

**Report on the Activity of the Supervisory Board of Bank Millennium S.A. in 2012  
(„Report”)**

This Report covers:

1. Summary of activities in 2012 of the Supervisory Board and its committees: Audit Committee and Personnel Committee,
2. The report on the assessment of the Management Board reports on the activity of Bank Millennium SA and Bank Millennium SA Capital Group and financial reports of Bank Millennium SA and Bank Millennium SA Capital Group for the financial year 2012 as well as the Management Board motion pertaining to the distribution of profits for the financial year 2012,
3. Brief assessment of the situation of Bank Millennium in the year 2012 taking into account the assessment of the internal control system and risk management system.

**1. Summary of Activity in 2012 of the Supervisory Board and its Committees: Audit Committee and Personnel Committee.**

As of 20 April 2012, i.e. as of the day of the Annual General Meeting of Bank Millennium S.A., approving the financial report for 2011, there ended the term of office of the Bank's Supervisory Board and its committees. The Annual General Meeting discharged the Members of Supervisory Board from the performance of their duties in the financial year 2011.

In the period from 1 January till 20 April 2012 the Supervisory Board worked in the following composition:

1. Maciej Bednarkiewicz – Chairman,
2. Ryszard Pospieszyński – Deputy Chairman,
3. Carlos Jorge Ramalho dos Santos Ferreira – Deputy Chairman,
4. Marek Furtek – Secretary,
5. Luis Maria Franca de Castro Pereira Coutinho – Member of the Supervisory Board,
6. Vitor Manuel Lopes Fernandes – Member of the Supervisory Board,
7. Andrzej Koźmiński – Member of the Supervisory Board,
8. Nelson Ricardo Bessa Machado – Member of the Supervisory Board,
9. Antonio Manuel Palma Ramalho – Member of the Supervisory Board,
10. Marek Rocki – Member of the Supervisory Board,
11. Dariusz Rosati – Member of the Supervisory Board.

The Annual General Meeting on 20 April 2012 fixed the number of Supervisory Board Members at minimum 11 persons and elected its members for the new term of office ending as of the day of holding the Annual General Meeting approving the Bank's financial report for the financial year 2014.

By a resolution taken during the Annual General Meeting dated 20 April 2012 the Bank's Supervisory Board was appointed in the following composition:

1. Maciej Bednarkiewicz – Chairman,
2. Nuno Manuel da Silva Amado – Deputy Chairman,
3. Marek Furtek – Secretary,
4. Miguel de Campos Pereira de Bragança – Member of the Supervisory Board,
5. Luis Maria Franca de Castro Pereira Coutinho – Member of the Supervisory Board,
6. Andrzej Koźmiński – Member of the Supervisory Board,
7. Krzysztof Kwiatkowski – Member of the Supervisory Board,
8. Maria da Conceição Mota Soares de Oliveira Callé Lucas – Member of the Supervisory Board,
9. Marek Rocki – Member of the Supervisory Board,
10. Dariusz Rosati – Member of the Supervisory Board,
11. Rui Manuel da Silva Teixeira – Member of the Supervisory Board.

By letter dated 12 December 2012 Mr Krzysztof Kwiatkowski tendered his resignation as Supervisory Board Member.

The Annual General Meeting also appointed Mr. Bogusław Kott to sit on the Supervisory Board on condition of submitting by him a resignation from the post of the Chairman of the Bank's Management Board, but not before 1 July 2013.

The Supervisory Board, acting under the Bylaws passed by, it held 7 meetings in the reported period.

At its meeting on 20 April 2012 the Supervisory Board elected the Bank's Management Board for the period of a joint term office in which mandates shall expire as of the day holding the Annual General Meeting approving the financial report for the financial year 2014.

In the reporting period the composition of the Bank's Management Board was as follows:

1. Bogustaw Kott – Chairman of the Management Board,
2. Joao Nuno Lima Bras Jorge – First Deputy Chairman of the Management Board,
3. Fernando Maria Cardoso Rodrigues Bicho – Deputy Chairman of the Management Board,
4. Artur Klimczak – Deputy Chairman of the Management Board,
5. Julianna Boniuk-Gorzelańczyk - Member of the Management Board,
6. Wojciech Haase - Member of the Management Board.
7. Andrzej Gliński - Member of the Management Board,
8. Maria Jose Henriques Barreto De Matos De Campos - Member of the Management Board.

In accordance with the Bylaws the Supervisory Board shall carry out its tasks collectively, but simultaneously can entrust the execution of particular tasks belonging to the competencies of

the Supervisory Board to specific members of the Supervisory Board. In implementing the above principle by resolution of 20 April 2012 the Supervisory Board delegated the following persons to individually carry out particular tasks:

- Maciej Bednarkiewicz – for performing constant supervision over legal issues,
- Marek Furtek – for performing constant supervision over the implementation of resolutions and recommendations of the Supervisory Board,
- Dariusz Rosati – for performing constant supervision in the area of internal audit.

During its meetings the Supervisory Board fully implemented the plan of work accepted for 2012. The regular agenda of SB meetings in quarterly periods included the presentation of information about the Bank's results achieved at the end of every quarter and about the credit, market, liquidity and operational risk, and also about the most important events and decisions of the Management Board arising between the meetings. The Supervisory Board also familiarised itself with information on capital adequacy and the compliance report. The presented analyses of the Bank's results compared with the results of banks operating in Poland allowed the Supervisory Board to gain appropriate knowledge concerning the market environment. Moreover, in accordance with supervisory regulations of the Polish Financial Supervision Authority the Supervisory Board was presented information pertaining to the mortgage portfolio and portfolio of other retail loans in semi-annual cycles. The Supervisory Board also was presented with information on corporate loans with particular emphasis on the building services sector. Moreover, the Supervisory Board monitored the analysis of long-term liquidity and information pertaining to internal control. The Supervisory Board was informed directly and also by means of the Audit Committee on the implementation of the recommendations resulting from the full-scope examination of the Polish Financial Supervision authority conducted in November and December 2011. The Supervisory Board amended the Operational Bylaws of Management Board of Bank Millennium S.A. in the scope of the division of the powers between the Chairman, First Deputy Chairman and other Members of the Management Board.

In the reporting period a Supervisory Board resolution was passed on the selection of the auditor of Bank Millennium S.A. and the Bank's Capital Group for 2012 and for the year 2013. Moreover, the Supervisory Board approved the Plan and Budget for the Bank Millennium S.A. Capital Group for the years 2013 – 2015 and medium-term strategy for Bank Millennium S.A. for the years 2013 – 2015. Pursuant to its competences the Supervisory Board also took resolutions concerning the 2nd Programme of Issuing Bank Millennium S.A. Bonds and Bank Securities.

To celebrate the outstanding input rendered to the development of the Bank, the Supervisory Board expressed its particular recognition for Mr Ryszard Pospieszynski - founder of the Bank and a long-time Member of the Supervisory Board, and took a special resolution in honour of Mr. Ryszard Pospieszynski.

## Activities of the Audit Committee in the reporting period.

In the reporting period the Audit Committee worked in the following composition:

- Dariusz Rosati – Chairman
- Maciej Bednarkiewicz
- Luis Pereira Coutinho
- Vitor Manuel Lopes Fernandes – until 20.04.2012
- Miguel de Campos Pereira de Bragança – since 20.04.2012

The following issues were regularly analysed during meetings of the Audit Committee of the Supervisory Board in 2012:

1. The results of audits conducted by the Internal Audit Department along with their important findings, issued recommendations and monitoring of the status of their implementation.

The activity of Internal Audit at the Bank was systematically supervised and assessed by the Audit Committee. The Audit Committee approved the annual Audit Plan for 2012 prepared on the basis of identifying risk areas and accepted information on the completion of the Plan for 2011. Particular meetings of the Committee discussed material findings identified by audit along with the agreed remedial actions. The Committee positively assesses the activity of institutional control at the Bank which is carried out with a guarantee of independence, in accordance with its planned scope and effectively identifies the weaknesses of control mechanisms.

2. Review of adequacy and effectiveness of the Internal Control System at the Bank (ICS).

The Committee familiarized itself with the results of the annual review of the Internal Control System (ICS) 2012, conducted at Bank Millennium and its Subsidiaries for the period from 1 June 2011 till 31 May 2012. Based on the presented results of the review the Committee took the Resolution in the matter of issuing the „Opinion of the Audit Committee of the Supervisory Board on the Adequacy and Effectiveness of the Internal Control System”. The opinion recognized that the Internal Control System as a whole ensures an adequate and effective reaction in all important aspects pursuant to regulatory requirements. The opinion of the Committee along with the opinion of the external auditor KPMG is attached to the Report on the Review of the Internal Control System at Bank Millennium, which was transferred to the Bank of Portugal.

3. Monitoring the activities of the External Auditor at the Bank, including its independence and key findings with respect to the financial reporting process.

The Audit Committee recommended to the Supervisory Board the appointment of KPMG Audyt Sp. z o.o. sp. k. as the auditor of Bank Millennium S.A. and Bank Millennium Group for the years 2012-13. Information of the External Auditor on material findings in the scope of financial reporting at the Bank were discussed at every meeting of the Committee in 2012. The Committee paid particular attention among others to such issues as: correctness of creating revaluation charges for credit exposures, liquidity situation of the Bank, valuation of financial instruments, completeness of disclosures in financial reports or the occurrence of comments/reservations submitted by control and supervisory institutions. The

current and systematic communication of the External Auditor is used to ensure the appropriate independence of the financial audit function.

4. Systematic monitoring of issues in the areas of risk, finance and compliance.
5. Important information pertaining to the situation of Bank Millennium, in particular information on important events and irregularities disclosed as part of conducted audits and undertaken improvement actions.

Moreover, in connection with the Full-Scope Examination conducted at the Bank between 14 November - 9 December 2011 conducted by the Polish Financial Supervision Authority the Audit Committee of the Supervisory Board analysed in detail its results and issued post-examination recommendations, and then systematically monitored the extent of their implementation by the Bank.

#### Activities of the Personnel Committee in the reporting period

In the reporting period the Personnel Committee worked in the following composition:

- Maciej Bednarkiewicz – Chairman
- Carlos Santos Ferreira – until 20 April 2012
- Nuno Manuel da Silva Amado – since 20 April 2012
- Luis Maria França de Castro Pereira Coutinho
- Marek Furtek

The Personnel Committee held five meetings. Within their duration the Personnel Committee took resolutions concerning the terms of employment and remuneration of the Bank's new Management Board. The Personnel Committee considered the issue of bonuses for the Bank's Management Board for the year 2011.

The Personnel Committee discussed the issue of policy of variable remuneration components of persons occupying management posts with respect to the resolution of the Polish Financial Supervision Authority no 258/2011 dated 4 October 2011.

In summary, the Supervisory Board positively assesses the steps taken by the Management Board implemented in 2012. Their quantifiable effect is the achieved financial result. In particular one should emphasise the activities in support of long-term business growth implemented through the service quality improvement programme. The Supervisory Board wishes to note that the initiatives taken to the above extent brought considerable business and reputation effects.

The Supervisory Board wishes to thank the Management Board and employees of the Bank Millennium S.A. Capital Group for good work in 2012. In view of the results and overall activity in 2012, the Supervisory Board moves for discharging the Bank's corporate bodies from performing their duties in 2012.

**2. The report on the assessment of the Management Board reports on the activity of Bank Millennium SA and Bank Millennium SA Capital Group and financial reports of Bank Millennium SA and Bank Millennium SA Capital Group for the financial year 2012 as well as the Management Board's motion concerning the distribution of profit for the financial year 2012.**

Pursuant to art. 382 § 3 of the Commercial Companies Code § 17 sect 3 of the Bank's Articles of Association the Supervisory Board as of 14 March 2013 conducted the assessment of the following reports submitted by the Management Board: (i) Management Board report on the Bank's activity (ii) the Bank's financial report for the financial year 2012 (iii) Management Board report on the activity of the Bank Millennium S.A. Capital Group (iv) consolidated financial report of the Bank Millennium S.A. Capital Group for the year 2012.

The Supervisory Board familiarised itself also with the auditor's opinion on the above documents. The Supervisory Board on this basis recognises that both the Management Board report on the Bank's activity, financial report for the financial year 2012, the report on the activity of the Bank Millennium SA Capital Group and consolidated financial report were prepared correctly in substantive and formal terms, comply with the facts and books and truly and fairly present the financial results and the activity of the Bank and the Bank Millennium SA Capital Group in the financial year 2012.

The Supervisory Board recommends to the Annual General Meeting the adopting of the above documents in the version submitted by the Management Board along with the auditor's opinion.

The Supervisory Board assesses as justified the Management Board motion on the distribution of net profits for the year 2012 allocating the net profit for strengthening the reserve capital. In the Supervisory Board's opinion the procedure with respect to profit distribution and dividend payout in the current situation of the banking sector should incorporate the recommendations and suggestions which the banks received from the Polish Financial Supervision Authority. In consequence of the above presented assessment of the Management Board's motion, the Supervisory Board unanimously recommends to the Annual General Meeting to accept the motion in question. At the same time the Supervisory Board acknowledges the position of the Management Board as regard possibility of returning to regular payment of dividend as from 2014.

**3. Brief assessment of the situation of Bank Millennium S.A. in 2012 including the assessment of the internal control system and risk management system.**

This part of the Supervisory Board report is the assessment of the Bank's situation expressed by the Supervisory Board with respect to the requirement of Rule III.1.1) on Good Practices of Companies Listed on the Warsaw Stock Exchange”.

Whereas:

The Supervisory Board is satisfied that in the reporting period the Bank and Capital Group of the Bank achieved the improvement of results of many fields of operation:

- There was an improvement in net profit of the Group which stood at 472 mln PLN and went up by 1,2% compared to 2011,
- ROE stood at 10,2% ,
- The Group’s operational revenues were improved by 3,4% y/y,
- Costs were kept at a stable level by going down 0,3% y/y, and the cost/income effectiveness ratio stood at record low level of 57,4%,
- A good quality of loans was maintained through achieving the 5,1% share of impaired loans, i.e. significantly below the average market level.
- A stronger liquidity position achieved due to a drop, to a level below 100%, of the loan to deposit ratio.
- High level of the solvency ratio as a result of the approval of IRB method, employed for assessing the capital requirements for credit risk, and retention of 2011 net profit.

Having performed a strategic review of its operations and in order to update its strategic priorities, Bank Millennium adopted a „Medium-term Strategy of Bank Millennium for the Years 2013-2015”. It assumes a concentration on the most valuable business areas, with a simultaneous emphasis on high margin products, further improvement of sale effectiveness and balance sheet structure and profitability in the corporate area. The adopted strategy, through focusing on strategic priorities, will prepare the Bank for future challenges of the market which is subject to variable macroeconomics trends. Said priorities are: i) sustain focus on valuable business areas and higher margin products, ii) enhance sales effectiveness of the network, iii) improve profitability of corporate franchise, iv) investing into business analytics and multichannel platform, v) effective infrastructure management and cost savings discipline.

The Supervisory Board performed also the analysis of the main areas of Bank’s activity which contributed to the achievement of good results in 2012. The Polish economy felt in 2012 the effects of a market slowdown. Despite this Bank Millennium managed to achieve a solid growth of business. The number of current accounts of individual clients went up in 2012 by 153 thous., and total deposits clearly increased 10,6%, which was achieved thanks to a focus on sales, price adjustments and product campaigns oriented towards selected Client groups. In total, the net loan portfolio of the Bank Millennium Group achieved at the end of 2012 the level of 40,2 billion PLN. Total loans went down due to the exchange rate effect, but without the exchange rate effect, the loan portfolio would go up by 1,3% per annum.

In accordance with published opinions of analysts, the economic slowdown will continue in 2013 but will be gradually overcome and there will follow a gradual reversal of the trend and return to higher growth rates in the next two years. Despite fluctuations, which the European crisis may bring, these prospects underlie a relatively optimistic macroeconomic forecast which will support advantageous conditions of growth in the banking sector.

After having familiarised itself in detail with the financial report and the results of the Bank and Bank Millennium SA Capital Group in 2012 and with plans for the next years, the Supervisory Board made a positive assessment of the financial situation of the Bank and the Capital Group and their development prospects.

The Supervisory Board, relying on its supervisory actions performed and taking into consideration that the Audit Committee of the Supervisory Board on an on-going basis controlled the quality of the internal control system, on the basis of its rational judgement, ensures that the internal control system as a whole together with the risk management system, information and communication systems and internal control monitoring system effectively and suitably corresponds to the regulatory requirements, and being efficiently managed, fits adequately to the size of the Bank and to risks connected with the operations conducted by the Bank.

*[Signatures of Members of Supervisory Board of Bank Millennium SA.]*