

Report on activities of the Supervisory Board of Bank Millennium S.A. in 2013 („The Report”)

Contents of this Report includes, as follows:

1. Summary of the Supervisory Board activities in 2013 and its committees: the Audit Committee, the Personnel Committee and the Strategic Committee,
2. Report on assessment of the Management Board’s reports on activities of Bank Millennium S.A. and the Bank Millennium S.A. Capital Group, Bank Millennium S.A. and the Bank Millennium S.A. Capital Group’s financial statements for the financial year 2013, as well as the Management Board’s motion regarding distribution of profits for the financial year 2013,
3. Concise assessment of the Bank Millennium S.A. situation in the year 2013 including assessment of performance of the internal control system and the risk management system.

1. Summary of the Supervisory Board’s activities in 2013 and activities of its committees: the Audit Committee, the Personnel Committee and the Strategic Committee.

Composition of the Supervisory Board

General Meeting of Shareholders, on 11 April 2013, elected Mr. Grzegorz Jędryś to the membership of the Supervisory Board. On 24 October 2013, following submission of resignation from the function of Chairman of the Bank Management Board, Mr. Bogusław Kott, upon Resolution No. 19 of the General Meeting of Shareholders of Bank Millennium S.A. of 20 April 2012, was appointed to the membership of the Bank Supervisory Board. At the same time, on the same day, Mr. Maciej Bednarkiewicz submitted his resignation from the position of the Chairman of the Supervisory Board. Therefore, The Supervisory Board at its meeting of 24 October 2013 elected Mr. Bogusław Kott to the position of the Supervisory Board Chairman and Mr. Maciej Bednarkiewicz – to the position of the Deputy Chairman of the Bank Supervisory Board.

Thus, in the reporting period the Supervisory Board operated with the following composition:

1. Bogusław Kott – Chairman of the Supervisory Board since 24 October 2013,
2. Maciej Bednarkiewicz – Chairman of the Supervisory Board until 24 October 2013,
Subsequently Deputy Chairman of the Supervisory Board,
3. Nuno Manuel da Silva Amado – Deputy Chairman of the Supervisory Board,
4. Marek Furtek – Secretary of the Supervisory Board,
5. Miguel de Campos Pereira de Bragança – Member of the Supervisory Board,
6. Luís Maria França de Castro Pereira Coutinho – Member of the Supervisory Board,
7. Grzegorz Jędryś – Member of the Supervisory Board since 11 April 2013,

8. Andrzej Koźmiński – Member of the Supervisory Board,
9. Maria da Conceição Mota Soares de Oliveira Callé Lucas – Member of the Supervisory Board,
10. Marek Rocki – Member of the Supervisory Board,
11. Dariusz Rosati – Member of the Supervisory Board,
12. Rui Manuel da Silva Teixeira – Member of the Supervisory Board.

Composition of the Bank Management Board

In effect of resignation of Mr. Bogusław Kott from the position of the Chairman of the Bank Management Board, the Bank Supervisory Board, at its meeting of 24 October 2013, appointed Mr. Joao Nuno Lima Bras Jorge to the position of the Chairman of the Bank Management Board for the joint term of office expiring on the date of the General Meeting approving financial statements for the financial year 2014.

In view of the above, during the reporting period, the composition of the Bank Management Board was, as follows:

1. Bogustaw Kott – Chairman of the Management Board until 24 October 2013,
2. Joao Nuno Lima Bras Jorge – First Deputy Chairman of the Management Board until 24 October 2013, subsequently the 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.

Supervisory Board, on the basis of the Code of Commercial Companies, the Bank's Articles of Association and self-adopted Bylaws, performed permanent supervision of the Bank's activities holding, during the reporting period, 6 meetings to consider information, analyses and motions submitted by the Bank's Management Board and Committees active within the structures of the Supervisory Board. As in previous years, the Supervisory Board focused its work on both strategic issues and matters connected with on-going operations of the Bank. The Supervisory Board obtained relevant knowledge on market environment and the Bank's position relative to other financial institutions from submitted analyses of banking activities in Poland.

During its meetings, the Supervisory Board implemented, fully, its Work Plan for the year 2013. The Supervisory Board systematically reviewed quarterly information on the Bank's performance, risk, capital and liquidity management. The Supervisory Board was informed on the most important events and Management Board decisions made during the periods between the Supervisory Board meetings.

Furthermore, in accordance with supervisory regulations of the Polish Financial Supervision Authority, the Supervisory Board was presented with semi-annual information on mortgage loan portfolio and portfolio of other retail loans as well as information on long-term liquidity management. The Supervisory Board also acknowledged the outcomes of the review of corporate financing including financing of construction services sector as well as information on bankassurance activities in the Bank Millennium S.A. Capital Group.

In addition, the Bank Supervisory Board also thoroughly analysed focused reports on internal control and compliance activities. The Supervisory Board was informed on results of the Polish Financial Supervision Authority thematic inspections performed in the Bank and results of the Supervisory Examination and Evaluation (BION).

The Supervisory Board accepted the update of the Bank Millennium S.A. Capital Group Risk Strategy for 2013 – 2015 and approved the Bank Millennium S.A. Capital Group's Plan and Budget for 2014 – 2016.

In consideration of the Bank's development in consecutive years and considering the need to thoroughly analyse macro-economic situation and market trends, the Supervisory Board appointed the Strategic Committee and determined its composition. Moreover, the Supervisory Board introduced changes to the composition of the Audit Committee and the Personnel Committee.

The Supervisory Board, after acknowledging opinion of the Audit Committee, selected PricewaterhouseCoopers Sp. z o.o. ("PwC Sp. z o.o.") to perform audit of financial statements of Bank Millennium S.A. and the Bank Capital Group for the year 2014.

During the reporting period, the Supervisory Board made decisions also to approve documents implementing "The policy of variable remuneration components of employees holding managerial posts at Bank Millennium S.A. Capital Group" and changes to the said „Policy” as well as changes to relevant implementation documents. Furthermore, the Supervisory Board reviewed and approved changes to the following documents: "Rules on internal capital calculation", "Capital management and planning framework", „Compliance Policy – Principles and Guidelines”.

Performing its statutory duties, the Supervisory Board defined a uniform text of the Bank Millennium S.A. Articles of Association and approved amendments to the Supervisory Board Bylaws and Bylaws on Bank Millennium S.A. Management Board Activities connected with changes in composition of the said governing bodies of the Bank and appointment of the Strategic Committee.

Activities of the Audit Committee in the reporting period.

In the reporting period, the composition of the Audit Committee was, as follows:

- Dariusz Rosati - Chairman,
- Maciej Bednarkiewicz,
- Miguel de Campos Pereira de Bragança,
- Luis Maria Pereira Coutinho,
- Grzegorz Jędrys – since 24 April 2013,
- Bogusław Kott – since 24 October 2013.

In the reporting period, Mr. Dariusz Rosati complied with independence requirements and had qualifications in the area of accounting or financial auditing in accordance with art. 86 section 4 of the Act of 7 May 2009 on statutory auditors, their self-governing organisation, entities authorised to audit financial statements and on public oversight. Independence criteria were also met by Mr. Grzegorz Jędrys.

In 2013, the Audit Committee of the Supervisory Board held four meetings on: 30.01.2013, 23.05.2013, 24.07.2013 and 22.10.2013.

At its meetings, the Audit Committee of the Supervisory Board considered the following issues:

1. Reports on activities performed by the Internal Audit Department. Activities of the Internal Audit Department in the Bank was subject to systematic supervision and evaluation by the Audit Committee. The Audit Committee approved annual Audit Plan for 2013. At the meetings, Audit Committee discussed important issues identified by audit together with agreed upon remedial measures. The process of monitoring of audit recommendation implementation was made subject of detailed review.
The Audit Committee supported efforts to increase quality and standard of audit performance in the Bank approving the Internal Audit Department Strategy for 2013 - 2015 as well as updated internal regulations connected with the Department's activities.
The internal audit function, in line with supervisory requirements provided for in Recommendation H, was subject, in 2013, to independent external assessment. This review was performed by PwC Sp. z o.o., and showed very high score placing the Internal Audit Department among the banks of the highest level of internal audit practices.
The Committee has formulated a positive assessment of the institutional control in the Bank, performed with assurance of independence, in keeping with the planned scope, effectively identifying weaknesses of control mechanisms and, at the same time, providing substantive support to other units of the Bank.
2. Monitoring of activities performed by the Bank's external auditor. KPMG Audyt Sp. z o.o. sp. k. information on important agreements in the area of financial reporting in the Bank, in the form of outcomes of quarterly reviews performed by the External Auditor, were subject of discussions on every Committee meeting in 2013. On-going, systematic communication between the External Auditor and the Audit Committee helps ensure appropriate independence of the financial audit function.
In keeping with agreements reached with the Polish Financial Supervision Authority, in 2013 the Bank carried out the procedure of selection of a new External Auditor. At the last meeting of 2013, the Audit Committee considered motion submitted by the Management Board and adopted Resolution in the matter of recommending, to the Supervisory Board, selection of PwC Sp. z o.o. to become statutory auditor for Bank Millennium S.A. and the Bank Millennium S.A. Capital Group for the year 2014.
3. Monitoring of financial reporting. For the first meeting in 2013, the Finance and Reporting Department provided the Committee with information on the financial reporting process including, as follows: monitoring of compliance of accounting standards applied by the Bank Millennium S.A. Capital Group with external regulations, recognition of disposable transactions in financial reports, identification of key accounting principles and compliance with reporting deadlines and monitoring of changes having potentially negative impact upon the reporting process.
4. Results of annual Review of Internal Control System 2013, performed in the Bank and Companies of the Bank Millennium S.A. Capital Group for the period from 1 June 2012 to 31 May 2013. The need to review internal control system of the Bank is a requirement under both Polish and Portuguese supervisory regulations and such review was carried out in 2013, in accordance with guidelines for the BCP, in collaboration with External Auditor i.e. KPMG Audyt Sp. z o.o. sp. k.
On the basis of review results, the Committee issued positive opinion on adequacy and effectiveness of the internal control system. The Committee's opinion, together with the

- opinion of the External Auditor i.e. KPMG Audyt Sp. z o.o. sp. k., was attached to the Bank Millennium S.A. Internal Control System Review Report delivered to the Bank of Portugal.
5. Supervisory Bodies. The Audit Committee devoted a lot of its attention to the Bank's relations with supervisory bodies including, in particular, the Polish Financial Supervision Authority. At every meeting, the Audit Committee discussed the status of implementation of the PFSA recommendations issues under post-inspection activities or connected with application for the use of Internal Ratings Based (IRB) method i.e. credit risk measuring method. All PFSA (KNF) recommendations were implemented in line with the schedule adopted by the Bank.
On its last meeting in 2013, the Audit Committee acknowledge information on the final results of the problem specific inspection conducted by the Office of the PFSA (KNF) in May 2013 and on resulting recommendations. Furthermore, the Committee discussed schedule of work related to implementation of remedial activities and their further implementation will be subject to close monitoring performed by the Committee at its consecutive meetings in 2014.
 6. Information on implementation of Compliance Policy by the Bank. The main objectives of the Compliance Policy, scope of training in the area of counteracting money laundering and financing of terrorism, results of identification of suspicious transactions, the scope of collaboration with external institutions and implementation of the Compliance Department initiatives constituted the subject matters of reviews at the meetings of the Committee in the last year.
 7. The Audit Committee acknowledged information on correctness of Bank relations with Clients, specifically in the context of complaints received by the Bank. In the materials delivered to each meeting of the Committee, the Internal Audit Department presented conclusions regarding complaints received by the Bank via the PFSA (KNF) and complaints addressed directly to the Supervisory Board.

Activities of the Personnel Committee in the reporting period.

During the reporting period, the Personnel Committee acted in the following composition:

- Maciej Bednarkiewicz – Chairman,
- Nuno Manuel da Silva Amado,
- Luis Maria Pereira Coutinho,
- Marek Furtek,
- Bogusław Kott – from 24 October 2013.

In the reporting period, the Personnel Committee held 3 meetings. The Committee focused its activities, specifically, on issues linked with change in the position of the Chairman of the Bank Management Board in connection with the will, planned and expressed earlier by Mr. Bogusław Kott to resign from this function. In effect of these activities, the Personnel Committee recommended Mr. Joao Bras Jorge to be appointed to the position of the Bank Management Board Chairman in view, in particular, of his professional experience gained during his work in Bank Millennium S.A. and knowledge of Polish economic reality.

Implementation of PFSA (KNF) Resolution in the matter of variable components of remuneration relative to compensation provided to Members of the Bank Management Board constituted a separate subject matter of work of the Personnel Committee. In effect of these activities, the principles of disbursement of annual bonus in compliance with regimes provided

for by the said regulation were established. Later, the Personnel Committee discussed proposal of subsequent changes to the policy of variable remuneration components for persons holding managerial positions in the Bank Millennium S.A. Capital Group.

Activities of the Strategic Committee during the reporting period.

On 24 October 2013, the Bank Millennium S.A. Supervisory Board appointed its Strategic Committee with the following composition:

- Bogusław Kott – Chairman,
- Nuno Manuel da Silva Amado,
- Miguel de Campos Pereira de Bragança,
- Luis Maria França de Castro Pereira Coutinho,
- Andrzej Koźmiński,
- Dariusz Rosati.

Activities undertaken by the Committee in the reporting period focused on organisational issues including discussion on methods of operation to ensure effective implementation of tasks to be performed by the Committee.

In summary, the Supervisory Board provided positive assessment of the activities performed by the Management Board in 2013, which contributed, *inter alia*, to generation, by the Bank Millennium S.A. Capital Group, of the historically second highest annual profit. It is necessary to underscore consistent implementation of medium-term objectives, as defined in the previous year, focusing, *inter alia*, on improving profitability, effectiveness and service quality. The Supervisory Board is happy to stress continuous commitment of the Management Board towards efforts to maintain, by Bank Millennium S.A., of one of the leading positions amongst banks in Poland, as reflected by prices of the Bank shares in WSE achieving the highest increase among the largest banks quoted at the WSE and by prizes and awards granted to the Bank.

The Supervisory Board would, hereby, like to express appreciation to the Management Board and Staff of the Bank Millennium S.A. Capital Group for good and effective work performed in 2013. Considering the results and overall activities in 2013, the Supervisory Board, hereby, applies for discharging the members of the Bank Governing Bodies from their duties performed in 2013.

2. Report on evaluation of Management Board reports on activities of Bank Millennium S.A. and the Bank Millennium S.A. Capital Group and financial statements of Bank Millennium S.A. and the Bank Millennium S.A. Capital Group for the financial year 2013, as well as Management Board's motion in the matter of distribution of profits for the financial year 2013.

Acting pursuant to art. 382 § 3 of the Commercial Companies Code and § 17 section 3 of the Bank's Articles of Association, the Supervisory Board, at its meeting of 13 March 2014 assessed the following documents submitted by the Management Board: (i) Management Board report on the Bank's activities, (ii) the Bank's financial statement for the financial year

2013, (iii) Management Board report on the Bank Millennium S.A. Capital Group Activities, (iv) consolidated financial statement of the Bank Millennium S.A. Capital Group for the financial Year 2013.

The Supervisory Board also acknowledged the opinion of the Auditor on the above documents. On this basis, the Supervisory Board has established that the Management Board report on Bank's activities and the financial statement for the financial year 2013 as well as report on activities of the Bank Millennium S.A. Capital Group and consolidated financial statement for the financial year 2013 have been prepared correctly in terms of their substance and form and comply with facts and books and truly and accurately present the financial results and activities of the Bank and Bank Millennium S.A. Capital Group in the financial year 2013.

The Supervisory Board, hereby, recommends that the General Meeting should approve the above documents in their versions submitted by the Management Board together with the opinion of the Auditor.

The Supervisory Board assesses as justified the motion of the Management Board on the distribution of net profits for the year 2013 allocating 50% of consolidated net profits to dividend. In 2013 all objectives and capital limits were achieved, both those established by the Polish Financial Supervision Authority and internally and thereby the Bank has complied with supervisory guidelines regarding option to pay out dividend. Dividend amounts have been projected in the budget plans for the year 2014 and assumptions for 2015 - 2016, in line with relevant Bank policy. Considering the above described assessment of the Management Board motion, the Supervisory Board unanimously recommends to the General Meeting the adopting of the said motion.

3. Brief assessment of the situation of Bank Millennium S.A. in 2013 including the assessment of the internal control and risk management systems.

This part of the Supervisory Board report constitutes the assessment of the Bank's situation, as expressed by the Supervisory Board in keeping with requirements of the Rule III.1.1) on „Good Practices of Companies Listed on the WSE”.

The Supervisory Board analysed main areas of the Bank's operation having impact upon results generated in 2013. Whereas:

- net profit of the Bank Capital Group reached the historically record level at 536 mln PLN, i.e. increased by 13% y/y,
- ROE stood at 10,6% relative to 10,2% in the previous year,
- operating income increased by 3% y/y,
- strict cost discipline was maintained – cost/income ratio stood at 54,3%, i.e. improved by 3 p.p. relative to 2012,
- the Group maintained good loan quality – the share of impaired loans decreased to the level of 4,4%,
- the Group recorded a dynamic growth of the consumer loan volume – 24% y/y,
- structure of deposits significantly improved – the share of savings and current accounts in retail deposits increased to the level of 50%,
- the Group kept strong liquidity position – loan/deposit ratio at the level of 91,5%,
- strong capital position was achieved – capital adequacy at the level of 14,5% - therefore the Management Board can recommend returning to the policy of payment of a portion of net profits to shareholders

the Supervisory Board is satisfied to state that in the reporting period the Bank and the Bank Capital group achieved major successes in many fields of activity implementing assumptions of the „Medium-Term Strategy of Bank Millennium for 2013-2015”, as adopted in 2012. The Board needs to underscore activities focusing on ensuring robust development of the Bank and continuous improvement of its market position such as, *inter alia*, profitability improvement, improvement of effectiveness, maintaining strong liquidity and capital position, enhancing service quality and pressure towards development of innovative products.

It is necessary to underscore that very good results gained by the Bank in 2013 were achieved under difficult, for financial institutions, conditions of significant interest rate cuts and fierce competition. The Bank’s good performance was achieved in effect of excellent organisation of the management system as well as competences and effectiveness of the Bank and the Bank Millennium S.A. Capital Group staff. The Bank has created a solid base for further development, which, supported by projected improvements of the macro-economic situation in Poland in the year 2014, should help the Bank implement its business plans in the coming years.

After carefully reviewing the financial statements and results of the Bank and the Bank Millennium S.A. Capital Group in 2013 and plans for coming years, the Supervisory Board has formulated a positive assessment of the Bank’s and the Group’s financial situation and perspectives of future operations.

The Supervisory Board, taking account of supervisory activities and the fact that the Audit Committee of the Supervisory Board performed on-going control of the internal control system quality, and assessing the situation on the basis of reasonable assumptions, ensures that the quality of the internal control system as a whole, including risk management system, information and communication systems and internal control monitoring system effectively and suitably corresponds to the regulatory requirements and, being effectively manager, is adequate to the size of the Bank and its exposures to risks connected with the operations conducted by the Bank.

[Signatures of Members of the Supervisory Board of Bank Millennium S.A.]