

Report on the Activity of Bank Millennium S.A. Supervisory Board in 2020

The Supervisory Board of Bank Millennium S.A. (hereinafter also: “the Bank”), 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”), hereby submits this *Report on the Activity of Bank Millennium S.A. Supervisory Board in 2020* (“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 2020.
 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 2020 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 2020 financial year, pursuant to Article 382 § 3 of the CCC.
 7. Evaluation of Bank Millennium S.A.’s standing in 2020, 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 2020**

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 2020 the Supervisory Board held its discussions in an unchanged composition compared to that established by the Bank's General Meeting on 26 of March 2018 for the term of office ending upon the holding of the Bank's General Meeting approving the financial report on 2020 financial year. Therefore during the entire 3-year term the composition of the Supervisory Board was 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.

When running for the functions in the Supervisory Board, the above mentioned persons, made their declarations on fulfilment of the criteria defined in the binding laws, in particular in the Banking Law, Good Practices and Principles. 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. The Supervisory Board in 2020, according to its best knowledge, did not find material connections or circumstances that could affect fulfilment of the independence criteria by the above-mentioned Members of the Board. The composition of the Supervisory Board was varied in terms of gender, age, education and work experience. Professional curricula vitae of the Members of the Board are posted on the Bank's website.

Supervisory Board's activities in the reporting period

The events of 2020, i.e. first of all the coronavirus pandemic outbreak, started a special period in Poland's economy, but also on a global scale. Transformations began, the effects of which were just as immediate as they were violent and will probably be felt for many years to come. The crisis caused by the pandemic affected practically all areas of social and economic life; many businesses lost the possibility to continue operating or had to restrict operation, such as sectors related to the travel industry; many people lost their jobs. Of course some sectors were less susceptible to recession and indeed experienced business growth, such as e-commerce. The Polish economy, due to less dependence on tourism, has experienced less recession than other European countries. Nevertheless the impact of events started in 2020 on business trends and economic development worldwide is unprecedented.

Effects of the pandemic were to be seen and felt in all areas of banking activity. Operating in such a complicated social and economic environment, additionally encumbered with very low interest rates as well as influence of risk associated with FX mortgages, the Bank was faced with the need to quickly adapt its operation to the dynamically changing environment, both in terms of internal reorganisation as well as in terms of its core banking business. In this exceptional situation the Supervisory Board was supporting decisions of the Bank Management Board directed at making appropriate changes and maintaining the pace of development, at the

same time putting strong emphasis on control, especially as regards optimising costs and the lending business.

2020 was the last year, in which the Supervisory Board, composed as elected by the General Meeting on 26 March 2018, exercised permanent supervision over the Bank's activity. In its activities the Supervisory Board was guided by concern for proper and safe operation of the Bank, carrying out work with observance of highest care, objective assessment and judgement. The Board's decisions were taken first of all during meetings. In 2020 eight meetings of the Supervisory Board were held. The turnout each time was above the quorum necessary to pass resolutions - the average percentage attendance of Supervisory Board members at meetings was 95%. The meetings were held in the Bank's offices, whereas due to the COVID-19 pandemic and the lockdown periodically announced, more than half of the Board's members took the opportunity to participate in meetings with use of distance communication - according to the By-laws of the Supervisory Board of Bank Millennium S.A. Moreover the Supervisory Board passed one resolution without holding a meeting - with the procedure defined in § 12 and § 13 of the By-laws of the Supervisory Board of Bank Millennium S.A. All members of the Bank's Management Board were regular participants of Supervisory Board meetings. Other persons, including the Head of the Legal Department, Internal Audit Department and Compliance Department, were also invited to attend the meetings.

A subject of particular concern of the Supervisory Board were matters to do with the COVID-19 pandemic in the context of care for the Bank's employees as well as business development in the new difficult social and economic situation. The Supervisory Board analysed in detail the reports submitted by the Bank's Management Board, requesting additional clarification as well as giving opinions and recommendations.

Another very important focus of particular interest of the Board remained the matters related to FX mortgage loans, especially in the context of risks involved with judgements of the Court of Justice of the European Union and cases before courts in Poland. As in previous years, 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. Bearing in mind the complicated nature of matters regarding FX mortgage loans, as well as their impact on the Bank's development plans and attainment of budgetary targets in the next years, the Supervisory Board was emphasising the need to closely monitor all matters related to this subject. Members of the Supervisory Board also took active part in meetings with supervisory institutions in Poland in order to support the Bank's Management Board in striving to obtain a binding position of the Polish authorities regarding resolution of the problem of FX mortgages in a balanced and fair way.

The Supervisory Board was quite interested to analyse Management Board information regarding a summary of the final stage of the process of acquisition and integration of Euro Bank S.A. Considering the scale of the project the Supervisory Board complimented the Bank's Management Board and staff on the efficient merger process. Moreover it focused particular attention on the need to maximise in subsequent years the benefits of cost synergies as well as of the unique potential created thanks to the merger, for further development of the Bank especially as regards retail banking.

The Supervisory Board appreciated the presented analysis of trends of social behaviours observed on the market as well as reactions to them on part of financial institutions, also in the context of the rapidly changing social and economic environment caused by the coronavirus pandemic. Supervisory Board Members expressed a positive opinion as regards the possibility of expanding the Bank's offer to further spheres of activity, such as by introducing new banking products adapted to the sector of e-commerce.

During particular meetings, the Supervisory Board subjected to analysis, held discussions 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 2021-2023,
- analysis of the current results of the Bank Capital Group and business lines,
- approval of the decisions of the Bank Management Board on setting up the Fourth Bank Millennium S.A. Bonds Issue Programme with nominal value not higher than PLN 4,000,000,000,
- update of the Business and Financial projections of Bank Millennium S.A. Group for 2020 due to COVID-19 impacts,
- analysis on Bank Millennium S.A. share price performance,

2) internal audit and compliance, including:

- analysis of the information concerning the internal control in Bank Millennium S.A. in 2019, including the Report of Internal Audit Department from activity in 2019 and Compliance report for the year 2019,
- approval of the 2020 Audit Plan,
- approval of the 2020 action plan of the Compliance Department,
- assessment of application of „Corporate Governance Principles for the Supervised institutions” in the Bank,
- approval of the document: „Compliance Policy of Bank Millennium S.A.”,
- approval of the document: “Policy of cooperation between the Compliance Department and subsidiaries of Bank Millennium S.A. Capital Group”,
- approval of changes in the document: “Management System in Bank Millennium S.A.”,
- approval of the updated document: “Internal Control System in Bank Millennium S.A.”,
- approval of the updated document: “By-laws of Compliance Department functioning in Bank Millennium S.A.”,

3) risk management, including:

- current analysis of risk management,
- analysis of the information on FX mortgage loans,
- approval of the Risk Strategy of the Bank Capital Group for the years 2021 - 2023,
- approval of the Capital Plan and Contingency Capital Plan of the Bank Capital Group for the years 2021 - 2023,
- approval of the Liquidity Plan of the Bank Capital Group and analysis of the Bank long-term liquidity for the years 2021 - 2023,
- update of the Bank Contingency Liquidity Plan,
- update of the document: „Capital Management and Planning Principles”,
- analysis of the information about the review of the „Principles for Internal Capital Calculation”,
- adaptation of ratios within Risk Appetite Statement metrics,
- analysis of the report regarding implementation of the Bank’s investment policy and compliance of actions taken with respect to the Bank’s capital investments,
- adoption of the “Procedure on assessment of satisfaction of requirement to conclude crucial transactions on an arm’s-length basis in the course of the Bank’s ordinary activity between the Bank and related entities in which the Bank does not have 100% share or stock”,

4) personnel matters and remuneration policy, including:

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

- approval of remuneration, including bonuses, of the head of the internal audit unit, head of risk unit and head of the compliance unit,
- approval of the changes in the document: “Remuneration Policy for Risk Takers in Bank Millennium S.A. Group”,
- review of the changes in the Incentive Programme for Risk Takers based on purchasing own shares of Bank Millennium S.A.,
- taking decision on execution of elements of Incentive Program,
- taking decision on the principles of the Incentive Programme for Risk Takers,
- analysis of the information on re-assessment of suitability of members of governing bodies of Bank Millennium S.A.– annual verification 2020, made with participation of consulting firm,
- taking decision in the matter of assessment of suitability of the Members of the Management Board of Bank Millennium S.A.,
- hearing the head of the Compliance Department in relation to her resignation,

5) COVID-19 situation, including:

- analysis of the information on actions taken by the Bank regarding pandemic COVID-19,
- analysis of the information on launching the Project “Millennium through COVID-19”,
- analysis of the information of the Coordination Team for the COVID-19 Pandemic,

6) other matters, including:

- analysis of the regular report on IT and IT security (according to KNF Recommendation D),
- approval of changes to the document: „Policy of Bank Millennium S.A. relating to disclosure of information on risk, own funds, capital requirements, remuneration policy and other information”,
- review of the information on market intelligence - selected view on banks’ approach to ecosystems,
- adoption of the uniform text of the Articles of Association of Bank Millennium S.A.,
- approval of the updated “Recovery Plan for Bank Millennium S.A. Capital Group.”, (pursuant to the requirements of the Banking Act),
- review of the information on organisational structure of Bank Millennium S.A.,
- approval of change of the internal allocation of competencies of the Members of the Management Board of Bank Millennium S.A.,
- approval of the documents submitted to the General Meeting and Extraordinary General Meeting,
- issued the statements required by the law for annual reports.

Moreover the Supervisory Board was also regularly furnished with following information, regarding:

- relations with supervisory authorities, including the Polish Financial Supervision Authority and Office of Competition and Consumer Protection. The Supervisory Board discussed current events as well as decisions and recommendations of supervisory authorities i.a. in the context of the need to potentially adjust the Bank’s development strategy as well as undertaking current actions adequate to the changing regulatory situation;
- important decisions of the Management Board, most important events and changes in the legal and regulatory as well as macroeconomic environment, main initiatives regarding employees, improvements and actions targeted at the Bank’s customers, new functionalities in electronic banking, mobile app and branches, corporate social responsibility (CSR), sponsoring and activity of Bank Millennium Foundation, ratings, awards and recognitions for the Bank, management and staff;

- activity of competitive banks on the Polish financial market - i.a. thanks to which the Supervisory Board Members had adequate knowledge of both the market environment as well as the Bank's position in relation to other financial institutions.

Apart from engagement in the work of the Supervisory Board, most Board members (11 out of 12), comprising standing Committees of the Supervisory Board, were also taking an active part in the work of relevant Committees.

ACTIVITY OF SUPERVISORY BOARD COMMITTEES

In performance of its tasks the Bank's Supervisory Board benefits from the support of standing Committees. Within the Supervisory Board of the Bank there are four standing Committees: Audit Committee, Personnel Committee, Strategic Committee and Committee for Risk Matters. 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 **2020** 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 **2020** took place **six** meetings of the Audit Committee of the Supervisory Board at the following dates: **30.01.2020, 13.02.2020, 07.05.2020, 20.07.2020, 17.09.2020, 22.10.2020** and one additional meeting by circulation on **07.02.2020**.

The following issues were subject to regular analysis during the meetings of the Audit Committee of the Supervisory Board in 2020:

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, covering information about relevant interactions, the process and results of 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, information on customer complaints (after the 1st and 3rd quarter of the year) was included in the regular agenda.

In 2020, in line with the guidelines of the Bank's Supervisory Board, the agenda of the Audit Committee meetings was extended to include an “*Information concerning relevant interactions with supervisory authorities*” - periodical report prepared by Internal Audit Department for the purpose of reporting to Audit Committee of Supervisory Board and the Supervisory Board with synthetic information on the most relevant interactions and correspondence with supervisory authorities, especially KNF (PFSA Polish Financial Supervision Authority), JST (Joint Supervision Team), Tax authorities as well as with other supervisory authorities.

During the meetings of the Audit Committee of the Supervisory Board in 2020 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 2020 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 2020 prepared on the basis of analysing the risk areas and accepted information on fulfilling the Plan for 2019. 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 high implementation priority. KRI ratios [Key Risk Indicators] are used for monitoring the implementation of the recommendations.

2. **The Audit Committee supported activities aimed at systematically improving the quality and work standards of the Bank's internal audit.** At the meeting in October 2020 the Committee acknowledged:

- a. Results of the periodic DAW Quality Self-Assessment 2020 (QAIP 2020) carried out under the Quality Assurance and Improvement Program. Within the scope of the Program, DAW performs self-assessment of its operations every 2 years as of the last external or internal review. Internal reviews are conducted on the basis of an extensive program prepared on the basis of the "Quality Assessment Manual" issued by the IIA. During the periodic internal review, the areas of internal audit activity related to organizational governance, management, conduct of the audit process and human resources were assessed.

The overall results of the internal review are positive and show that DAW is adhering to IIA's internal audit practice principles and operating in full compliance with applicable legal requirements and in accordance with internal regulations. The Audit Committee positively assessed the results of the periodic DAW 2020 Quality Self-Assessment and approved the information on its implementation.

- b. Professional Development Program for DAW's Employees for the years 2021-2023, assuming implementation of individual development objectives in four areas of competences: professional, soft, tool, auditor. Audit Committee approved the „Professional development program for DAW employees for the years 2021-2023” and

accepted the information on the implementation of the „Professional development program for DAW employees for the years 2018-2020”.

- c. The information on the activities of DAW taken in connection with COVID-19 covering extension of the scope & programs of the audit tasks, participation in the diagnostic committee of the corporate portfolio, participation in the process of issuing opinions on internal regulations introduced in connection with changes in processes as a result of COVID-19 solutions as well as advisory role in Operational Efficiency Program covering New Mortgage Process.

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.

3. **Monitoring the scope of activities of the Bank’s Statutory Auditor:** Starting from the first quarter of 2019, **Deloitte** acts as the Bank's statutory auditor, selected as a part of the tender procedure conducted by the Bank in 2018, performing 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 four (quarterly) meetings of the Committee in 2020.

At the meeting on 13.02.2020, the Statutory Auditor presented the "Auditor’s report for the Audit Committee for 2019” prepared based on the results of the audit of the financial statements of Bank Millennium S.A. and audit of the consolidated financial statements of Capital Group of Bank Millennium S.A. for the year 2019, and then at the meeting on 20.07.2020 supplemented the reporting scope with the final “Letter to the Management Board of Bank Millennium S.A.”.

The purpose of current and systematic communication of the Statutory 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 22.12.2020 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.

4. **Cooperation with audit firms:** Following the *Policy on selection and cooperation with audit firms* functioning in the Bank, Audit Committee has been analysing the motions provided and approving the entrusting to perform by the audit firm the services other than statutory audit.
5. **Monitoring of financial reporting:** At the first meeting in 2020 the Department of Finance and Reporting conveyed to the Committee information pertaining to the process of financial reporting in 2019, 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.

It was confirmed, that in the course of 2019 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.

In the area of reporting, in 2019 the Bank successfully implemented IFRS16 and made preliminary settlements of the merger with Euro Bank transactions on an individual and consolidated level, in addition the Bank started reporting to the Banking Guarantee Fund changes in the assets rights from acquired in 2018 SKOK Piast.

In 2019, all financial statements and reports were forwarded to the parent company and Banking Supervision, as well as published on the WSE, in accordance with applicable dates.

No material errors have been identified in the interim financial statements prepared in 2019 for the parent, Banking Supervision and published on the WSE.

For the year 2020, the Department of Finance and Reporting plans to increase its scope of responsibilities by reporting for the needs of the Mortgage Bank and performing works aimed at the adaptation of the new taxonomy for the ITS package and the implementation of the European Single Electronic Format (ESEF).

Financial statements of the Bank and the Group are prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union.

The meeting of the Audit Committee in February 2020 was devoted primarily to the analysis of the Management Board information on the Annual Report of the Bank and the Group for 2019, and the conclusions of Statutory Auditor Deloitte concerning above mentioned reports. Based on the audit, the Deloitte 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 2019. 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 2019.

6. **Results of the annual Review of the Internal Control System:** ICS 2020 conducted at the Bank and Bank Millennium Group Companies for the period from 1 June 2019 until 31 May 2020. 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 2020 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.

7. **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. All the recommendations issued by KNF were implemented in accordance with the time-table adopted by the Bank.

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 and other supervisory authorities. In 2020, the scope of information on significant interactions with supervisory authorities was structured in the form of a periodic report prepared and provided by the Internal Audit Department for both the Audit Committee and the Supervisory Board. Relevant issues analysed concerned primarily the SREP process and the Bank's assessments, the KNF Problem Specific Inspections carried out at the Bank in 2020, reporting the status of implementation of the post-inspection recommendations, European Central Bank (ECB) Inspection carried out in BCP and Bank Millennium, KNF assumptions for the dividend policy of commercial banks in 2020, correspondence with the supervisor relating to the activities of the Bank and the KNF with regard to the COVID-19 epidemic.

8. **Reporting by the Compliance Department (DZZ) on compliance risk management.** As a part of regular reporting of DZZ, the subject to analysis during Committee meetings last year were the main aspects of compliance process, including: monitoring of changes in legal regulations and market standards, monitoring of relations with regulators, monitoring of the functioning of banking products, analysis of the Bank's exposure to compliance risk with an assessment of this risk and its profile, supervision over the compliance management process in the subsidiaries of the BM Group, functioning of internal control at the Bank along with the results of monitoring of this process and the execution of the Action Plan for 2020. Starting from 2Q2020, DZZ reporting on the implementation of the AML Program was transferred to the scope of activities of the Committee for Risk Matters of the Supervisory Board.

At the meeting on 30.01.2020 the Audit Committee positively assessed and recommended for approval to the Supervisory Board the *Compliance Department Action Plan for 2020*, drawn up based on monitoring of significant changes in laws, binding laws and regulatory bodies' requirements referring to control and compliance function, findings taken in relation to the independent monitoring of control mechanisms conducted by the Compliance Department, results of the inspections and audits, information coming from the other Bank's units and Compliance Department internal regulations.

At the meeting on 22.10.2020, the Committee reviewed and recommended the Supervisory Board to approve changes to the documents: "Internal Control System in Bank Millennium S.A. - rules and guidelines" and "By-laws of Compliance Department functioning in Bank Millennium S.A." as well as new regulation "Cooperation Policy of the Compliance Department with subsidiaries in the Bank Millennium S.A. Capital Group" - establishing a framework for mutual cooperation between the Compliance Department and relevant subsidiaries' units.

9. 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. 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.
10. In addition, at the meeting on 30.01.2020, the Committee familiarized itself with information on court cases and claims regarding the CHF mortgage loan portfolio in connection with the verdict of Court of Justice of the European Union (issued 03.10.2019) in the case against Raiffeisen Bank Polska S.A. in relation to currency-indexed credit agreements.

Considering all the activities carried out by the Audit Committee in 2020, including materials provided by the Internal Audit Department, Compliance Department, Statutory Auditor, results of the Internal Control System Review 2020 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. Taking into account the adopted criteria for the assessment of the Internal Control System, the Audit Committee confirms the assessment of the adequacy and effectiveness of this process at an acceptable level.

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 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 2020 it did not change and was as follows:

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

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

- 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 terms 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:
 - remuneration amount and components, guided by prudential and stable risk, capital and liquidity management as well as long-term benefit of the Bank,
 - 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 four meetings of the Committee were held. During the meetings members of the Committee analysed delivered documents and information and also took relevant decisions in the form of resolutions.

The Committee was mainly focused on remuneration policies, risk takers identification and assessment as well as the performance assessment of the Management Board and re-assessment of suitability of the governance bodies both Management Board and Supervisory Board. During meeting the following matters were discussed:

23 January 2020

- Review and positive assessment of remuneration policy in Bank Millennium in 2019.
- Verification and adjustments, of general nature, to "Employee Remuneration Policy in the Bank Millennium Group".
- Remuneration policy relative to Risk takers and incentive programme based upon own shares – implementation status.
- Approving proposal regarding the level of bonuses for 2019 and deferred parts for previous years for Heads of controlling units.
- Adoption of Risk Taker Identification Procedure and identification schedule for 2020.

19 March 2020

- Approving of results of identification process of Material Risk Takers in Bank Millennium Group.
- Adopting proposal of threshold for variable remuneration of Risk Takers II.

- Risk Takers remuneration policy and incentive program based on own shares - implementation status; proposal of further actions.
- Confirmation of evaluation criteria for Management Board of Bank Millennium.

21 May 2020

- Approval of amendments to “Remuneration Policy for Risk Takers in the Bank Millennium S.A. Group” (Policy) and decision on its submission for acceptance by the Supervisory Board.
- Acceptance of the results of the Management Board’s performance with respect to the decisions taken in the period of 2017-2019 and granting - on the basis of the conducted assessment – a bonus for 2019 and rights to the non-deferred part of the bonus for 2019.
- Reassessment of the Management Board’s performance with respect to the bonus granted for the year 2016, 2017 and 2018 on granting rights to the deferred bonus instalments:
 - (a) 3rd instalment of the deferred bonus for 2016;
 - (b) 2nd instalment of the deferred bonus for 2017;
 - (c) 1st instalment of the deferred bonus for 2018;
- Authorizing the Chairman of the Supervisory Board to present offers for the free acquisition of Shares to Members of the Management Board.

3 December 2020

- Approving of results of the identification process of the Risk Takers in Bank Millennium Group in force in 2021.
- Positive re-evaluation of the suitability of the Management Board of Bank Millennium S.A.
- Positive re-evaluation of the suitability of the Supervisory Board of Bank Millennium S.A.

During the meetings all members of the Committee were present.

For the purpose of proper performance of tasks, in 2020 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.

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.

In 2020 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.

C. Activity of the Strategic Committee in the reporting period

In 2020 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 no formal meetings of the Strategic Committee were conducted, important topics related to the market situation were discussed on a working basis by Committee Members with the Bank's Management Board and during the Supervisory Board meetings. The discussions included Bank reaction to the crisis situation, which was addressed in 3 phases:



In particular Supervisory Board discussed:

1. impact of COVID-19 on Bank financial results and the direction of Bank response actions (including Millennium through COVID-19 project)

2. the need for adaptation to the low interest rate environment
3. establishment of Operational Efficiency Program as a response to the growing need for cost reduction through processes optimization (standardization, automation, robotisation)
4. optimum approach to management of the risk related to CHF mortgage portfolio.

In the context of dynamic market situation and uncertainty related to impacts of Covid-19 crisis, the preparation of the updated Bank strategy has been postponed to 2021, while the existing strategy will continue to be carried out in 2021.

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 strategy delivery, in particular supporting and advising in the difficult 2020 time of pandemic.

At the beginning of February 2021, a two-day meeting of the Strategic Committee is planned, during which the situation of the banking sector after the crisis period related to the pandemic will be discussed.

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

In the year 2020, 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 Jędrzys,
- 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 2020 there were five meetings of the Committee for the Risk Matters, respectively: 30.01.2020; 07.05.2020; 20.07.2020; 22.10.2020 and 03.12.2020.

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;
 - Information on FX mortgage loans, due to the increase of risk assessment and to the risk appetite framework, FX mortgage issues and specially the legal risk issue has been analysed and discussed on a regular basis by the Committee, with detailed analysis of the court litigation involving the Bank;
 - Compliance Department Report on Anti Money Laundering;
 - Information on bancassurance activity in Bank Millennium S.A., analysing the Bank's 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;
 - Analysis of quarterly reports regarding implementation of the Bank's investment policy and compliance of actions taken with respect to the Bank's capital investments.

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

- Credit Risk Management through COVID-19, with quarter detailed analysis of measures taken by the Bank and evolution of portfolio credit quality with special focus on credit holidays;
- Update information on MREL;
- Information on impact of interest rate cuts on the Net Interest Income of Bank Millennium S.A.;
- Updated "Recovery Plan for Bank Millennium S.A. Capital Group";
- Revision of the document: "Capital management and planning principles";
- Information on important court cases from the client's lawsuit against Bank Millennium S.A. from the portfolio of Corporate Recovery Dep. and Legal Dep.;
- Revision of the "Liquidity Contingency Plan in Bank Millennium S.A.";
- Report on model risk management in Bank Millennium S.A.;
- Assessment of effectiveness and adequacy of the high-level principles (HLP) „Rules on concentration risk management“;
- Results of the supervisory stress tests performed upon KNF request.

On the 03.12.2020 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 for the years 2021-2023;
- Liquidity Plan of the Bank Millennium S.A. Capital Group for the years 2021-2023 and long term liquidity review, according to Polish Financial Supervision Authority regulations;
- Capital Plan and Contingency Capital Plan of the Bank Millennium S.A. Capital Group for the years 2021-2023;
- Approval of changes to "Capital Management and planning principles" and information about the review of the "Rules on Internal Capital Calculation".

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 2020

The Supervisory Board, when appraising its activities in 2020, followed guidelines provided in Best Practices as well as Principles. During the reporting period the Supervisory Board was operating in a different situation than in previous years, caused by the COVID-19 pandemic, which involved many restrictions regarding i.a. freedom of movement, social distancing and closing of borders. However this did not adversely affect the Board's work; if personal contacts were impossible, including coming to Supervisory Board meetings in the Bank's offices, Board members used means of distance communication provided by the Bank. Irrespective of the regular meetings, Supervisory Board members carried out their activities also by means of direct contacts with the Bank's Management Board.

In keeping with their powers stipulated in the Bank's internal regulations and in accordance with general legal requirements applicable to listed companies and banks in particular, the Supervisory Board was exercising permanent and current supervision over the entirety of activities of the Company. In the Board's opinion the number of its members is adequate given the nature and scale of activity conducted by the Bank.

In the Board's opinion during the reporting period activities of its members, be it within the Supervisory Board or in Supervisory Board Committees, were highly effective, transparent and compliant with highest market standards. Ensuring effectiveness of supervisory activities performed, Board members were carrying out their duties with reliability and integrity, with due care and strong commitment, proof of which may i.a. be the high attendance during meetings – despite the situation caused by the coronavirus pandemic - as well as active participation in discussions confirmed by records in the minutes.

The composition of the Board as a whole guaranteed an appropriate level of collegiate exercising of supervision over all areas of the Bank's activity. Particular members of the Board demonstrated a high level of qualifications, specialised knowledge and skills, resulting i.a. from education and professional experience, including knowledge of the financial market, management, modern technologies, which assured proper performance of tasks assigned to them.

The above self-assessment is confirmed by adequacy assessment of the Supervisory Board Members, made by the Personnel Committee of the Supervisory Board in cooperation with an independent external adviser - according to the "Policy of selection and assessment of suitability of the Members of the Management Board and the Supervisory Board of Bank Millennium S.A. and persons performing a key function at Bank Millennium S.A. Group", as effective in the Bank, as well as the methodology prepared by KNF. The scope of suitability assessment comprised: (i) warranty as regards reputation, financial situation, clean criminal record, independence of judgement, conflict of interests; (ii) competencies understood to mean knowledge, skills and experience in such areas as: a) Bank management (including knowledge of the financial market, legal requirements and regulatory framework, strategic planning, knowledge of the management system – including risk management, accounting and financial audit, supervision and internal audit, interpretation of financial information), b) risk management (including business model risk, credit risk, market risk, organisation risk, liquidity and financing risk, capital risk, management risk, systemic risk), c) managing the Bank's business lines; (iii) personal competencies; (iv) knowledge of the Polish language; (v) combining functions and devoting a sufficient amount of time. The Personnel Committee of the Supervisory Board made a positive individual assessment of Members of the Supervisory Board as well as a positive collective assessment of adequacy of the Supervisory Board.

Moreover the Supervisory Board, based on recommendation of the Personnel Committee of the Supervisory Board and having reviewed detailed results of assessment of adequacy of members of the Bank's Management Board conducted in cooperation with an independent external adviser, ascertained that each of the members of the Management Board individually meets criteria of suitability for performance of the function assigned to him and also that the Management Board as a whole meets these criteria.

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 2020.

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

Year 2020 has been a time of significant macroeconomic uncertainty due to the COVID-19 pandemic, which still remains high. At the same time, the labour market in Poland remains stable. Unemployment has not increased significantly despite the lock-downs of the economy, remaining at the level of 6.1% - 6.2% of workforce. Throughout 2020, a significant increase in the level of average wages in the enterprise sector was still observed - an average of around 5% y/y. The Government was also flagging an increase of minimum salary in Poland from the start of 2021 to the level of PLN2800 i.e. by 7,7%. Therefore, in the area of remuneration policy, sustainable actions were required, on the one hand, prudent cost management, but above all, maintaining employee motivation and commitment in the even more demanding business environment.

In the reporting period, the Management Board of the Bank presented to the Personnel Committee of the Supervisory Board the information on important elements of the execution of remuneration policy in the Bank Millennium Group.

The Supervisory Board assessed that as part of implementing the remuneration policy, adequate actions were taken in response to the above-mentioned challenges. In particular:

1. With regard to Members of the Management Board and key employees having an impact on the Bank's risk profile - Risk Takers:
 - 1) Decisions on the level of variable remuneration for 2019 were made taking into account the need to maintain a solid capital base in light of the possible consequences of the COVID-19 pandemic.
 - 2) 50% of the variable remuneration for 2019 was awarded in own shares of Bank Millennium SA based on the decision of the General Meeting of Shareholders to introduce an incentive program based on own shares.
 - 3) Changes were implemented to the "Policy of Remuneration of Employees Having a Significant Impact on the Risk Profile in Bank Millennium S.A. Group" namely extending the period of deferring part of the variable remuneration to 5 years and introducing adjustments resulting from changes in the law.
2. The implementation of the remuneration policy in 2020 towards other groups of employees was associated in particular with the adjustments of bonus budgets and the decision not to launch in 2020 dedicated budgets intended for periodic reviews of remuneration levels. In a crisis situation, pay rise processes were coordinated by the Members supervising the given units and took place in case of justified needs in the units.

Fixed remuneration management:

- 1) The process of salary harmonization was continued in units where the organizational structure was integrated after the merger with Eurobank in 2019 (sales network, credit process service, call-center);
- 2) Talks were held with Trade Unions to make the Remuneration Regulations more flexible and to reduce the dependence of fixed remuneration on the minimum level in force in the country;
- 3) Dedicated pay rise processes coordinated by the Management Board were conducted, aimed at minimizing fluctuations in key units. Some of them resulted from the decision to change the remuneration structure in a given unit in favour of the base remuneration with a reduction in the level of bonuses.

Management of variable remuneration:

- 1) Overall expenditures on bonus decreased on average by 40% - 50% depending on the bonus system. The bonus to base salary ratio for the entire Bank decreased to 14% from 23% in 2019. By adjusting the bonus budgets, the Management Board decided to lower the employee bonuses to the levels acceptable in the current conditions;
- 2) The bonus parameters in sales units were reviewed and, as a consequence, adjustments made them realistic to the business situation of a given sales line;
3. Changes in the legal environment relating to the issues included in the "Employee Remuneration Policy in the Bank Millennium Group" were monitored and appropriate adjustments were introduced, if necessary;

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.

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 2020 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 in cooperation with non-governmental and community organizations runs financial education programmes, initiatives promoting culture, supporting development of local communities, protecting natural environment as well as innovation in the Polish economy.

The Bank’s compliance with the principles of sustainable development has been confirmed in third-party assessments. Since 2010 the Bank is listed in the index of the Warsaw Stock Exchange, which comprises companies meeting highest standards of corporate social responsibility. In 2010-2019 the Bank was included in the Respect Index, while since 2019 it is part of the WIG-ESG index, which is created by giving companies an additional weight, which is the ESG (Environmental, Social and Governance) rating provided by the global Sustainalytics company, as well as assessment of corporate governance conducted by the Warsaw Stock Exchange.

The Bank is also a signatory of two important international initiatives. The first one is the business and government administration partnership for attaining United Nations Sustainable Development Goals, where the Bank made a commitment to undertake activities especially in support of the financial education of children and the youth. The other one is the Diversity Charter - a commitment signed by organisations, which strive to eliminate discrimination in the workplace and act towards creating and promoting diversity. In the matters of ecology and climate protection, the Bank follows its environmental policy, which defines own environmentally oriented activities, an approach to project financing as well environmental education.

The Bank receives awards for activity in sustainable development. In 2020 it received i.a. the CSR Golden Leaf by Polityka weekly’s magazine and came second in the “Climate Leaders Poland 2021” ranking by the Polish edition of Forbes.

1. Counteracting the coronavirus

2020 was overshadowed by the pandemic and by economic crisis. The Bank undertook many actions aimed at protecting the health of employees, customers and local communities, at the same time taking care of maintaining operational capabilities and proper management of customers' finances.

Already in April Bank Millennium Foundation and Bank Millennium became involved in fighting the coronavirus, donating PLN 500,000 to the Polish Academy of Sciences Institute of Bio-organic Chemistry in Poznań, which developed the first Polish SARS-CoV-2 tests. The tests went into mass production and the Institute is carrying out further research and development on new generation tests.

The Bank also created a special Fund for co-financing costs of treatment and rehabilitation of Bank Millennium Group employees who contracted the coronavirus.

2. Social programmes - Financial education of children

Educational initiatives are carried out by Bank Millennium Foundation ("the Foundation") and in 2020 they concentrated on financial education of children of preschool age and on preparing guides for parents wanting to deliver the training themselves.

a) Financial education of children of preschool age

The Bank Millennium Foundation has been running the proprietary "Financial ABCs" kids financial education programme since 2016. There have so far been six editions of the programme. In total almost 2,200 workshops were held, nearly 53,000 children from approx. 620 kindergartens all over Poland were trained. Parents – Bank Millennium employees - helped create the textbooks and training materials. The Financial ABCs were awarded many times in previous years i.a. for coming first in the "Golden Banker" competition in the "Socially Conscious Bank" category.

In 2020 despite the pandemic the Foundation continued the Financial ABCs programme with a new format. Due to the epidemic situation the classes held so far in kindergartens were suspended until recall; however the Foundation made sure the educational materials, which may be used by kindergarten staff as well as parents, are available online.

The Foundation created a series of modern online educational materials. The hard copy textbooks used previously took an attractive animated form and in a multimedia version were released on Bank Millennium Foundation's YouTube channel and website. In answer to many enquiries from parents and kindergartens, also a new fourth textbook was created on security in the Internet.

b) Surveys of parents' opinions about financial education of children

In 2020 Bank Millennium Foundation commissioned and analysed results of an opinion survey of parents of kids in preschool age about financial education. The parents surveyed confirmed that it is best to learn about finances when aged three to seven. (The survey was carried out by GfK institute for Bank Millennium Foundation in May 2020 on a national representative sample of 1,000 parents of children aged 3-7, with use of CAWI methodology). The survey results confirm that the Foundation's focus on financial education of youngest children is a proper strategic decision. In the survey 65% parents of preschoolers said that the earlier financial education of children begins, the better they cope in adult life in crisis situations, such as the crisis caused by the coronavirus. Parents express the desire to personally contribute to teaching the children and would also support creation of a National Financial Education Programme, involving the teaching of children starting from preschool age, should such an initiative arise.

c) Parents' guide programme

With a view to the aforementioned survey results, Bank Millennium Foundation introduced a new guide series for parents about financial education of kindergarten kids called - Parents' Guide "How to teach finances to children". The parents' guide programme aims to teach good habits related to savings, respect for work and for money. The materials were prepared by the Bank's experts in cooperation with an expert in psychology and pedagogics.

The guide texts available on the Foundation's website and promoted on its Facebook profile can be of material help to parents and guardians involved with home education, not only during the pandemic. The Foundation also recorded a series of video interviews about the approach of parents to teaching kids about finances from their earliest years. The interviews are available on the Foundation's YouTube channel.

3. Banking without barriers

As a socially responsible company the Bank aims to eliminate access barriers to financial and non-financial services for elderly people and persons with disabilities, who constitute large and growing part of Polish society. According to the Office of the Government Plenipotentiary for the Disabled, depending on the adopted criterion of the level of restrictions, the population of disabled persons in Poland may range from 4.9 million to 7.7 million people. Demographic statistics also indicate that Poland is an aging society. Bank Millennium introduces many solutions including not only easier access to branches, ATMs, telephone service, service, but also digital channels, which nowadays are becoming more and more important in managing finances and organizing everyday matters.

Bank Millennium's website, the Millenet online banking system as well as Bank Millennium's mobile app continue to be adjusted to the needs of blind and visually impaired persons. The services are written in simple and understandable language and can be read by text-to-speech readers. Users with sight dysfunction can operate the website using only the keyboard (without the need to use the mouse to navigate through the portal). The website also features text enlargement functionality and is prepared for reading in high-contrast mode. Users of phones with fingerprint sensors can log-on to the mobile app with a fingerprint. The same way may be used for approving online card payments with 3D-Secure security protocol. Additionally owners of iPhone X and newer units can log-on with use of the FaceID face recognition functionality. The mobile app is adapted to the needs of blind and visually impaired persons thanks to compatibility with access improvement services, such as Google TalkBack (Android), VoiceOver (iOS), which enable presenting information with use of speech.

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. In April 2020 the Bank was awarded for digitalisation of services and banking without barriers in „Technologically responsible business” competition.

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

In response to the increased need for use of online services due to the pandemic, the Bank's website now features an educational portal Eduportal (available at www.bankmillennium.pl/pierwszykrokonline and directly from the home page under the "Support" tab). Dedicated campaign was created called "First step online", encouraging the usage of digital channels and advising how to start applying Millenet and the mobile app.

All own ATMs and more than 70% of Millennium branches have been adapted to the needs of persons with disabilities. When remodelling and upgrading its branches, the Bank also ensures that architectural barriers are eliminated. Seated customer service desks with access for wheelchairs are available in close to 300 branches (more than 60%). Customers contacting Bank's call centre, instead of using the numerical keypad of the handset, can use voice commands.

Bank Millennium is expanding the community without barriers concept also to initiatives, in which it takes part. In 2020, for the second consecutive year, 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, making it easier for persons with sight impairments to access the world of culture.

4. Cultural sponsorship

Activity in the field of culture has been an important part of the social programme pursued by Bank Millennium for nearly 30 years. It is planned based on medium-term actions 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 and non-governmental organisations.

Bank Millennium supports national as well as 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 was a sponsor of the International Festival of Traditional Jazz Old Jazz Meeting "Złota Tarka". Since 8 years it has been with the "Sacrum Profanum" contemporary music festival and Bella Skyway Festival – a multimedia show prepared by an international group of artists. For 7 years it was 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.

Millennium Docs Against Gravity

The most important cultural project of 2020 sponsored by the Bank is the Millennium Docs Against Gravity Film Festival. This is Poland's biggest world documentary film festival and an important festival worldwide. Bank Millennium has been a partner of the festival for 15 years now and in 2016 it became its naming rights sponsor.

Due to the current pandemic, last year's 17th edition of the festival was postponed to autumn of 2020, nevertheless still in May, during the lockdown, a special event was organised - DOCS AGAINST ISOLATION, when viewers could see 50 films online from the previous editions, half of them with free access. The shows were accompanied with also online interviews with the authors, workshops, concerts and lectures in social media.

In September 2020 the 17th edition of the Millennium Docs Against Gravity festival was held in hybrid format for the first time in history. Bank Millennium together with its organiser faced-up to the needs and expectations of the entire culture audience, offering them access to 150 documentary films from the entire world in cinemas in seven cities and in virtual space. There was also no shortage of accompanying events. The hybrid edition of the Festival attracted a record-high audience of 170,000 viewers.

Sacrum Profanum

Another cultural project, which Bank Millennium has been supporting for many years, is the Sacrum Profanum contemporary music festival. The Bank has been working with its organiser - Kraków Festival Bureau (KBF) since 2012. This cooperation has been rewarded five times with Złoty Dźwigacz Kultury, an award given to companies and institutions, which support culture, assist and partly finance meetings, concerts and festivals prepared by KBF. In 2020 KBF and Bank Millennium paved new roads as regards the form and formula, taking the entire event online. The 18th edition of the festival for the first time in its history took place online – on the Play Kraków platform.

5. Supporting innovation

In its social activity Bank Millennium analyses trends concerning innovation in the market environment. Every year the Bank's experts prepare the "Millennium Index – Regional Innovation Potential", which describes disparities in development of innovation in Polish Voivodeships.

The "Millennium Index – Regional Innovation Potential" is the contribution to the public debate concerning regional development drivers in Poland and reducing inequalities that exist between them. In 2020 the fifth edition of the report was published. The main theme of this edition of the survey, apart from statistical data, were the limitations but also opportunities resulting from the crisis involved with the Covid-19 pandemic. Traditionally experts and practitioners in business, science, government and non-governmental institutions were invited to comment on results in particular regions. They shared their experience about what helps and what obstructs development of innovative projects, in what way the pandemic changed the approach to innovation and how to support its development in the second half of 2020. Thus the Report is a valuable source of knowledge for local government authorities on how to level the playing field for regions in Poland.

6. Supporting university education

In 2020 the Bank continued its cooperation with renowned universities, including the University of Warsaw and the Warsaw School of Economics SGH, supporting them in improving the quality of infrastructure and changing the model of functioning during a pandemic, as well as offering students and graduates assistance in the development of competences. An example of cooperation is a coworking center created by Bank Millennium and SGH. It is a place for physical or virtual meetings, networking, consultations with business theorists and practitioners from universities and banks. The coworking center serves students and graduates who have established or plan to establish their own startup and want to clash their ideas with business reality. In 2020, due to the pandemic, most of the activities were carried out online.

Another example of cooperation is the scholarship program of the University of Warsaw, the Camões Institute and Bank Millennium. The Bank funded a scholarship for the best undergraduate student in Portuguese Studies at the University of Warsaw. The scholarships have been funded by the Bank since 2013. The Bank sees a special role in creating educational opportunities that bring both countries closer to each other and help to get to know each other. Supporting talented academic youth is the best investment in the future.

7. Environmental activity

Actions for the environment are an integral part of the Corporate Social Responsibility strategy of Bank Millennium, which undertakes many initiatives to limit or eliminate negative influence on the natural environment. The Bank has defined its approach to these matters in the "Environmental Policy of Bank Millennium Group". The document defines three key areas of environmentally-minded activity: own environmental activities aimed at reducing consumption of materials, electricity, water and fuel as well as environmental education of clients,

counterparties and employees, and also an approach to project financing; it is worth noting that the Bank's historical exposure in financing the coal mining sector and coal-fired power generation was significantly lower than the banking sector average.

Since 2011 the Group has been reporting information on its own environmental impact, including data regarding greenhouse gas emissions; it broadens knowledge about the issue by taking part in consultations, conferences and expert workshops (organised e.g. by WWF, Stowarzyszenie Emitentów Giełdowych /Stock Exchange Issuers Association or Konfederacja Lewiatan) and takes part in work of the Polish Bank Association.

In 2020 Bank Millennium came second in the "Climate Leaders Poland 2021" ranking by Forbes magazine, with a result of 34% annual reduction of greenhouse gas emissions intensity. It is thus the first bank in the ranking with the best result. The ranking was created by calculating the annual accumulated rate of reduction of greenhouse gases (CARR), adjusted with revenues.

In 2020 the Bank carried out many actions aimed at reducing consumption of electricity, water and other materials. The Bank upgraded offices in its headquarters in line with an environmentally-minded approach. One of the more important initiatives was replacement of lighting fixtures with more energy-efficient ones, thus cutting electricity consumption by 54% vs. the previous year and reducing CO₂ emissions by further almost 500 tons per year. In the redone spaces the Bank made use of certified natural materials. It is using Polish companies to avoid unnecessary and environmentally damaging transport. Interiors are provided with more plants to improve air quality. The Bank's main offices use tap aerators, which reduce water consumption by as much as 80%.

The Bank also makes use of system solutions, which involve limited-time operation of hardware, thus reducing power consumption. All the Bank's branches use LED outdoor panels with operation time programming, which reduces power consumption by as much as half vs. other lighting fixture types.

Apart from off-the-shelf and certified solutions, the Bank designs and implements proprietary measures to improve quality and cleanliness of the environment. These include i.a. waste segregation and a number of actions to improve environmental protection awareness among employees. The Bank encourages employees to segregate and recycle waste. Additionally it is gradually increasing the number of bicycle parking spaces to encourage employees to use more environmentally friendly means of transport.

8. Reporting CSR activity

Information concerning implementation by the Bank of principles of corporate social responsibility is presented in the non-financial part of Bank Millennium's 2020 Annual Report. The report is in line with the guidelines of the amended Accounting Act, the international Global Initiative Sustainability Reporting Standards, European Union recommendations for reporting climate-related information and is subject to verification 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: Customers, Employees, Shareholders, Business Partners, Society and the Natural Environment.

The Supervisory Board assesses the social, sponsorship and educational activities of the Bank as reasonable and socially useful, providing not only direct financial support for executed projects, but also making a positive contribution to the development of culture, education, economy and environmental protection. In the opinion of the Supervisory Board, such an attitude builds a positive perception and trust in the Bank as a financial institution, which applies 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 2020 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 29 March 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 22 February 2021, assessed the documents submitted by the Management Board: (I) Bank Millennium S.A. financial statement for 2020, (II) the financial statement of Capital Group of Bank Millennium S.A. for 2020, (III) the Management Board's joint report on the activity of Bank Millennium S.A. and Bank Millennium S.A. Capital Group for 2020 and (IV) join report on non-financial information of Bank Millennium S.A. and Bank Millennium S.A. Capital Group in 2020. 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 Audyt spółka z ograniczoną odpowiedzialnością sp.k., 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 2020 and the financial statements of Bank Millennium S.A. Capital Group in 2020 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 2020 as well as join report on non-financial information of Bank Millennium S.A. and Bank Millennium S.A. Capital Group in 2020 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 2020 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 2020 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 2020 net profit in the amount of PLN 18,578,923.71 so that the full amount shall be allocated to reserve capital.

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

- KNF recommendation of 25 November 2020 and 22 December 2020 in the matter of maintaining an additional capital requirement in order to secure the risk resulting from FX loans and credits for households secured with a mortgage,
- KNF position of 16 December 2020 in the matter of dividend policy of banks (and other entities) in 2021,
- KNF recommendation of 13 January 2021 on suspension of a dividend payment in the first half of 2021.

Based on the above recommendations and position of KNF, considering a uncertainty in business activity due to COVID-19 pandemic, and also seeing the need to assure a reliable capital support for growth of business activity and existing operational/legal risks, the Bank Management Board

shall present to the General Meeting the proposal to retain all net profit generated in 2020 in the Bank's own capital.

With the regards to the above, and in particular the position represented by the Regulator, and a material uncertainty regarding further development of events due to COVID-19 pandemic and legal risks impacts and considering the fact that a strong capital base is a protection in cases of worsening macro-economic and regulatory situation and / or potential losses and that it also constitutes the basis for further growths, 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 2020, 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.

With a view to making a reliable assessment of the Bank's situation in the reporting period comprising 2020, reviewed and analysed in depth i.a. the parameters and factors listed below, regarding fundamental areas of activity of the Bank and the Bank's Capital Group, at the same time bearing in mind the specific features of 2020 resulting from actions caused by the COVID-19 pandemic as well as other extraordinary events.

The main financial and business parameters relating to 2020 results of the Bank's Capital Group, are as follows:

- Net profit of the Bank Capital Group amounted to PLN 23 million, and was lower by 96% y/y, in effect of one-off incidents such as, inter alia, economic slowdown caused by the COVID-19 pandemic, high level of provisions against legal risk of FX mortgages, very low interest rates. At the same time, the net result of the Bank itself totalled PLN 19 million. The Group's net profit for the whole year, adjusted for extraordinary items, would be PLN 709 million, which would mean a decrease of 23% y/y.
- ROE, determining the rate of return on own equity capital, adjusted for extraordinary items, reached the level of 7.8%, while in 2019 it stood at 10.6%; on reported basis it was 0.2%,
- annual adjusted cost/income ratio at the level of 46.7%, (reported: 49%),
- operating income increased by 3.1% y/y,
- result on core business grew by 4.1% y/y,
- net interest income grew by 3.3% y/y,
- net commission income grew by 6.7% y/y,
- impaired loans ratio at the level of 4.95%,
- total cost of risk higher by 42% y/y,
- loans/deposits ratio at 90.9%,
- capital ratios remained high (consolidated TCR/T1 at 19.5% / 16.5% respectively vs. regulatory requirements of 14.1% / 11.3% respectively),
- growth of number of active retail clients by 61 thous.,
- growth of retail deposits by 1.3% y/y,
- growth of consumer loans by 1.5%,
- decrease of sales of cash loans by 7% y/y,
- growth of PLN mortgage loan sales by 22.4% y/y,
- growth of the number of debit cards issued by 145 thous. (for the first time the number of debit cards issued exceeded 3 million),
- growth of the number of digital customers to 2.05 million i.e. by 12% y/y,
- growth of the number of active mobile customers to 1.7 million i.e. by 18%,
- high growth of corporate current deposits by 37% y/y,

- growth of corporate loans portfolio (net of leasing) by 1.1% y/y,
- decrease of the value of the leasing portfolio by 5.4% y/y,
- growth of factoring sales by 10% y/y,
- development of the Bank's smartshopping platform – 2.2 million downloads of the goodie app since its launch,
- first place in the customer's choice category – general classification of the banks' ranking list prepared by BANK financial monthly,
- second place (with a result of 34% annual reduction of emissions intensity) in the “Liderzy Klimatyczni Polska 2021” (Climate Leaders Poland 2021) ranking by Forbes magazine,
- won the general classification of the ranking of the Polish Quality Research Institute “Bank as assessed by clients 2020” established on the basis of opinions shared by individual clients of 14 most popular banks in Poland,
- was hailed The Best Consumer Digital Bank in Poland for 2020 in the World's Best Digital Banks competition organised by Global Finance Magazine. Moreover the website of Bank Millennium was seen to be the Best Integrated Website of a Consumer Bank in Central and Eastern Europe in 2020,
- was first in the prestigious European Customer Centricity Awards in the Customer Complaints category - the competition jury appreciated the “Obejmij problem” (Embrace the problem) project, which focuses on evolution as regards complaints towards meets customer needs and applying an individual approach,
- first in the “Star of Growth” category, second place in “Customer Relationship”, third place for overall achievement in the competition's main category and also in the “Star of Innovation” category in the “Stars of Banking 2020” Competition organised by DGP and PwC,
- won the main award in the category “Fin-Tech Innovation” for implementing the Autopay service (together with Blue Media) in the mobile app, second place in the “Mortgage Loan” category (versatile player performing in diverse conditions) in the Golden Banker 2020 ranking,
- best bank in the Customer Experience category in a survey made for KPMG.

2020 was a very difficult year, full of surprising unprecedented events, which the Bank had never faced in its history so far. It was a challenge in many respects, first of all caused by the COVID-19 pandemic, the adverse impact of which on social and economic life not only in Poland, but also in macroeconomic terms, will probably be felt for many years to come. The need to adapt to dynamically changing conditions, plummeting of business activity in very many areas, forced the need to introduce rapid changes of the way the Bank was operating in employee terms as well as in terms of contacts with customers i.a. by means of adapting the product offering to the new complex situation as well as offering new channels for communication and product distribution, also providing support to customers in a difficult financial situation e.g. by means of “credit holidays”. Such an attitude not only enabled strengthening customer relations, which led to cross-selling growth, but also acquiring new customers. Unquestionably helpful in these actions was the high level of digitalisation, reached thanks to implementation of strategic assumptions in previous years. This goal of the Bank's development was always appreciated by the Supervisory Board and in its opinion should be continued in subsequent years.

Apart from the aforementioned crisis situation caused by the pandemic, factors, which undoubtedly had negative impact on fulfilment of budgetary goals also include several interest rate cuts as well as the need to create high provisions to do with legal aspects of FX mortgages.

Despite the above negative conditionalities, during the accounting period in question, comprising the year 2020, the Bank faced-up to the challenges by generating a positive net result, reaching growth of the number of active retail banking customers, especially in digital channels and mobile banking, high sales of PLN mortgages as well as a recovery in corporate banking.

With the above in mind, the Supervisory Board states that in 2020 the Bank was carrying out activities aimed at sustaining the Bank's permanent development i.a. by undertaking a number of initiatives directed at minimising the influence of adverse factors, which dominated business life, also by means of further digitalisation, optimisation and modernisation of processes, improving efficiency, monitoring costs, maintaining high customer service standards and by taking advantage of opportunities created on the basis of the acquisition and merger of Euro Bank S.A. The Bank won many prestigious awards and was a leader of ranking lists, which reflected the opinions of customers as well as experts. The Bank's continued engagement in cultural, educational and social projects also deserves recognition.

After careful consideration of the 2020 financial report and results of Bank Millennium S.A. and Bank Millennium S.A. Capital Group, generated in complicated social and economic conditions, the Supervisory Board has positively assessed the Bank's and the Group's financial situation, which offers good prospects for further activity, maintaining high cost awareness.

The Supervisory Board, but also through the offices of the Committees of the Supervisory Board: Audit and for the Risk Matters 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 Committee for the Risk Matters, 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. At the same time the adopted criteria of assessment of the Internal Control System confirm that adequacy and effectiveness of this process is satisfactory;
- 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.

Looking forward to further favourable development of the Bank, the Supervisory Board praises the proactive approach, preparedness of the Bank for new challenges, demonstrated i.a. in fast response to the changing social and economic environment, seeking new opportunities for interacting with customers, new areas of interest for financial products as well as new products, which answer market expectations, which is proof i.a. of an innovative and creative approach to possible growth paths. The responsible approach and commitment of the whole team of employees as well as very good cooperation with the Management Board need to be underscored, based upon effective and transparent flow of information. Thus, the Supervisory Board would like to voice its appreciation for Members of the Bank Management Board as well as for staff of Bank Millennium S.A. Capital Group, for excellent work and fast adaptation to the extremely demanding economic reality.

[Signatures of the Bank's Supervisory Board Members]