

10 May 2021

Management Board report
Bank Millennium S.A.
with its registered office in Warsaw
justifying the demerger of
Millennium Dom Maklerski S.A.

On 10 May 2021, the management boards of Millennium Dom Maklerski S.A. ("**MDM**" or the "**Demerged Company**") and Bank Millennium S.A. (the "**Bank**" or the "**Acquiring Company**") agreed upon and signed the MDM demerger plan (the "**Demerger Plan**"). Accordingly, pursuant to Article 536 of the Commercial Companies Code (the "**CCC**"), the Bank's Management Board has prepared this report justifying the demerger (the "**Report**").

1. TYPE, BUSINESS NAME AND REGISTERED OFFICE OF THE COMPANIES INVOLVED IN THE DEMERGER

1.1 Demerged Company:

Millennium Dom Maklerski S.A., with its registered office in Warsaw, address: ul. Stanisława Żaryna 2A, 02-593 Warsaw, entered in the Register of Business Entities kept by the District Court for the Capital City of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, under KRS No.: 0000053322, NIP: 526-10-28-684, REGON: 011138260, with a share capital of PLN 16,500,000.00, paid up in full.

1.2 Acquiring Company:

Bank Millennium S.A., with its registered office in Warsaw, address: ul. Stanisława Żaryna 2A, 02-593 Warsaw, entered in the Register of Business Entities kept by the District Court for the Capital City of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, under KRS No.: 0000010186, NIP: 526-02-12-931, REGON: 001379728, with a share capital of PLN 1,213,116,777.00, paid up in full.

2. DEMERGER METHOD

MDM's demerger (the "**Demerger**") shall be carried out pursuant to the procedure set forth in Article 529 § 1 item 4 CCC, i.e.:

- by way of the transfer to the Bank of part of the property (assets and liabilities) and rights and obligations of the Demerged Company in the form of an organised part of MDM's enterprise associated with the provision of brokerage services consisting of: (i) the acceptance and transfer of financial instrument buy or sell orders; (ii) the execution of the buy or sell orders referred to in item (i) on the principal's account; (iii) the acquisition or disposal of financial instruments on its own account; (iv) the provision of investment advice; (v) the offering of financial instruments; (vi) the provision of services in performance of concluded underwriting agreements or the conclusion and performance of other agreements of a similar nature if they pertain to financial instruments; (vii) the keeping and registration of financial instruments, including the keeping of securities accounts, derivative accounts, collective accounts and cash accounts; (viii) foreign exchange transactions within the scope of activity specified in Article 69 sec. 2 of the Act on Trading in Financial Instruments; (ix) the preparation of investment analyses, financial analyses and other general recommendations pertaining to transactions in financial instruments; and (x) the provision of additional services associated with an underwriting agreement (the "**Brokerage Activity**"); and
- by way of retaining the remainder of the property (assets and liabilities) and the rights and obligations of the Demerged Company (the "**Non-Regulated Activity**") in MDM, according to the detailed rules of the allocation of the Demerged Company's property pursuant to the Demerger Plan, including Appendix 1 to the Demerger Plan, which

describes in detail the specific items of property (assets and liabilities) and agreements, permits, concessions and reliefs of the Demerged Company allocated to the Bank.

3. LEGAL GROUNDS OF THE DEMERGER

The legal grounds for the Demerger are provided by Article 529 § 1 item 4 of the CCC, in accordance with which the Demerger will be carried out by way of the transfer of part of the Demerged Company's property (Brokerage Activity) to the Bank.

As a result of the Demerger, pursuant to Article 531 § 1 of the CCC, the Bank will take over, on the Demerger date, all the rights and obligations of MDM associated with the Brokerage Activity. Consequently, immediately after the Demerger date, MDM will retain the rights and obligations associated with the Non-Regulated Activity. MDM's activity will be limited to the Non-Regulated Activity and the Bank's enterprise will be expanded by the Brokerage Activity.

4. ECONOMIC SUBSTANTIATION OF THE DEMERGER

The Bank and MDM made a decision on the Demerger by way of the inclusion of the Brokerage Activity in the Bank's structures in order to integrate within a single entity the brokerage services so far provided through the Demerged Company.

The decision to effectuate the Demerger is dictated by:

- an interest in improving the efficiency of the operation of the brokerage activity in the Bank's Group (the "**Group**"), both in the area of institutional and retail client services;
- efforts to increase the quality and comprehensiveness of the brokerage service offer addressed to both individual and institutional clients.

Consolidation of the brokerage services within a single entity will make it possible to achieve the following effects:

- the creation of a single competence centre in the Group in the area of brokerage service and product management;
- the provision to clients of uniform access channels;
- an increase in the availability of brokerage services to the Bank's clients through electronic channels and using appointed offices;
- an increase in operational efficiency regarding the implementation of new solutions for clients;
- the simplification of the structure of the functioning of the brokerage activity;
- the unification of the processes and procedures within the Group both for clients and employees;
- the establishment of a consistent approach to clients as a result of the unification of segmentation rules;
- the integration and development of remote tools for client services to the level currently available to the Bank's clients;
- the increase of the market share in transaction processing thanks to the advertisement of brokerage services among the Bank's clients;

- the leveraging of the know-how and IT resources of the Bank to offer highly digitised services; and
- the achievement of cost synergies after the elimination of duplicate structures, especially in the areas of HR, legal and accounting.

The implementation of the above-mentioned assumptions will bring about an improvement of operational profitability thanks to, among other reasons, better utilisation of resources and potential and – through integration of the brokerage offer with the banking offer and the implementation of new products, especially mobile ones – the improvement of client relations. Both of these factors will make it possible to strengthen the Group's competitive position in the brokerage services market.

In the case of the Non-Regulated Activity associated with the consulting business, it will remain in the existing entity (MDM, which will change its name to Millennium Consulting S.A.) after the separation of the Brokerage Activity and its transfer to the Bank, which will allow for:

- the concentration and strengthening of the dynamically developing consulting business area; and
- the leveraging of the knowledge and experience of employees in the area of the assessment of investment funds and giving such employees the opportunity to further develop the competencies associated with this area.

The implementation of the above will support the Group's area of activity associated with investment products.

The intention of MDM and the Bank is to transfer to the Bank or leave in MDM (the future Millennium Consulting S.A.) the relevant rights and obligations and receivables and liabilities existing on the Demerger date allocated to the Brokerage Activity and Non-Regulated Activity, respectively. The adopted legal model for the transfer of these rights and obligations and receivables and liabilities ensures the fullest possible and uninterrupted continuation of the activity conducted in the areas of the Brokerage Activity and the Non-Regulated Activity. Consequently, the Bank and MDM made the decision to effectuate the Demerger of MDM by way of a demerger through separation pursuant to Article 529 § 1 item 4 of the CCC as the model for the integration of the Brokerage Activity within the Bank, which model implements the above assumptions based on the universal succession principle. In accordance with this principle, all rights and obligations and receivables and liabilities associated with the Brokerage Activity specified in this Demerger Plan will be transferred on the Demerger date by operation of law to the Bank, and all rights and obligations and receivables and liabilities associated with the Non-Regulated Activity will remain in MDM (the future Millennium Consulting S.A.).

5. SHARE EXCHANGE PARITY

Pursuant to Article 550 of the CCC, due to the fact that the Bank is the sole shareholder of the Demerged Company, the Bank's share capital shall not be increased in connection with the acquisition by the Bank of part of the Demerged Company's property. The aforementioned regulation stipulates that the Acquiring Company may not take up its treasury stock in exchange for the shares held in the Demerged Company. Consequently, the Bank shall not issue any shares in exchange for the property of the Demerged Company acquired.

6. ISSUES ASSOCIATED WITH THE VALUATION

No particular issues were encountered during the valuation of MDM's assets and shares.

7. DEMERGER CRITERIA

7.1 As a result of the Demerger, an organised part of the enterprise associated with the conduct of the Brokerage Activity will be transferred to the Bank and an organised part of the enterprise associated with the conduct of the Non-Regulated Activity will remain in MDM.

7.2 As was noted in item 5 above, the Bank shall not grant any shares in exchange for the property of the Demerged Company acquired.

7.3 In connection with the Demerger, MDM's share capital will be decreased by PLN 12,310,500.00 (twelve million, three hundred and ten thousand, five hundred Polish zlotys), i.e. from PLN 16,500,000 (sixteen million, five hundred thousand Polish zlotys) to PLN 4,339,500 (four million, three hundred and thirty-nine thousand, five hundred Polish zlotys) by way of the reduction of the nominal value of the shares.

8. SUMMARY AND RECOMMENDATION

Considering the foregoing, the Bank's Management Board recommends to the Bank's shareholders to accept the aforementioned Demerger concept and adopt a resolution on the Demerger in accordance with the draft constituting an appendix to the Demerger Plan.

[signatures on the next page]

On behalf of Bank Millennium S.A.

Fernando Bicho

Deputy Chairman of the Management Board

Andrzej Gliński

Member of the Management Board