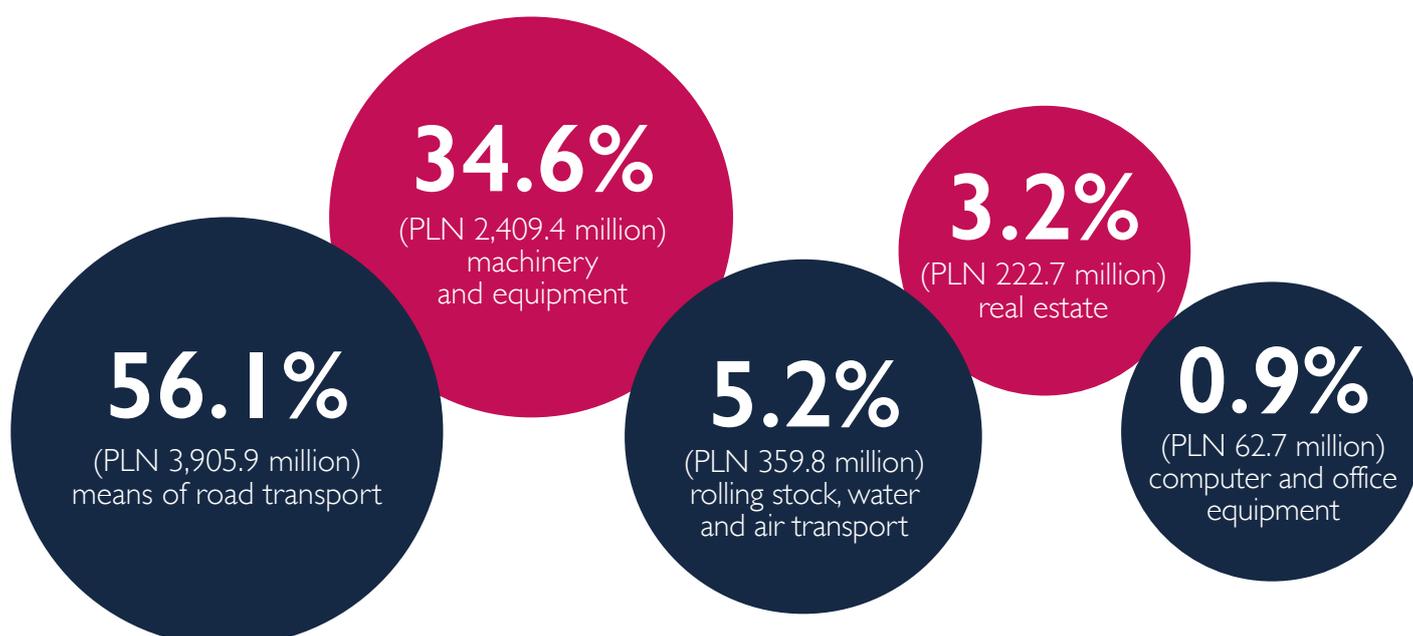
In 2022, we obtained a **4.6%** share in the total leasing market (movables and real estate), we signed **16,696 contracts**, leasing items worth **PLN 3,543 million**.

As at 31 December 2022, the total number of contracts we serviced was 68,461, and the value of the capital involved was PLN 7,174.8 million, which means an increase compared to 31 December 2021 by 3.3%. We have 26,363 Clients in our portfolio. Contracts executed with the largest lessors with the involvement of over PLN 0.5 million accounted for 71.5% of the portfolio (1,842 Clients).

Millennium Leasing's net financial result in 2022 was PLN 42.1 million, with interest income of PLN 412.4 million. The balance sheet total on 31 December 2022 was PLN 7,503.6 million.

In 2022, the return on equity (ROE) was 16.8% compared to 12.2% in 2021.

The type structure of assets in our portfolio is as follows (as at 31 December 2022):





The total value of financed items in the group of machinery and equipment as well as IT equipment in 2022 amounted to PLN 1.3 billion with a 7% share in the leasing market. In the category of leasing of heavy road transport vehicles, we achieved a 5.8% market share, including:

- semi-trailers and trailers – 8.1%
- trucks weighing more than 3.5 t – 4.5%
- buses – 6.5%
- tractor units – 5%.

In the light vehicle group (passenger vehicles, vans and trucks up to 3.5t), we gained a 2.6% market share.

We obtained a 3.1% market share in real estate leasing.

In accordance with the requirements of IFRS 9, impairment losses on lease receivables were established in 2022. As on 31 December 2022, the value of established provisions for lease receivables amounted to PLN 131.4 million, which accounted for 1.8% of the coverage of the receivables portfolio.

Millennium Leasing services are sold by leasing advisors in **81** locations (own and partner ones) throughout Poland. It is supported by active cooperation with banking advisors in Bank Millennium branches. The company offers entrepreneurs a wide range of financial services, including both leasing and banking products. Millennium Leasing advisors thus have the opportunity to customise the product portfolio adapting it to individual needs. With such an extensive sales network, Millennium Leasing services are available throughout Poland. Remote transaction processes with Clients are also being developed.

Millennium Leasing's share in the leasing market in Poland (data for 2022)

4.6% share in the total leasing market



5.8%

heavy transport



7%

machinery and equipment,
including IT equipment



3.1%

real estate



2.6%

passenger vehicles,
vans and trucks up to 3.5t

Business initiatives

MilleSun programme

In 2022, within the MilleSun programme, we offered leasing financing – not only for solar panels and installations, but also heat pumps and energy storage facilities. Leasing under the MilleSun programme is carried out in a simplified procedure, and an additional facilitation in obtaining financing is the possibility for the Clients to choose a supplier authorised by us. In 2022, we financed products under the MilleSun programme for almost PLN 190 million for over 1,500 Clients.



My electric vehicle programme

In 2022, we joined the governmental programme implemented by the National Fund for Environmental Protection and Water Management and Bank Ochrony Środowiska. Thanks to it, our Clients were able to obtain a subsidy for the leasing of zero-emission vehicles. The aim of the project is to promote activities aimed at reducing CO2 emissions in road transport. The programme will be implemented until mid-2026. Those Clients who concluded a leasing contract before joining the programme could also apply for the subsidy.



Leasing with BGK guarantee

In 2022, we continued to offer our Clients from the SME sector leasing secured by a guarantee from Bank Gospodarstwa Krajowego (BGK). As part of the offer, the Clients were able to benefit from financing on more attractive terms: terms of margin, amount of financing, contract term and required collateral. The BGK guarantee covered up to 80% of the financing of the leasing transaction, with the maximum contract period of 10 years. Funds covered by the guarantee constitute state aid from the Pan-European Guarantee Fund – an instrument implemented by the European Investment Fund to protect the European Union economy from the effects of the COVID-19 pandemic. As part of the portfolio agreement with BGK, in 2022 we had a guarantee line in the amount of PLN 400 million, from this limit in 2022 we funded leasing contracts worth PLN 311 million.

Digital leasing service

In 2022, we continued the process of digitalising services by developing the eBOK service, used for electronic handling of leasing contracts. In 2022, we significantly expanded the functionality of the eBOK service to include the possibility of submitting applications in post-sales processes. Thanks to this, our Clients can order online most of the matters related to the handling of their leasing contracts. Cases ordered by the eBOK service are automatically categorised, separated and registered in the queue for execution. By eliminating the laborious registration stage, we have significantly shortened the case handling time. In addition, a document module has been implemented in the eBOK service, enabling signing documents with a qualified signature and exchanging them with the Clients. At the end of 2022, over 85% of our Clients used the eBOK service. We will constantly develop the eBOK service, creating a platform for comprehensive operational customer service.

The joint Clients of ours and Bank Millennium using the Millenet for Corporate online banking have access to all banking and leasing products in one system.

In 2022, in our relations with the Clients we took advantage of the possibility of signing documents with electronic signatures, the feature being introduced in the preceding year, to sign documents using an electronic signature. More than 32% of leasing contracts concluded with the Clients selected for eObsługa (eServices) were signed using a qualified electronic signature representing almost 17% of all contracts concluded.





Vendor programme

As part of our vendor programmes, we work with both leading suppliers – leaders in their segments, as well as smaller, local players. Our partners include suppliers of: cars and trucks, tractors and trailers, construction, production, printing machinery, as well as photovoltaic installations. Through vendor cooperation, our partners and their Clients gain access to special conditions in terms of the financing period, the amount of the initial payment or even the amount of the instalments. In addition, the Clients can benefit from a simplified process for obtaining leasing and support in concluding the contract. The partner's staff use our tools to calculate leasing instalments. In 2022, as part of our vendor cooperation, we completed financing for almost 2,700 Clients, totalling PLN 949 million, of which PLN 565 million relates to new Clients (2,200).

New challenges in the ESG area

We consistently focus on initiatives supporting the ESG strategy. These include:

- the MilleSun programme with the financing of devices generating energy from renewable sources
- the My electric vehicle programme with a subsidy for leasing zero-emission vehicles
- the portfolio guarantee programme of the European Investment Bank (EIB), promoting the financing of means of transport that meet CO2 emission limits
- the guarantee from Bank Gospodarstwa Krajowego (BGK) with a preference for financing vehicles with low CO2 emissions
- development and promotion of the eBOK service, which allows for the reduction of paper invoices and online settlement of almost all matters related to leasing
- promotion of electronic signature in the process of finalising a leasing transaction.

Millennium
leasing