

Report on the Activity of Bank Millennium S.A. Supervisory Board in 2019

Acting pursuant to Article 382 § 3 of the Commercial Company Code, provisions of the “Best Practice for GPW Listed Companies 2016” adopted by the Warsaw Stock Exchange (hereinafter also: “Best Practice”) and the “Corporate Governance Principles for Supervised Institutions” (hereinafter also: “Principles”) adopted by the Polish Financial Supervision Authority (hereinafter also: “KNF”), the Supervisory Board of Bank Millennium S.A. (hereinafter also: “the Bank”) hereby submits this *Report on the Activity of Bank Millennium S.A. Supervisory Board in 2019* (“Report”) to the Bank’s General Meeting.

This Report includes:

1. Summary of the activities of the Supervisory Board (hereinafter also: “the Board”) and its committees: Audit Committee, Personnel Committee, Strategic Committee and Committee for the Risk Matters, together with a self-assessment of the Supervisory Board’s work, pursuant to rule II.Z.10.2. of the Best Practice, and with the motion of the Board for the General Meeting to discharge members of the Bank’s authorities from the performance of the duties in the financial year 2019.
2. Report on the evaluation of the remuneration policy in Bank Millennium S.A. pursuant to § 28 items 3 of the Principles.
3. Assessment of the application of the “Corporate Governance Principles for Supervised Institutions”, adopted by KNF in accordance with § 27 of the Principles and assessment of the satisfaction of disclosure requirements related to the application of the “Best Practice for GPW Listed Companies 2016”, pursuant to rule II.Z.10.3. of the Best Practice.
4. Assessment report on the reasonability of Bank Millennium S.A.’s policy related to sponsorship activities, charitable activities or other activities of a similar nature, pursuant to rule II.Z.10.4 of the Best Practice.
5. Report on the evaluation of the Management Board’s joint report on activity of Bank Millennium S.A. and Bank Millennium S.A. Capital Group, joint report on non-financial information of Bank Millennium S.A. and Bank Millennium S.A. Capital Group and financial statements of Bank Millennium S.A. and Bank Millennium S.A. Capital Group for the 2019 financial year, pursuant to Article 382 § 3 of the Commercial Company Code (hereinafter also: “CCC”) and in connection with § 70 sec. 1 pt. 14) as well as § 71 sec. 1 pt. 12) of the “Ordinance of the Minister of Finance of March 29, 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing information required by non-Member states as equivalent” (hereinafter also: “Ordinance”).
6. Report on the evaluation of the Management Board’s motion on profit distribution for the 2019 financial year, pursuant to Article 382 § 3 of the CCC.
7. Evaluation of Bank Millennium S.A.’s standing in 2019, including evaluation of the internal control system, risk management system, compliance system and the internal audit function, pursuant to rule II.Z.10.1. of the Best Practice.

1. Summary of the activities of the Supervisory Board and its committees: Audit Committee, Personnel Committee, Strategic Committee and Committee for the Risk Matters, together with a self-assessment of the Supervisory Board's work and with the motion of the Board for the General Meeting to discharge members of the Bank's authorities from the performance of the duties in the financial year 2019

The Bank's Supervisory Board acts pursuant to the Banking Law Act, the Commercial Company Code, the Bank's Articles of Association and the Supervisory Board Bylaws. Pursuant to § 13 sec. 1 of the Bank's Articles of Association, the Supervisory Board's term of office is 3 years.

Composition of the Supervisory Board

In the reporting period covering 2019, the Supervisory Board of the current term of office ending on the day of holding the Bank's General Meeting approving the 2020 financial statement, held their discussions in an unchanged composition compared to that established by the Bank's General Meeting on 26 of March 2018 which looked as follows:

1. Bogusław Kott – Supervisory Board Chairman,
2. Nuno Manuel da Silva Amado – Supervisory Board Deputy Chairman,
3. Dariusz Rosati – Supervisory Board Deputy Chairman and Secretary,
4. Miguel de Campos Pereira de Bragança – Supervisory Board Member,
5. Agnieszka Hryniewicz-Bieniek – Supervisory Board Member,
6. Anna Jakubowski – Supervisory Board Member,
7. Grzegorz Jędrys – Supervisory Board Member,
8. Andrzej Koźmiński – Supervisory Board Member,
9. Alojzy Nowak – Supervisory Board Member,
10. José Miguel Bensliman Schorcht da Silva Pessanha – Supervisory Board Member,
11. Miguel Maya Dias Pinheiro – Supervisory Board Member,
12. Lingjiang Xu – Supervisory Board Member.

The above mentioned Members of the Supervisory Board, when running for the functions in the Supervisory Board, made their declarations on fulfilment of the criteria defined in the binding laws, in particular in the Banking Law, Good Practices and Principles. In 2019 no changes were reported by the members of the Supervisory Board in this regard. The independence criteria are fulfilled by four from the Members of the Supervisory Board: Ms Agnieszka Hryniewicz-Bieniek, Ms Anna Jakubowski, Mr Grzegorz Jędrys and Mr Alojzy Nowak. Polish nationality is held by seven Members of the Supervisory Board, including its Chairman. According to its best knowledge, the Supervisory Board did not find material connections or circumstances that could affect fulfilment of the independence criteria by the above-mentioned Members of the Supervisory Board. The composition of the Supervisory Board was varied in terms of gender and age. Professional curricula vitae of the Members of the Supervisory Board are posted on the Bank's website.

Supervisory Board's activities in the reporting period

When exercising its statutory rights, the Supervisory Board conducted constant supervision of the overall activity of the Bank with the highest due diligence, directed by objective assessment and judgement, and care for correct and safe operation of the Bank. The Supervisory Board conducted its works first of all during its meetings, taking appropriate decisions. The meetings of the Supervisory Board were constantly attended by Members of the Management Board and other invited persons presenting the discussed issues or acting as advisers and external experts.

In 2019 there were nine meetings of the Supervisory Board held, in which the attendance rate each time exceeded the quorum necessary to take resolutions – average attendance percentage rate of Members of the Supervisory Board at the meetings (including, using devices for remote communication) totalled 94%. Furthermore, the Supervisory Board adopted two resolutions

without a meeting - in the procedure defined in § 12 and § 13 of the By-laws of the Supervisory Board of Bank Millennium S.A.

In the reporting period, the Supervisory Board subjected to analysis and took relevant decisions in particular in the matters concerning the following issues:

1) finance, including:

- approval of the Budget of the Bank Capital Group for the years 2020-2022,
- analysis of the current results of the Bank Capital Group and business lines,
- approval of the decisions of the Bank Management Board on extension of the key conditions of the Third Bank Bond Issue Programme.
- opining the transaction of financing by the Bank its linked entity, i.e. its subsidiary Millennium Leasing Sp. z o.o.,
- granting consent for the financing of the Leon Koźmiński Academy,

2) internal audit and compliance, including:

- assessment of application of „Corporate Governance Principles for the Supervised institutions” in the Bank,
- approval of the 2019 audit plans,
- analysis of the information on the Internal Control System in 2018,
- analysis of the 2018 compliance report and acceptance of the 2019 action plan of the Compliance Department,
- approval of „Strategy of Internal Audit Department for the years 2019-2021” and „Strategic audit tasks for the years 2019-2021”,
- approval of the document: “Internal Control System at Bank Millennium S.A. - Principles & Guidelines”,
- approval of changes in the document: “Audit Card – principles governing operations of internal audit in Bank Millennium S.A.”,
- approval of changes to the document “Management System at Bank Millennium S.A.”,
- approval of the document: “Functioning By-laws of Compliance Unit at Bank Millennium S.A.”,
- approval of changes in the document: “Principles for reporting non-compliance in the Supervisory Board in Bank Millennium S.A.”,
- approval of change in the position of Head of Compliance Department at the Bank,

3) risk management in the Bank, including:

- current analysis of risk management,
- approval of the Risk Strategy of the Bank Capital Group,
- approval of the Capital Plan and Contingency Capital Plan of the Bank Capital Group,
- approval of the Liquidity Plan of the Bank Capital Group and analysis of the Bank long-term liquidity,
- update of the Bank Contingency Liquidity Plan,
- update of the „Capital Management and Planning Principles”,
- analysis of the information about the review of the „Principles for Internal Capital Calculation”,
- approval of changes in the document: “Principles on Stress Tests in Bank Millennium S.A.”,
- analysis of the information on the portfolio of mortgage loans in CHF,
- analysis of the information in the matter of status of court cases,

4) remuneration policy, including:

- approval of changes in the document: “Employee Remuneration Policy in Bank Millennium Group”,

- approval of the review of the “Employee Remuneration Policy in Bank Millennium Group” for 2018,
 - review of the information on the Incentive Programme for Risk Takers based on purchasing own shares of Bank Millennium S.A.,
 - acceptance of the “Remuneration Policy for Risk Takers in Bank Millennium S.A. Group”,
 - approval of the Bylaws of the Incentive Programme,
 - taking decision in the matter of the financial instrument for the persons identified as risk takers in former Euro Bank S.A.,
 - taking decision in the matter of adjustment of the moment of acquisition of rights to variable remuneration by the risk takers in former Euro Bank S.A. to the principles adopted in Bank Millennium S.A.,
- 5) Bank Millennium S.A. and Euro Bank S.A. integration project, including:
- expression of the opinion on the planned transaction concerning Euro Bank S.A.,
 - expression of the opinion on the Bank Millennium S.A. - Euro Bank S.A. Merger Plan and on Bank Millennium S.A. Management Board report justifying the merger,
 - analysis of the information on the status of the Banks integration project,
 - analysis of the information on completion of the process of operational merger of both Banks,
- 6) other matters, including:
- review of the information on the principles and conditions for the assessment of the suitability of members of the management body and key function holders in Bank Millennium and in currently-created Millennium Mortgage Bank,
 - approval of the document: “Policy of selection and assessment of suitability of the Members of the Management Board and the Supervisory Board of Bank Millennium S.A. and Key Function Holders at Bank Millennium S.A. Group”,
 - analysis of the information on SKOK Piast integration process,
 - approval of the “Recovery Plan for Bank Millennium S.A. Capital Group.”, (pursuant to the requirements of the Act on Bank Guarantee Fund, deposit guarantee system and resolution),
 - review of the information on organisational structure of Bank Millennium S.A.,
 - review of the information on the new format of Millennium Mini branches,
 - approval of the documents submitted to the General Meeting and Extraordinary General Meeting.

The Supervisory Board was particularly concerned about matters related to mortgage loans in CHF, in particular in the context of risks involved with judgements of the Court of Justice of the European Union and cases before courts in Poland. The Supervisory Board was analysing in-depth the information submitted by the Bank’s Management Board, regarding i.a. the Bank’s actions aimed at limiting the number of potential litigations, including proposed solutions for borrowers. Moreover the Supervisory Board was also being provided with information regarding cooperation with supervisory authorities, including the Office of Competition and Consumer Protection. Bearing in mind the complex nature of matters regarding mortgage loans in CHF, as well as their possible impact on attainment of long-term strategic goals as well as budgetary targets in the next years, the Supervisory Board was emphasising the need to closely monitor all matters related to this subject.

The Supervisory Board dedicated a lot of attention also to the issues related to the Bank Millennium S.A. and Euro Bank S.A. (hereinafter also: “Eurobank”) integration project, taking relevant decisions and monitoring the process of the Banks’ merger, aiming at maintaining both good financial results and high customer service standards.

Moreover, the Supervisory Board approved the changes to the „Bank Millennium S.A. Management Board Operational Bylaws” and issued the statements required by the law for annual reports.

The Board Members were informed on a regular basis about the major events, significant decisions of the Management Board, the macroeconomic situation, as well as reviewed the information provided on the activity of the competitive banks on the Polish financial market, whereby they had adequate knowledge of both the market environment and the Bank's position in relation to other financial institutions. Also current events as well as decisions and recommendations of the supervisory authorities were discussed on an ongoing basis, inter alia in the context of their potential impact on the Bank's development plans and achievement of the assumed strategic objectives.

Irrespective of the works within the Supervisory Board, the majority of its Members (11 from among 12 Members of the new term) worked also in the standing Committees of the Supervisory Board.

ACTIVITY OF SUPERVISORY BOARD COMMITTEES

Within the Supervisory Board of the Bank there are four standing Committees, namely: Audit Committee, Personnel Committee, Strategic Committee and Risk Committee. The compositions of the individual Committees have not been changed since the elections made by the Supervisory Board, i.e. since 26 March 2018.

A. Activity of the Audit Committee in the reporting period

AUDIT COMMITTEE COMPOSITION

In the year **2019** the Audit Committee of the Supervisory Board of Bank Millennium S.A. was composed of the following persons:

Chairman of Committee:	Mr. Grzegorz Jędrys	<i>independent member</i>
Member of Committee:	Mr. Bogusław Kott	
Member of Committee:	Mr. Miguel de Campos Pereira de Bragança	
Member of Committee:	Ms. Anna Jakubowski	<i>independent member</i>
Member of Committee:	Mr. Alojzy Nowak	<i>independent member</i>

Thus, the Bank fulfilled the provisions of Art. 129. item 3 of the *Act on statutory auditors* [...] ensuring that the majority of Audit Committee members, including its Chairman, meet the independence criteria. The scope of activity of the Audit Committee of the Supervisory Board is specified in the Bank's Articles of Association and further clarified in the Bylaws of Supervisory Board Audit Committee.

AUDIT COMMITTEE ACTIVITY

In 2019 took place **seven** meetings of the Audit Committee of the Supervisory Board at the following dates: **31.01.2019, 21.02.2019, 06.05.2019, 17.06.2019, 25.07.2019, 23.10.2019** and one additional meeting by circulation on **04.04.2019**.

The following issues were subject to regular analysis during the meetings of the Audit Committee of the Supervisory Board in 2019:

1. The activity of the Internal Audit Department along with identified important findings, issued recommendations and effectiveness of monitoring of their implementation process.
2. Review of effectiveness, adequacy and efficiency of the Internal Control System at the Bank.

3. Monitoring of activities of the External Auditor at the Bank, including his independence and key findings with respect to the financial reporting process.
4. Issues in the areas of risk, finances, compliance and client's complaints based on information presented by Bank units and the External Auditor.
5. Supporting of steps with respect to increasing the efficiency and improving the quality of implementing the internal audit function.
6. Relations with supervisory authorities, in particular information about the process, results of KNF inspections and actions undertaken by the Bank in order to implement post-examination recommendations.

The agenda of the Audit Committee covered issues specified in the permanent agenda of Committee meetings approved by the Supervisory Board at the meeting on 31 January 2013. In 2016 to the regular items of the agenda the information on client's complaints was included (after 1 and 3 quarter of the year).

During the meetings of the Audit Committee of the Supervisory Board in 2019 the following issues were discussed:

1. **Reports from the activity of the Internal Audit Department (DAW):** containing the assessment of risks of the audited processes and degree of execution of the tasks enumerated in the Audit Plan for 2019 approved by the Supervisory Board.

The activity of Internal Audit at the Bank was subject to regular supervision and assessment by the Audit Committee. The Audit Committee positively assessed and recommended for approval to the Supervisory Board the annual Audit Plan for 2019 prepared on the basis of analysing the risk areas and accepted information on fulfilling the Plan for 2018. During particular meetings of the Committee there were discussed important findings identified by audit along with the agreed remedies. Analysed in detail was the process of monitoring post-audit recommendations, including recommendations H with the highest implementation priority. KRI ratios [Key Risk Indicators] are used for monitoring the implementation of the recommendations.

The Audit Committee supported activities aimed at systematically improving the quality and work standards of the Bank's internal audit:

- a. At the meeting in January 2019 r. acknowledged the results of the external *Independent review of the internal audit in Bank Millennium S.A.* conducted by the advisory firm EY. In accordance with the provisions of the KNF's Recommendation H revised in 2017, the assurance and consulting activities of the internal audit unit should be subject to regular, independent external evaluation, but not less frequently than every five years. The last external review took place in 2013. The current external evaluation took place in 3 and 4 Q2018 and its results presented at the Audit Committee meeting. In EY's assessment, the structure, objectives, processes and activities implemented by Internal Audit Department are in line with good practices that can be observed in other banks and internal audits of companies outside the financial sector. As a result of the work carried out, no requirement of KNF H Recommendation or IIA Standard was assessed as "No compliance".
- b. In 1Q2019 DAW updated *Strategy of Internal Audit Department for the years 2019-2021*, the most important elements of which covers: (i) evaluation of implementation of DAW Strategy 2016-2018, (ii) current description of DAW activity (i.a. main tasks and responsibilities of DAW; formal and legal framework; internal regulations; human and IT resources; cooperation with BCP audit; external review of audit function 2018), (iii) global trends for internal audit, (iv) integration with Euro Bank S.A. – key DAW initiatives for 2019, (v) strategic goals of DAW for the years 2019–2021. At the meeting in May 2019, the Committee familiarized itself with the updated Strategy and, after expressing a positive opinion, recommended the Supervisory Board its approval.

- c. Following changes in the legal environment of the internal audit, the *Audit Charter – rules governing Internal Audit activities in Bank Millennium S.A.* was updated in the part concerning the rules and scope of reporting to the BCP Group Audit. *Charter ...* after a positive opinion issued by the Audit Committee of the Supervisory Board was presented to the Supervisory Board for approval.
- d. As part of the implementation of post-inspection recommendations regarding inclusion in the process of preparing annual audit plans: (i) frequency of conducting audit engagements depending on the assessment of the level of risk resulting from the DAW risk map for particular processes, (ii) the quantitative and qualitative criteria when assigning ratings to analysed processes, changes were made to the *Internal Audit Manual*, the consolidated version of which was approved by the Committee on 06.05.2019.
- e. At its meeting in October 2019, the Committee also familiarized itself with the report on the operations of the former Eurobank Audit Department for the third quarter of 2019, closing the operation of this unit, which at the beginning of the fourth quarter of 2019 was included in the structures of the Bank Millennium Internal Audit Department.

The Head of Internal Audit has an assured constant and direct contact with Members of the Committee, and one meeting in a year (after the third quarter), during its closed part, includes a discussion with him of the staffing situation of the Internal Audit Department and remuneration policy for auditors. The staffing situation was assessed as adequate to the scope of the tasks being performed, taking into account both the level of resources and the competences of auditors, including the ongoing development process.

The Committee positively assesses the activity of internal audit at the Bank, which is carried out with the assurance of independence, in accordance with the planned scope, effectively identifying weaknesses of controls, and simultaneously within provided consulting activity gives methodical support for other units of the Bank.

2. **Monitoring the scope of activities of the Bank's External Auditor:** In the period 2014-2018– the **PwC** company was the external auditor of the Bank. PwC information on material findings in the scope of financial reporting at the Bank for 4Q2018 (closing the five-year period of the auditor's cooperation with the Bank), was presented by PwC at the first meeting in 2019. Additionally, as part of the meeting on 21.02.2019, the Auditor's conclusions were presented on the audit of the Bank's and the Bank's Group financial statements for the year 2018, along with the Statement of Independence and the Management Letter for 2018.

Starting from the first quarter of 2019, Deloitte took over the role of the Bank's external auditor, selected as a part of the tender procedure conducted by the Bank in 2018, starting the tasks of the statutory audit (within the meaning of Art. 2 point 1 of the Act on statutory auditors, audit firms and public oversight) in the scope of the Bank's solo report and the consolidated report of the Bank's Group for the years 2019-2020 as well as audit of other financial statements of the Bank and the Bank's Group for the periods 2019-2020.

Deloitte information on material findings in the scope of financial reporting at the Bank as a result of quarterly reviews conducted by the External Auditor was discussed at three (quarterly) meetings of the Committee in 2019.

The purpose of current and systematic communication of the External Auditor with the Audit Committee is to assure proper independence and required standards and quality of services provided by the financial audit function.

Taking into account the reporting requirements to the Audit Committee, on 11.12.2019 Statutory Auditor presented planned scope and dates of an annual audit of the financial statement of the Bank and Bank's Group to the AC Chairman. After internal consultation, the Audit Committee did not comment and approved the proposed dates and scope of the audit.

3. **Cooperation with audit firms:** due to issuing by KNF in December 2018 the revised **Recommendation L** concerning role of the statutory auditors in the process of supervision over banks and credit unions, new duties were imposed on the audit committees operating in public interest entities. In the connection with the above, Bank prepared a draft of changes to

"Policy of Selecting and Cooperation with Audit Firms", which have been accepted by the Committee on the 21.02.2019.

Additionally, following the *Policy on selection and cooperation with audit firms*, Audit Committee has been analysing the motions provided and approving the selection of audit firms to provide services other than statutory audit.

4. **Monitoring of financial reporting:** At the first meeting in 2019 the Department of Finance and Reporting conveyed to the Committee information pertaining to the process of financial reporting in 2018, covering: monitoring the compliance of accounting standards employed by the Bank Millennium Group with regulations, supervision over accounting principles applied by the Group, as well as keeping the reporting deadlines and monitoring changes which may impact the reporting process.

In the course of 2018 there were no significant changes in the financial reporting process, that may affect its stability or the ability of the Group for the preparation of reliable financial statements within the reporting deadlines.

Financial statements of the Bank and the Group are prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union. Special attention was paid to IFRS9 obligatory commencing from January 1st, 2018, describing the new standards in the impairment process and modifications regarding the rules of classification and measurement of financial instruments (particularly of financial assets) as well as a new approach towards hedge accounting. Annual statements for 2018 were prepared with broadened scope of qualitative and descriptive information in result of IFRS9 introduction. In view of IFRS 9 introduction in 2018, the Bank's Management Board accepted for use: (i) new business models, (ii) principles of financial assets and liabilities valuation, as well as (iii) models dedicated to loan impairment allowances calculation, applicable by the Bank in accordance with IFRS 9.

In consequence of SKOK Piast conveyance, Bank's standard reporting process have been adjusted in order to cover taken over SKOK Piast balances. Additionally in view of Banking Guarantee Fund requirements, new reporting procedure must be established to provide detailed information on changes of former SKOK Piast assets rights during the next few years.

It was underlined, that the biggest challenges for 2019 are:

- a. **Implementation of new accounting standard IFRS16** (which applies to reporting periods starting on January 1st, 2019) and will affect the Group in the area of assets used under lease agreements. The new requirements eliminate the notion of operating lease and thus off-balance sheet recognition of assets used on this basis. All assets used as well as relevant rent payment liabilities will have to be recognised in the balance sheet. In result the biggest impact on the Group will have recognition of agreements on rental of office space (Head Office, outlets).
- b. **Reporting of Eurobank balances process**, which will start from review and alignment of accounting standards applied by the both banks and adjusting end of month process executed by Eurobank to the Group requirements. Financial reporting during process of merger with Eurobank is going to be accomplished in the following phases: (i) D1 – purchase of Eurobank shares: Eurobank balances must be included in consolidated reports of the Group, input data is to be prepared by Eurobank, (ii) D2 – legal merger – Eurobank balances are to be covered by the Bank mostly based on ready financial reports prepared by the Eurobank. Computation system (for Banking Guarantee Fund requirements) must be fully integrated already at this stage, (iii) D3 – operational merger – source data is to be obtained from the core Bank IT systems.
- c. to design the **mandatory financial reporting duties for the Mortgage Bank** which will be realised by Financial and Reporting Department, whereas prudential reporting will be provided by Risk Department based on bilateral agreement with Mortgage Bank (the same split of responsibilities is currently applied in the universal Bank).

The meeting of the Audit Committee in February 2019 was devoted primarily to the analysis of the Management Board information on the Annual Report of the Bank and the Group for 2018, and the conclusions of Statutory Auditor PwC concerning above mentioned reports. Based on the audit, the PwC has issued an unmodified audit opinion on Bank Millennium Group consolidated financial statements and an unmodified audit opinion on Bank Millennium standalone financial statements as of 31st December 2018. Taking into consideration the positive opinion of the Statutory Auditor, the Audit Committee has adopted a Resolution on the recommendation the Supervisory Board of a positive assessment of the Annual Reports for 2018.

- 5. Results of the annual Review of the Internal Control System:** ICS 2019 conducted at the Bank and Bank Millennium Group Companies for the period from 1 June 2018 until 31 May 2019. The requirement to review the internal control system at the Bank results from supervisory regulations both Polish and Portuguese, and in accordance with uniform guidelines for the BCP Group it was implemented in 2019 in cooperation with the External Auditor of the BCP Group - Deloitte.

Based on the results of the review the Committee took a Resolution concerning the issuing of the "Opinion of the Audit Committee of the Supervisory Board on the adequacy and effectiveness of the Internal Control System". In the opinion it was recognised that the Internal Control System as a whole (including the control environment, risk management system, system of information and communication and internal control monitoring) assures an appropriate and effective reaction in all important aspects, in keeping with regulatory requirements. The Committee's opinion along with the opinion of the External Auditor of the BCP Group (Deloitte) was attached to the Report from the review of the Internal Control System at Bank Millennium, which was transferred to the Bank of Portugal.

- 6. Supervisory organs:** The Audit Committee paid much attention to the Bank's relationships with supervisory organs, in particular KNF. At each meeting of the Audit Committee, the Internal Audit Department presented and discussed the implementation status of KNF recommendations issued as part of post-inspection recommendations and in connection with the application for IRB method employment. All the recommendations issued by KNF were implemented in accordance with the time-table adopted by the Bank.

As part of the implementation of post-inspection recommendations, the existing "Bylaws of Supervisory Board Audit Committee" has been reviewed and adapted to the comments formulated by the Supervisor. The Committee approved the changes and adopted the uniform text of the document at the meeting on 31.01.2019.

In addition, a regular part of the meetings of the Audit Committee was to analyze the correspondence addressed in key issues to the Bank from KNF. These issues concerned primarily the SREP process and the Bank's assessments, the results of the Problem Specific Inspections carried out at the Bank in 2019 and the schedule of recommendations issued as a result of them, as well as the KNF position concerning the dividend policy of the commercial Banks for 2019.

- 7. Information on Compliance Policy implementation by the Bank and the activity of the Compliance Department.** The subject to analysis during Committee meetings last year were the main objectives of Compliance Policy, Non Compliance Risk Map, monitoring of the compliance risk of individual areas of the Bank's operations, including consumer loans, insurance and investment products, the implementation of the anti-money laundering and terrorist financing program, results of identifying suspicious transactions, scope of cooperation with external institutions, initiatives of the Compliance Department under implementation especially with regard to regulatory changes.

At its meeting in October 2019, the Committee also familiarized itself with the report on the operations of the former Eurobank Compliance Department for the third quarter of 2019, closing the operation of this unit, which at the beginning of the fourth quarter of 2019 was included in the structures of the Bank Millennium Compliance Department.

Following the resignation of the Head of the Compliance Department from the position held, the Management Board of Bank Millennium S.A. presented to the Audit Committee a new candidate to perform this function, with relevant qualifications and professional experience. On 23.10.2019, as proposed by the Management Board, the Audit Committee decided to recommend to the Supervisory Board that it approves the proposed change in the position of Head of Compliance Department.

8. The Audit Committee paid careful attention to information on the **correctness of developing the Bank's relations with clients, particularly in the context of claims/complaints received**. At two meetings a year, detailed information on complaints submitted by the Bank's Customers prepared by the Quality Department was presented. At its meeting in October 2019, the Committee also familiarized itself with information on customer complaints addressed to Eurobank for the first three quarters of 2019. In the materials of the Internal Audit Department, in the semi-annual periods, the conclusions were presented pertaining to complaints received by the Bank by means of KNF. The Audit Committee was informed about the resolution concerning the clients' complaints addressed to the Supervisory Board, as well as about the results of explanatory actions carried out by the DAW in this regard.

Considering all the activities carried out by the Audit Committee in 2019, including materials provided by the Internal Audit Department, Compliance Department, Statutory Auditor, results of the Internal Control System Review 2019 carried out in the BCP Group and supervisory activities and inspections of the KNF, we state that the components of the internal control system (control function, DZZ and DAW) present the appropriate ability to identify possible irregularities and weaknesses in banking processes and ensure proper effectiveness of management of identified problems in terms of continuous and systematic improvement of the functioning control mechanisms. Assessing on the basis of rational grounds, including the implementation of improvement measures, in the opinion of the Audit Committee, the internal control system as a whole, as well as its individual components, effectively and properly meet regulatory requirements and being well-managed are adequate to the size of the Bank and exposure to risks related to the operations carried out by the Bank and the Capital Group of Bank Millennium S.A.

Bearing in mind the information obligations of the Supervisory Board formulated in the *"Ordinance of the Minister of Finance of March 29th, 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing information required by non-member states as equivalent,"* the Audit Committee states that:

- I. With reference to the selection¹ of an audit firm that audits the annual financial statements of Bank Millennium and the Bank Group:
 - a) the audit firm and the members of the audit team met the conditions for drawing up an impartial and independent audit report on the annual financial statements in accordance with applicable regulations, professional standards and professional ethics,
 - b) the applicable regulations related to the rotation of the audit firm and the key statutory auditor as well as mandatory grace periods are observed,
 - c) the Bank has a policy regarding the selection of an audit firm and a policy for providing the Bank by an auditing company, an entity related to an auditing company or a member

¹ § 70.1. 7) a) b) c) Ordinance of the Minister of Finance of March 29, 2018 regarding current and periodic ...

of its network of additional non-audit services, including conditionally exempt from the ban of services by an audit firm.

- II. With reference to the appointment, composition and functioning of the Audit Committee²:
- a) the provisions regarding the appointment, composition and operation of the Audit Committee of the Supervisory Board in Bank Millennium S.A., including the fulfilment by its members of independence criteria and requirements regarding knowledge and skills in the finance industry as well as in the field of accounting or auditing of financial statements are met.
 - b) the Audit Committee of the Supervisory Board in Bank Millennium S.A. performed the tasks of the audit committee provided for in the applicable regulations.

B. Activity of the Personnel Committee in the reporting period

The composition of the Personnel Committee (Committee) was determined at the meeting of the Supervisory Board on March 26, 2018, in 2019 it did not change and was as follows:

- Andrzej Koźmiński – Chairman
- Nuno Manuel da Silva Amado
- Miguel de Campos Pereira de Bragança
- Bogusław Kott

The composition of the Committee assured an appropriate level of supervision over the entrusted areas of the Bank's activity and the particular members guaranteed proper performance of duties resulting from their education and professional experience.

The scope of authority of the Committee was defined in § 18 item 6 of the Articles of Association of Bank Millennium S.A. and in § 6 item 8 of the Bylaws of the Supervisory Board of Bank Millennium S.A. and comprises in particular:

- evaluating candidates for Members of the Bank's Management Board,
- defining and conditions of employment of newly appointed Members of the Bank's Management Board,
- negotiating change of terms and conditions of employment of Members of the Bank's Management Board,
- with respect to Members of the Management Board defining evaluation criteria, evaluating work (with consideration of policy on variable components of remuneration of persons in management positions) as well as deciding on annual bonuses,
- determining terms and conditions of termination of employment of Members of the Bank's Management Board,
- evaluating policy on variable components of remuneration, and moreover on the basis of reports on payments made, issuing recommendations regarding:
 - o remuneration amount and components, guided by prudential and stable risk, capital and liquidity management as well as long-term benefit of the Bank,
 - o variable remuneration of persons occupying management positions in the Bank involved with risk management and with compliance of the Bank's activity with legal and internal regulations.

During the period discussed three meeting of the Committee were held, during which members of the Committee analysed delivered documents and information and also took relevant decisions in the form of resolutions. Following matters were discussed:

² § 70.1. 8) a) c) Ordinance of the Minister of Finance of March 29, 2018 regarding current and periodic ...

1. Assessment of the results of the Bank's Management Board in relation to decisions taken in the period 2016-2018 and awarding - based on the assessment - the total bonus for 2018, broken down into current and deferred premium.
2. Reassessment of the Management Board's performance in relation to the bonus granted for the years 2015, 2016 and 2017 and decision on payment of deferred bonus instalments for these years
3. Periodic assessment of the adequacy of the composition of the Management Board of Bank Millennium 2019 in accordance with the EBA guidelines (EBA / GL / 2017/12):
4. Assessment of individual suitability of Members of the Supervisory Board and assessment of collective suitability of the Supervisory Board.
5. Analysis of information on employees holding managerial positions in the Bank Millennium Group, the so-called Risk Takers, and their remuneration policies:
 - a. Information on the review of the implementation in 2018 of the Remuneration Policy for employees holding managerial positions in the Bank Millennium Group, the so-called Risk Takers, excluding Members of the Bank's Management Board;
 - b. Adoption of the document "Rules for granting and paying out variable remuneration components to Members of the Management Board of Bank Millennium SA" - in relation to 2018 and 2019;
 - c. The results of the identification process for employees holding managerial positions in the Bank Millennium Group, the so-called Risk Takers in 2019.
6. Analysis and adoption of changes in the Employee remuneration policy having a significant impact on the risk profile in the Bank Millennium Group and adoption of the Regulations of the Incentive Program for Risk Takers for 2019 and later based on the Bank's own shares.
7. Analysis and adoption of harmonization of rules regarding variable remuneration of the former Eurobank Risk Takers with Bank Millennium Remuneration Policy.
8. Approval of Bylaws of the Supervisory Board Personnel Committee.

During the meetings all members of the Committee were present.

For the purpose of proper performance of tasks, in 2019 Committee members worked not only during the Meetings but also out of them - during mutual consultations as well as meetings and discussions with other persons, also with members of the Bank's Management Board, in particular with a view to comprehensive assessment of the Bank's Management Board as a whole and of particular members and also supporting the Bank's bodies as regards formulation and implementation of remuneration policy valid in the Bank. Attention was drawn to the need for good cooperation between the Management Board and the Supervisory Board in connection with the dynamically changing regulatory environment.

In 2019, the Committee made a positive assessment of the suitability of Members of the Bank's Management Board as well as a positive collective assessment of the Bank's Management Board in accordance with the Bank's Policy of selection and suitability assessment of Members of the Management Board and Supervisory Board of Bank Millennium and persons performing key functions in Bank Millennium."

In accordance with the same "Policy", the Committee also carried out a positive individual assessment of the Supervisory Board Members and a positive collective assessment of the suitability of the Supervisory Board.

The Committee was monitoring Management Board decisions on an ongoing basis as regards actions in remuneration policy (in particular the value of bonus budgets and changes with respect to fixed remuneration of persons identified as risk takers) and deemed them consistent with the targets of long-term remuneration policy adopted by the Group.

C. Activity of the Strategic Committee in the reporting period

In 2019 the composition of the Strategic Committee of the Supervisory Board („Committee”) of the current term did not change and was as follows:

- Bogusław Kott – Chairman
- Nuno Manuel da Silva Amado
- Miguel de Campos Pereira de Bragança
- Agnieszka Hryniewicz-Bieniek
- Anna Jakubowski
- Andrzej Koźmiński
- Lingjiang Xu
- Dariusz Rosati

The Committee's composition assures an appropriate level of supervision over the entrusted area of the Bank's operations and individual Members provide a guarantee of due and diligent performance of their duties in effect of their education and professional experience.

The competence of the Committee, as provided for in Bank Millennium S.A. Articles of Association (§ 18, item 7) and in Bank Millennium S.A. Supervisory Board Bylaws (§ 6, item 8¹), includes in particular such areas as:

- review of macro-economic trends,
- review of new trends, developments and new solutions in the banking sector,
- analysing the Bank's competitive position and benchmarks,
- analysing and recommending long-term strategy, objectives and tasks of the Bank.

In the discussed period the work of the Committee was conducted both during formal meetings as well as during other meetings and individual consultations.

In 2019 Strategic Committee and its members reviewed and discussed results and delivery of the Strategy of Bank Millennium S.A. and Bank Millennium S.A. Capital Group for the years 2018-2020 (2018-2020 strategy).

In scope of the Bank's digital strategy the Committee discussed market trends of Customers' online behaviour observed in the internet search and their impact on general Bank's strategy on a special meeting on 6 of May where experts from outside participated.

Moreover, Members of the Committee held a number of informal meetings and consultations, also with Members of the Bank's Management Board, supporting the Bank's Management Board in pursuit of the development strategy, in particular by acquiring Eurobank.

In scope of the Bank's growth through Eurobank acquisition the Committee discussed the approach for integration of both Banks and reviewed the status of the project including:

- target business vision,
- target product portfolio,
- target application landscape,
- project governance and roadmap,
- project status,
- key risks.

D. Activity of the Committee for the Risk Matters in the reporting period

In the year 2019, the composition of the Committee for Risk Matters (Committee) was as follows:

- Mr. Dariusz Rosati – Chairman,
- Mr. Bogusław Kott,
- Mr. Miguel de Campos Pereira de Bragança,
- Mr. Grzegorz Jędryś,
- Mr. José Miguel Bensliman Schorcht da Silva Pessanha.

The Committee composition secures appropriate level of supervision of the entrusted areas of Bank operations and individual members give guarantee of due and diligent performance of their duties ensured by their education level attained, knowledge and professional experience.

The Committee's responsibilities involve, in particular, as follows:

- provision of opinions on overall, current and future readiness of the Bank to undertake risk,
- provision of opinions on the strategy of management of risk inherent in the Bank operations, as developed by the Bank Management Board and on information regarding implementation of the said strategy, as submitted by the Bank Management Board,
- provision of support to the Bank Supervisory Board in supervision of implementation of the risk management strategy relative to the Bank operations by the Bank's senior management staff,
- verification whether prices of assets and liabilities offered to Clients fully take into account the bank's business model, its risk strategy and in case the prices fail to reflect types of risk appropriately and in keeping with the said model and strategy, submission of proposals to the Bank Management Board to ensure adequacy of prices of assets and liabilities relative to relevant types of risk.

In 2019 there were five meetings of the Committee for the Risk Matters, respectively: 31.01.2019; 06.05.2019; 25.07.2019; 23.10.2019 and 28.11.2019.

The information on Risk Management were subject to regular analysis during the meetings of the Committee, namely:

- General information on credit risk, reviewing the risk appetite statement, the main drivers of credit growth, the evolution of the credit risk parameters and the profitability of the main segments of activity, market and interest rate risk, with detailed analysis of the limits set by the Bank and also analysing the interest rate sensitivity;
- Liquidity management, analysing the liquidity position of the Bank, the fulfilment of the limits set and monitoring the evolution of the major liquidity ratios;
- Operational risk, presenting the major operational risk events and impacts on functioning the Bank;
- Information on Capital Management, namely on the evolution of the capital ratios and internal capital;
- Update on legislative initiatives regarding FX mortgage loans, analysing the implementation likelihood and potential impacts of those initiatives;
- Information on bancassurance activity in Bank Millennium S.A., analysing the banks offer and the evolution of the business in terms of volumes and profitability. It is also presented the operational, compliance and legal risks of this activity.

Once a year legal risk has been analysed and discussed by the Committee, with detailed analysis of the court litigation involving the Bank.

During the meetings of the Committee other issues were also discussed:

- Status of Bank Millennium lawsuits excluding recovery proceedings and status of UOKiK proceedings regarding FX mortgage loans.;
- Legal strategy in court cases regarding f/x mortgage loans;
- Reference rates reform - Benchmark Market Regulation (BMR);
- Report on model risk management in Bank Millennium.

On the 23.10.2019 meeting, the Committee approved a change of its bylaws that will allow:

- bigger and deeper intervention of CRM in the risk strategy and budget- requires at least a prior meeting to approve the major documents (risk strategy, credit risk levels, capital plan and liquidity plan);
- same as for major risk identification and measurements in accordance with ICAAP;

- monitoring the effectiveness of AML and terrorism financial policies; new task has been taken from Audit Committee;
- having more detailed monitoring of Bank Millennium activity.

On the 28.11.2019 meeting, the Committee analysed and gave positive opinion to the Supervisory Board on the following documents:

- Risk Strategy of the Bank Millennium S.A. Capital Group.
- Liquidity Plan of the Bank Millennium S.A. Capital Group and long term liquidity review according to Polish Financial Supervision Authority regulations.
- Update of Contingency Liquidity Plan of the Bank Millennium S.A.
- Capital Plan and Contingency Capital Plan of the Bank Millennium S.A. Capital Group.
- Approval of changes to „Capital Management and Planning Framework” and information about the review of “Rules on Internal Capital Calculation”.
- Moving to the Supervisory Board to pronounce the opinion in the matter of financing transaction by the Bank to the entity related to the Bank i.e. the subsidiary Millennium Leasing Sp. z o.o.

The Committee followed thoroughly the risk management of the Bank. All questions raised were answer and all information requests were provided.

Committee considers that:

1. The Bank uses methods to identify and measure or assess risk, control risk, and monitor and reporting on the risks associated with its operations, adapted to the size and risk profile of the Bank.
2. The frequency of risk measurement or estimation is adjusted to the size, profile and types of risk in the Bank's operations.
3. The methods of measuring or estimating the risk used by the Bank take into account the currently conducted and planned bank's activity and criteria for credit granting in accordance with the banking regulations.
4. The Bank took the adequate measures to ensure a reliable risk measurement or estimation.
5. The bank applies limits adapted to the size and risk profile of the risk occurring in the Bank.
6. As part of risk control, the bank determines the procedure to be followed if the limits are exceeded, defines the measures to eliminate any excess and corrective measures to prevent such situations in the future.
7. Risk monitoring is carried out at a frequency enabling the Committee for Risk Matters of the Supervisory Board to be adequately informed about any changes in the risk profile of the Bank.

The Committee expresses a positive opinion on the Bank risk management.

Assessment of the activity of the Supervisory Board in 2019

Pursuant to guidelines provided in Best Practices as well as Principles, the Supervisory Board appraised its activities during the reporting period comprising 2019. In result of this appraisal the Board ascertained honest, fair and proper performance of duties by its members. The Board exercised permanent and current supervision over the Bank's activity, in accordance with its powers as well as legal requirements regarding joint stock companies and banks. In the Supervisory Board's opinion its composition provided a guarantee of a high level of qualifications, skills and extensive professional experience, including awareness of the Polish financial market, modern technologies, management, assuring the proper level of collegial exercising of supervision over all areas of the Bank's activity. At the same time particular members of the Supervisory Board had specialised competencies for adequate performance of supervisory duties resulting from their education, knowledge and skills, giving a warranty of proper performance of delegated tasks. High turnout during meetings as well as active participation in discussions regarding presented matters were proof of strong commitment of members of the Supervisory Board to its work. In the Board's opinion in all of 2019 activities of

its members, be it within the Supervisory Board or in Supervisory Board Committees, were highly effective, transparent and were also compliant with highest market standards of public companies. The Supervisory Board did not find any existence of connections or circumstances which could affect fulfilment of the independence criteria by the independent Members of the Supervisory Board.

Bearing the above in mind and also giving a positive evaluation of the Bank's overall activity, including its performance, the Supervisory Board moves for discharging all members of the Bank's bodies from performance of their activities in 2019.

2. Report on the evaluation of the remuneration policy in Bank Millennium S.A.

The Supervisory Board declares that activities taken within the remuneration policy followed in Bank Millennium Group did reflect the requirement to safely manage remuneration components. By way of performance of remuneration policy, adequate measures were undertaken, which satisfied needs resulting from the merger of Bank Millennium with Eurobank. In particular:

1. With respect to Management Board Members a remuneration policy was applied, which motivated consistent implementation of effective business strategy of the Group and care for long-term development, with consideration of accepted risk profile.
2. Implementation of remuneration policy in 2019 was focused on reacting to a changing organisational situation of the Bank as well as the legal and market environment. In particular attention during implementation of the policy was focused on:
 - 1) monitoring changes in the legal environment regarding matters captured in "Policy of Remuneration of Employees in Bank Millennium Group" and introducing relevant changes if needed;
 - 2) applying reasonable diversification of principles on variable remuneration of various employee groups – depending on influence on the Bank's results, nature of tasks as well as impact on risk profile of Bank Millennium Group;
 - 3) maintaining a reasonable ratio of variable remuneration to fixed salaries - the bonus budget awarded to particular groups of employees constituted in 2019 additional incentive remuneration - in no business line or company did the bonuses constitute the main source of employees' income;
 - 4) verification of principles regarding awarding of variable remuneration applicable to Risk Takers in Bank Millennium and in former Eurobank;
 - 5) introduction in consequence of the review of the uniform "Remuneration Policy for Risk Takers in Bank Millennium S.A. Group";
 - 6) setting-up an incentive programme for remunerating eligible persons identified as Risk Takers and enabling payment of part of variable remuneration in Bank Millennium S.A. treasury shares;
 - 7) preparation of versatile remuneration analyses with consideration of the market context - preparing for harmonisation of terms of remunerating staff after the merger of Bank Millennium with Eurobank;
 - 8) the programme was continued of verifying remuneration levels depending on adopted criteria of experience and skills in particular units, with a view to support retention in those most exposed to staff attrition.

During the reporting period the Bank Management Board presented to the Personnel Committee of the Supervisory Board periodic information regarding the functioning of remuneration policy in Bank Millennium Group, with particular consideration of volume of variable remuneration payments for the previous bonus period (2018, as of the day of preparation hereof 2019 variable remuneration for this group was not yet paid) to employees in management positions and identified as Risk Takers in Bank Millennium Group. The 2018 bonus pool was presented as

well as the total current value deferred in the form of phantom shares remaining to be paid out under programmes from previous years.

The Supervisory Board hereby expresses a positive opinion about use in Bank Millennium Group of remuneration policy.

3. Assessment of the application of the “Corporate Governance Principles for Supervised Institutions”, adopted by the Polish Financial Supervision Authority and assessment of the satisfaction of disclosure requirements related to the application of the “Best Practice for GPW Listed Companies 2016”

The Supervisory Board, having familiarized itself with pertinent reports, concludes that in 2019 the Bank properly followed the “Corporate Governance Principles for Supervised Institutions” adopted by the Polish Financial Supervision Authority to the extent defined in the resolutions adopted by the Bank’s governing bodies (Resolution no. 24 adopted by the General Meeting on 21 May 2015, Resolution no. 12/2014 adopted by the Supervisory Board on 12 December 2014 and Resolution no. 95/2014 adopted by the Bank’s Management Board on 10 December 2014). The solutions and mechanisms used in the Bank for implementation and execution of the Principles duly take into account the objectives defined in the Principles aligned with the need to ensure optimum organization of the Bank’s operations.

Likewise with respect to Best Practice, the Supervisory Board is of the opinion that the Bank was properly satisfying disclosure requirements as regards applying the principle of “comply or explain” as well as regarding current and periodic information. The situation in this respect has not changed vs previous years; the Bank was complying with principles contained in Best Practice with the exception of one, about which the Bank informed in the form of a report via the GPW Electronic Information Base. The information was also published on the Bank’s website.

4. Assessment report on the reasonability of Bank Millennium S.A.’s policy related to sponsorship activities, charitable activities or other activities of a similar nature

Bank Millennium SA, in cooperation with non-governmental and social organizations runs financial education programmes, programmes promoting culture, in support of the development of local communities and innovation in the Polish economy.

The Bank’s compliance with the principles of sustainable development has been confirmed in third-party assessments. In 2019 Bank Millennium was included in **the WIG-ESG index** on the Warsaw Stock Exchange. Earlier, in 2010-2019 the Bank was listed in the Respect Index. In the **Ranking of Responsible Companies**, prepared by the Responsible Business Forum, Bank Millennium was among the top ten most socially responsible companies in Poland. It was also awarded with the **CSR Silver Leaf** in Polityka weekly’s ranking.

The Bank is also a signatory of two important international initiatives. The first of them is the **Diversity Charter** - a commitment signed by organisations which strive to eliminate discrimination in the workplace and act towards creating and promoting diversity. The second one is the business and government administration partnership for attaining **SDG - Sustainable Development Goals**, where the Bank made a commitment to undertake activities especially in support of the financial education of children and the youth.

1. Social activity

Community programmes are largely implemented via the Bank Millennium Foundation (“Foundation”) and focus on two areas:

a) Financial education of children

The Bank Millennium Foundation has been running the „**Financial ABC**” project since 2016. It is an original programme of pre-school financial education under the honorary patronage of the

Minister of Education and Children's Ombudsman. It was prepared by Bank Millennium employees in cooperation with a non-governmental organisation. Its goal is to explain through fun and play the basic notions from the world of finance to the youngest. During the workshops organised in kindergartens children learn basic financial notions: what money is, where it comes from and what its value is, what ATMs and credit cards are used for, what the difference between a need and a want is, and why saving is a worthwhile effort. The sessions are led by volunteers - employees of Bank Millennium.

There have so far been six editions of the programme. In total, more than 2200 workshops were held under the programme with almost 53,000 children trained from approx. 620 kindergartens all over Poland. For the needs of the programme special educational aids were prepared - books (in which Mr. Sebastian is the main character presenting the content), as well as colouring books and stickers. Parents – Bank Millennium employees - helped create the materials. The booklets are also available in kids' corners at Millennium branches.

In 2019 the Financial ABC **came first in the “Golden Banker” competition in the “Socially Conscious Bank” category.**

b) Employee volunteering

For over 10 years Bank employees have been implementing and participating in various charitable and educational campaigns, often in cooperation with non-governmental organisations.

The most important volunteer programme is **“Millantrop”** run by the Bank Millennium Foundation. This is a grant competition addressed to Bank Millennium employees under which the best social projects are awarded. So far the initiatives financed with these grants have included more than 500 volunteers, who implemented programmes for more than ten thousand beneficiaries. The Bank's employees implement highly diverse projects – from renovation works to education and ecology projects. Volunteers already renewed classrooms and a playground of a children's home; they renovated the common room in a children's hospital, prepared an enclosure in an animal shelter and even built a school sports field. Volunteers also conducted financial education workshops for senior citizens, promoted book reading and encouraged sports activities and healthy lifestyle among young people. They also implemented a project for an animal shelter and planted a forest.

In 2019 Bank Millennium and ex-Eurobank employees also joined a charity campaign, **„Our People 3”: Together to the Moon”**. It consisted in sports activities, mileage accumulation and jointly “covering” the distance between the Earth and the Moon. For every kilometre covered by an employee Bank Millennium donated PLN 1 for social causes - for beneficiaries of the “I Have a Dream” Foundation and DKMS – and for grants awarded in the “Millantrop” competition for the best volunteer projects. „Our People 3” involved over 1 250 people and over 380 thous. PLN was donated for social causes.

2. Banking without barriers

As a socially responsible company the Bank aims to eliminate access barriers to financial and non-financial services. Therefore, numerous access-enabling solutions were introduced for the blind, persons with impaired vision and persons on wheelchairs. The improvements concern easier access to branches, cash machines, telephone service, website as well as service procedures. Bank Millennium was one of the first companies to adapt its website to the needs of persons with disabilities. In recognition of its focus on accessibility of its website Bank Millennium received the “Website Without Barriers” award from the „Widzialni” Foundation.

An important objective of the Bank is also to counteract digital exclusion. In improving access to mobile solutions, i.a. e-government, buying municipal transport tickets, paying parking charges or motorway tolls, the Bank provides access to banking and non-banking services anywhere and anytime.

Bank Millennium is expanding the banking-without-barriers concept also to other areas. By providing cinema films with audio description it facilitates access to the world of culture for persons with visual impairments. During Millennium Docs Against Gravity - documentary film festival, with Bank Millennium as the main sponsor, selected films were available with audio description and voice over enabled in the AudioMovie app. All you needed to do was to bring your smartphone and earphones and watch the film while listening to the audio description or voice over on your own device. Such an app allowed people with different needs to participate, enjoying a film regardless of their impairment (or no impairment), language skills or age.

All such solutions perfectly fit into the idea of creating a common value - both for the company and its environment. We prove that one can design services which not only generate profit, but primarily correspond to the needs of specific social groups.

3. Cultural sponsorship

Our activity in the field of culture has been an important part of the social activities pursued by Bank Millennium for nearly 30 years. It is planned based on medium-term action plans and the following assumptions:

- cooperation in long-term programs with clearly defined goals is preferred,
- supported programs should have a broad public appeal and be available through the media too,
- partners in pursuing cultural programs should be first of all cultural institutions, non-governmental organisations and the media.

Bank Millennium supports both national and local cultural projects. It is a 360° sponsor of culture, because it promotes art in almost all its forms, including: music, painting, sculpture, film, theatre, photography, literature and performance. Bank Millennium reaches for niche and popular culture. It is by design a long-term partner. For 17 years it funded the “Golden Sceptre” award for eminent artists; for 11 years was the sponsor of “Pearls of Millennium” - a joint project of the Bank and TVP, which aimed to produce, promote and present artistic events in the high art realm on Polish TV. For 17 years it has been sponsoring the International Festival of Traditional Jazz "Old Jazz Meeting - Złota Tarka". For 8 years it has been with the “Sacrum Profanum” contemporary music festival and for more than 8 years with Bella Skyway Festival – a multimedia show prepared by an international group of artists. For 7 years it has been associated with the Two Theatres Festival; for 5 years with the Gdańsk Music Festival, it also supported the Mozart festival at the Warsaw Chamber Opera and many others.

In 2019 Bank Millennium was the patron of the **Joy of Writing**, a unique exhibition of **Wisława Szymborska**'s poetry manuscripts at the Jagiellonian Library. The exhibition preceded the preparation of the digitisation of the Nobel Prize winner's manuscripts by the Jagiellonian Library and their publication in the Jagiellonian Digital Library and on the Polona website - the biggest digital library in Poland.

Bank Millennium has also become a sponsor of „**Portugal a la Carte**”, a book published by Empik, being a combination of a cookbook and guide to Portugal. The book, in addition to recipes and the writer's stories, also contains text and pictures illustrating the activity of Millennium bcp and the Foundation set up by bcp.

The most important cultural project sponsored by the Bank is the **Millennium Docs Against Gravity Film Festival**. This is Poland's biggest world documentary film festival together with side events (workshops, discussions and concerts). Bank Millennium has been a partner of Millennium Docs Against Gravity for 14 years. In 2016 it became the festival's naming rights sponsor (title sponsor). In 2019 for the first time in the festival's history, thanks to Bank Millennium's support, selected films were provided with audio description and voice over enabled by the AudioMovie app. Such an app allowed people with different needs to participate, enjoying a film regardless of their impairment (or no impairment), language skills or age.

4. Supporting innovation

As part of its social activity Bank Millennium S.A. analyses trends concerning innovation in the market environment. Every year the Bank's experts prepare the "**Millennium Index – Regions' Innovation Potential**" report, which describes disparities in innovation development in Polish Voivodships.

The "Millennium Index – Regions' Innovation Potential" report is a report prepared by Bank Millennium S.A. experts and was our contribution to the public debate concerning regional development drivers in Poland and reducing inequalities that exist between them. In 2019 the fourth edition of the report was published. It contains an analysis of the factors fostering and inhibiting the development of innovation in each one of Poland's voivodeships. The report has been enriched to include commentaries from an extensive pool of experts: economists, academics and practitioners, heads of the most innovative companies and governmental institutions. This makes it a valuable publication and a source of knowledge for local government authorities on how to level the playing field for regions in Poland.

Bank Millennium also supported a project of the Lesław A. Paga „**Young Innovators**" Foundation. This was an education project concerning innovation and new technologies implemented in organisations. The project covered weekend workshops on design thinking start-up. One of the workshops was run by Bank Millennium employees.

5. Supporting university education

For years the Bank has been involved in the life of the academic community by giving students and graduates an opportunity to develop their competences and interests, and gain their first professional experience. The Millennium Bankers paid internship program, the cyclical Ambassador program and free training sessions and workshops are permanent elements of the Bank's offer.

„**Millennium Bankers**" is a programme of paid internships which aims to enable students to apply the knowledge gained during their studies to their work in the field of banking. By engaging in their own projects students acquire practical knowledge which is insufficiently present in curricula of schools of economics and which is important for understanding the principles of functioning of a financial institution. In 2019 the Bank hired 25 interns in 16 units of the head office and in 7 corporate branches spread all over Poland. Every year the internships are certified by the Polish Human Resources Management Association.

Since 2017 Bank Millennium has been a member of the **Warsaw School of Economics' Partners Club**, thanks to which it became the school's key partner involved in the academic life – with its specialist input and as part of employer branding. Bank representatives take part in meetings with the Council of the Warsaw School of Economics' Partners Club, during which elements of the university's strategy and possibilities of educating students on key competences are discussed.

In 2019 the cooperation with the **Statistics Students Science Club** was continued. In partnership with the club there was implemented their flagship project in the form of a sector conference: e.g. the BIG DATA conference, including a workshop for members of the club. Additionally, the Bank cooperated with the Finance Students Science Club at the Faculty of Management of the University of Warsaw, whose purpose was to communicate knowledge about the development prospects at the Bank. A cooperation of this nature allows to better understand the expectations of young people and introduce them to the specifics of work in banking.

2019 also saw the completion of the 17th round of the **Ambassador Programme** – a programme that serves as a bridge between the academic community and the employer, through direct cooperation with students. During the academic year students formalised their cooperation with student organisations, performed employer branding analysis of the local market and represented the company at external events. For their work they received remuneration and gained their first professional experience.

Bank Millennium was also a partner in the celebration of the **70th anniversary of establishing and teaching/research work of the Collegium of World Economy of the Warsaw School of Economics** (formerly: SGH/SGPiS Foreign Trade Faculty).

Bank Millennium, **University of Warsaw and Camões Institute** extended in 2019 their cooperation for the next three years based on which Bank Millennium will fund three scholarships for the best BA students of Portuguese Studies at the University of Warsaw. The purpose of the signed agreement is supporting development and expanding inter-cultural experiences of Polish students, promoting Portuguese language and culture teaching in Poland, granting scientific scholarships which make it possible to study in Portugal, and rewarding the best students in the Institute of Iberian and Ibero-American Studies of the University of Warsaw. Bank Millennium has been funding scholarships for the best students since 2013.

6. Reporting CSR activity

Information about the implementation by the Bank of the rules of Corporate Social Responsibility (CSR) will be presented in the non-financial part of Bank Millennium's Annual Report for 2019. The report will be prepared in keeping with the guidelines of the amended Accounting Act as well as Global Reporting Initiative Sustainability Guidelines (GRI G4) and will be verified by Deloitte. The report will present the key aspects of the Bank's impact on sustainable economic, social and environmental development with regard to the key Stakeholder groups: Clients, Employees, Shareholders, Business Partners, Society and Natural Environment.

The Supervisory Board assesses the social, sponsorship and educational activities of the Bank as rational and socially useful, providing not only direct financial support for executed projects, but also making positive contribution to development of culture, education and economy. In the opinion of the Supervisory Board, such an attitude builds the positive image and trust in the Bank as a financial institution concentrating not only on maximizing profits but also applying the rules of corporate social responsibility.

5. Report on the evaluation of the Management Board's joint report on activity of Bank Millennium S.A. and Bank Millennium S.A. Capital Group, join report on non-financial information of Bank Millennium S.A. and Bank Millennium S.A. Capital Group and financial statements of Bank Millennium S.A. and Bank Millennium S.A. Capital Group for the 2019 financial year

Acting pursuant to Article 382 § 3 of the Commercial Company Code, § 17 Section 3 of the Bank's Articles of Association and in connection with § 70 sec. 1 pt. 14) as well as § 71 sec. 1 pt. 12) of the "Ordinance of the Minister of Finance of March 29, 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing information required by non-Member states as equivalent", the Supervisory Board, at the meeting on 14 February 2020, assessed the documents submitted by the Management Board: (I) Bank Millennium S.A. financial statement for 2019, (II) the financial statement of Capital Group of Bank Millennium S.A. for 2019, (III) the Management Board's joint report on the activity of Bank Millennium S.A. and Bank Millennium S.A. Capital Group for 2019 and (IV) join report on non-financial information of Bank Millennium S.A. and Bank Millennium S.A. Capital Group in 2019. The Supervisory Board has also familiarized itself with: the statutory auditor's opinion with respect to documents identified as (I), (II) and (III) as well as with certifying letter, issued by Deloitte Advisory Sp. z o.o., with respect to the document identified as (IV). On this basis the Supervisory Board concludes that the Management Board report on Bank Millennium S.A. financial statements in 2019 and the financial statements of Bank Millennium S.A. Capital Group in 2019 as well as the Management Board's joint report on the activity of Bank Millennium S.A. and Bank Millennium S.A. Capital Group for 2019 as well as join report on non-financial information of Bank Millennium S.A. and Bank Millennium S.A. Capital Group in 2019 have been prepared correctly from a substantive and formal perspective, are consistent with the books and documents as well as with the factual status and give a reliable

picture of the financial results and operations of the Bank and the Bank Capital Group in the 2019 financial year.

The Supervisory Board recommends to the Bank's General Meeting that it accept the foregoing documents in the version presented by the Management Board along with the chartered auditor's opinion and a certifying letter.

6. Report on the evaluation of the Management Board's motion on profit distribution for the 2019 financial year

Acting under art. 382 § 3 of the Code of Commercial Companies as well as § 17 sect. 3 of the Bank's Articles of Association, the Supervisory Board deems reasonable the Management Board position on distribution of the Bank's 2019 net profit in the amount of 600.682.646,95 PLN so that:

- the amount of 39.956.686,13 PLN shall be used for covering the effect of settlement of the merger with Euro Bank S.A. in the books of Bank Millennium S.A.;
- and the remaining amount of 560.725.960,82 PLN shall be entirely allocated to reserve capital.

In justification of the above position the Bank Management Board invoked:

- recommendation of Polish Financial Supervision Authority of 4 November 2019 in the matter of compliance with an additional capital requirement in order to secure the risk resulting from FX loans and credits for households secured with a mortgage,
- KNF recommendations for the Bank defined in the letter of 24 December 2019 in the matter of payments from profit for the previous year,
- KNF position of 3 December 2019 in the matter of dividend policy of banks (and other entities) in 2020 as well as
- KNF letter of 15 January 2020 sent to Bank Millennium S.A., informing about the joint decision of European Central Bank (hereinafter also: "ECB") on capital and liquidity for BCP Group, also containing capital and liquidity decisions at the local level for European entities from BCP Group, including Bank Millennium S.A.

Based on the above recommendations and position of KNF as well as decisions of ECB, and also with a view to the need to assure proper capital support for growth of scale of business, the Bank Management Board shall present to the General Meeting the proposal to retain all net profit generated in 2019 in the Bank's own capital.

Considering the above, and in particular position represented by supervision institutions and considering the fact that a strong capital base constitutes the basis for further buoyant development as well as protection in cases of worsening macro-economic and regulatory situation, the Supervisory Board unanimously recommends to the General Meeting adoption of the said Motion of the Management Board.

7. Evaluation of Bank Millennium S.A.'s standing in 2019, including an evaluation of the internal control system, risk management system, compliance system and the internal audit function

This part of the Report forms the Supervisory Board's assessment of the Bank's standing in reference to the requirements laid down by the Principle in II.Z.10.1. of the Best Practices.

In order to conduct appropriate assessment of the situation of the Bank in 2019, the Supervisory Board, reviewed and subject to in-depth analysis, inter alia, the below-mentioned parameters and factors, referring to the basic areas of activity of the Bank and the Bank Capital Group.

The most important financial and business data concerning the results of the Bank Capital Group for 2019 look as follows:

- Net profit of the Bank Capital Group amounted to 561 mln PLN, and was lower by 26% y/y, in effect of one-off incidents such as, *inter alia*, costs of Eurobank integration, provisions against legal risk connected with FX mortgages, credit provisions against former Euro Bank portfolio. At the same time, the net result of the Bank alone amounted to 601 mln PLN, and lower level of consolidated profit resulted from recognition of negative impact of additional revaluation charges against Eurobank portfolio without recognised impairment, which was partly compensated by inclusion of the Eurobank's result for the period from the date of acquisition to the merger of the Banks. Both above effects, for the Bank at solo level, have been recognised in the item "deferred profits" having no impact upon P&L Account. Consolidated net profit, without one-off costs and provisions, would amount to 889 mln PLN i.e. it would increase by 17% y/y.
- ROE, determining the rate of return on own equity capital, adjusted for one-off items, reached the level of 10,2% and was higher y/y by 0,6 p.p.,
- annual adjusted cost/income ratio at the level of 47,4%,
- operational income increased by 27% y/y,
- result on core business activity grew by 26% y/y,
- net interest income grew by 33% y/y,
- net commission income grew by 5,8% y/y,
- non-performing loan ratio at the level of 4,56%,
- adjusted cost of risk at the level of 57 b.p.,
- loans/deposits at a low level of 86%,
- high Group's TCR at the level of 20,1% and high CET1: 16,9% (taking account of profit for IH 2019),
- number of active retail clients: 2,6 mln (increase by 40% y/y), including 494 thous. clients taken over from the former Eurobank and 240 thous. new clients acquired through organic growth,
- increase of retail deposits by 28% y/y (10% without Eurobank),
- increase of retail loans by 44% y/y (9% without Eurobank),
- increase of cash loan sales by 28% y/y,
- increase of PLN mortgage loan sales by 26% y/y,
- increase in number of clients actively using electronic banking service by 32% y/y and mobile application - by 44%,
- increase of corporate banking current account balances by 19% y/y,
- increase of corporate loans by 7% y/y,
- increase of factoring sales by 6,5% y/y,
- significant growth in number of BLIK transactions by 99% y/y and number of activated HCE cards (Host Card Emulation) by 362%,
- high number of downloads of the Bank's smartshopping application – Goodie: 1,5 mln,
- the highest NPS (Net Promoter Score) among banks in Poland: 52 – according to survey by ARC Opinia i Rynek,
- the best web site design in Central and Eastern Europe according to Global Finance magazine.

In the accounting period under discussion covering the year 2019, the Bank implemented key initiatives, launched in 2018, of strategic importance for its further development and increase of the company scale of operation; this includes closure of the project of SKOK Piast acquisition, and, in particular, completion of the process of Euro Bank S.A. acquisition. Although implementation of the above projects in 2019 brought about increase of costs of operation but it also contributed to business growth and positive effects in improvement of results will be observed in the longer term. In effect of merger with Euro Bank S.A. Bank Millennium S.A. acquired new clients and will reach out to smaller townships, to date remaining outside of its scope of interest, where former Euro Bank S.A. operated; this will have a positive effect of profitability increase mainly in the area of retail banking. According to the Supervisory Board, in effect of successful implementation of this process the Bank will become more competitive on the Polish market of financial services and could improve its market share in many aspects of business operation.

The effect of merger of the banks and actions focusing on organic growth helped the Bank to achieve again, in 2019, very good results, key line items and financial ratios improved including market shares in individual banking products. The Bank successfully achieved its strategic objectives based upon, *inter alia*, continuation of digitalisation process and introduction of innovative digital solutions in the area of internet banking and mobile application. The above activities are reflected in the increase of the share of digital channels in attracting new clients and, therefore, in increase in the number of personal accounts (including, also, accounts of companies), increase in sales of cash loans and loans also including mortgages in PLN and increase of the volume of deposits. Innovative Goodie smartshopping platform continued to enjoy high interest and the interest in pay by phone option also increased. Despite investments made, the Bank maintained capital and liquidity ratios at high levels thus confirming its high further growth potential. By maintaining high service quality the Bank remained in the lead of quality rankings. Bank's engagement in cultural, educational and social projects also deserves recognition.

In view of the above, the Supervisory Board confirms that in 2019 the Bank conducted activities supporting its continuous development both in the area of organic growth and by way of expansion involving acquisition of another bank, thus generating, again, very good results in the most important segments of its operations and achieving priority strategic objectives despite continuously high tax and regulatory burdens. However, reporting net consolidated profit at the level lower than in 2018 resulted from one-off events such as, *inter alia*, Eurobank integration costs, provisions against legal risk connected with FX mortgages, provisions against loans in former Eurobank portfolio.

After careful consideration of the financial report and results generated by Bank Millennium S.A. and Bank Millennium S.A. Capital Group in 2019 as well as strategic plans for consecutive years, the Supervisory Board has positively assessed the Bank's and the Group's financial situation including, in particular, very good perspectives for further operations.

The Supervisory Board, but also through the offices of the Committees of the Supervisory Board: Audit and Risk Committees, have been monitoring on an on-going basis the quality of risk management, compliance, internal control system as well as due performance of their functions by the Internal Audit Department and information policy maintained by the Bank, *inter alia* through approval of appropriate internal regulations, plans and strategies, in-depth analysis of the submitted reports and information and appropriate reviews and inspections.

Considering the supervisory activities undertaken, also on the grounds of the opinion of the Audit Committee and Risk Committee, expressed *inter alia* in the Reports on Committees' activity, the Supervisory Board states that:

- the components of the internal control system (control function, Compliance Department and Internal Audit Department) present the appropriate ability to identify possible irregularities and weaknesses in banking processes and ensure proper effectiveness of management of identified problems in terms of continuous and systematic improvement of the functioning control mechanisms;
- the risk management system for both financial and non-financial risk, includes elements such as identification, measurement, control as well as risk monitoring and risk reporting. The methods and frequency of tasks performed within the above components of the risk management process are adjusted to the size and profile of the Bank's risk and provide the Supervisory Board with adequate information on changes in the size and profile of risk. The methods of risk measurement and risk assessment applied by the Bank take into account both the Bank's current and planned operations. In the risk measurement process, the Bank applies, among others, stress tests and risk control takes place, on the basis of a system of limits adjusted to the size and risk profile of the Bank. As part of risk control, the Bank specifies the procedures to be followed in the event of exceeding the limits as well as defines measures to eliminate overruns and defines corrective measures;

- the Bank has been conducting a transparent information policy towards all its shareholders, investors, media, clients and other stakeholders, the scope of the information disclosed by the Bank fulfils requirements of the Banking Law, Commercial Companies Code, Public Offering and Trading in Financial Acts, EU Market Abuse Regulation as well as other specific requirements resulting from being a financial institution and public company with shares quoted on the Warsaw Stock Exchange, when realizing its information policy, the Bank as a public company and a supervised institution, complies also with confidentiality and information protection rules, the Bank's information policy complies also with corporate governance principles, in particular it ensures adequate access to information to all the shareholders and investors.

Assessing on the basis of rational grounds, including the implementation of improvement measures, in the opinion of Supervisory Board, the internal control system as a whole, comprising its individual components, coupled with the risk management system as well as information and communication system, effectively and properly meet regulatory requirements and being well-managed are adequate to the size of the Bank and exposure to risks related to the operations carried out by the Bank and the Capital Group of Bank Millennium S.A.

The Supervisory Board, expressing hopes for further dynamic development of the Bank, appreciates very good financial and business results of Bank Millennium S.A. and Bank Millennium S.A. Capital Group achieved in 2019 as well as undertaken development initiatives. Very good cooperation with the Management Board needs to be underscored, based upon effective and transparent flow of information. Thus, the Supervisory Board would like to voice its appreciation for both the Members of the Bank Management Board, as well as for staff of Bank Millennium S.A. Capital Group appreciating commitment and efficient work in the course of this year full of serious challenges.

[Signatures of the Bank's Supervisory Board Members]