

## **Annual Report of the Supervisory Board of Bank Millennium S.A. for the financial year 2022**

Supervisory Board of Bank Millennium S.A. (hereinafter referred to also as: “the Bank”), acting on the grounds of the Code of Commercial Companies, provisions of “Best practice of companies listed on GPW 2021” (hereinafter referred to also as: “Best practice”) adopted by the Warsaw Stock Exchange and issued by the Polish Financial Supervision Authority (hereinafter referred to also as: “KNF”): “Principles of the Corporate Governance for Supervised Institutions” (hereinafter referred to also as: “Principles”), presents to this General Assembly of the Bank *Annual Report of the Supervisory Board of Bank Millennium S.A. for the financial year 2022* (“Report”).

### This Report comprises:

1. Summary of the 2022 activity of the Board and its committees: Audit Committee, Personnel Committee, Strategic Committee and Committee for Risk Matters, in accordance with principle 2.11.2 of “Best Practice of Companies Listed on the WSE 2022” (“Best practice”) adopted on 29 March 2022 by the Board of the Stock Exchange in Warsaw (“WSE”), as well as the Board’s motion for the General Meeting to discharge the Members of the Bank’s bodies from the performance of their duties in fiscal year 2022.
2. Information on the composition of the Board and its committees, indicating who of the members of the Board meet the independence criteria defined in the Act of 11.05.2017 on statutory auditors, audit firms and public supervision, as well as who of them do not have real and material links with a shareholder holding at least 5% of the total number of votes in the Bank, as well as information on the composition of the Board in the context of its diversity.
3. Report on the assessment of the functioning of the remuneration policy in Bank Millennium S.A., in accordance with §28 item 3 of the Principles,
4. Assessment of the application of (i) the Principles (pursuant to § 27 of the Principles) and (ii) corporate governance principles and the manner of fulfilling the disclosure requirements relating to their application specified in the WSE Bylaws and provisions relating to current and periodical information transferred by issuers of securities and recommendation “Z” PFSA, along with information on the steps taken by the Board for their assessment.
5. Assessment of the reasonability of expenses incurred by the Bank and the Bank Group to support culture, sports, charitable institutions, the media, social organisations, trade unions and similar objectives.
6. Information about the extent of diversity policy implementation with respect to the Management Board and the Supervisory Board, including attainment of diversity goals in such areas as gender, education, specialised knowledge, age as well as professional experience.
7. Assessments results of the combined Management Board report on the activity of Bank Millennium S.A. and Bank Millennium S.A. Capital Group, combined ESG report of Bank Millennium S.A. and Bank Millennium S.A. Capital Group and financial reports of Bank Millennium S.A and Bank Millennium S.A. Capital Group for fiscal year 2022,
8. Assessment result with regard to the Management Board motion on the coverage of loss for financial year 2022, in accordance with art. 382 § 3 pt. 2 and art. 382 § 3<sup>1</sup> pt. 1 of the Code of Commercial Companies.
9. The assessment of the Bank’s situation on a consolidated basis taking into account assessment of the internal control systems, risk management, compliance and internal audit function (including the annual effectiveness assessment of the functioning of such systems and internal audit function),

along with information about the steps taken by the Board in order to perform this assessment (the assessment covers all the material control mechanisms, especially those related to reporting and operational activity). The assessment covers evaluation of the Bank's situation including adequacy and effectiveness of internal control systems, risk management, compliance with standards or applicable practices and internal audit applied in the Bank in accordance with art. 382 § 3<sup>1</sup> pt. 2 of the Code of Commercial Companies.

10. Assessment of the implementation by the Management Board of the obligations referred to in Article 380<sup>1</sup> of the Code of Commercial Companies (pursuant to Article 382 § 3<sup>1</sup> pt. 3 of the Code of Commercial Companies).

11. Assessment of the manner, in which the Management Board prepares or submits to the Board information, documents, reports or explanations requested in accordance with the procedure specified in art. 382 § 4 of the Code of Commercial Companies (pursuant to art. 382 § 3<sup>1</sup> pt. 4 of the Code of Commercial Companies).

12. Information on the total remuneration due from the Bank for all audits commissioned by the Supervisory Board in the course of the financial year 2022 in accordance with the procedure specified in art. 382<sup>1</sup> of the Code of Commercial Companies (pursuant to art. 382 § 3<sup>1</sup> pt. 5 of the Code of Commercial Companies).

13. Information on the number of meetings and attendance at meetings of the Supervisory Board in 2022.

**1. Summary of actions of the Supervisory Board and its committees: Audit Committee, Personnel Committee, Strategic Committee and Committee for Risk Matters, along with the self-assessment of the Board's performance as well as the Board's motion for the General Meeting to discharge the Members of the Bank's bodies from the performance of their duties in fiscal year 2022.**

The year 2022 was a period of activity of the Supervisory Board in the environment of reconstruction of economies after the pandemic shock caused by the SARS-CoV-2 virus, as well as a period of many uncertainties in the face of the Russian invasion of Ukraine. In 2022, there were many changes in the legal, regulatory and macroeconomic environment, in particular concerning: significant interest rate increases by the Monetary Policy Board, in particular in the period from the first to the third quarter of 2022; the implementation of so-called "credit holidays" for mortgage borrowers which triggered significant negative financial and capital impacts; the work of the National Working Group on the replacement of WIBOR with WIRON; establishment of VeloBank as a result of forced restructuring of Getin Noble Bank. After a period of significant economic growth, there was a significant slowdown in the second half of the year.

In 2022, many new regulations for the banking sector came into force, in particular:

- entry into force of the Act on Crowdfunding for Business Ventures and Assistance to Borrowers, introducing the institution of the so-called "credit holidays" and introducing provisions on replacing the WIBOR rate, which is the basis for calculating loan installments, with a new indicator - the Warsaw Deposit Market Index (WIRD) or the Warsaw Financial Market Index (WIRF),

- entry into force on 1 January 2023 of the Act of 4 November 2022 amending the Act on Consumer Rights, the Act (Civil Code and the Act (Private international law - extending the scope of

application of consumer rights provisions to natural persons concluding a contract directly related to their business activity),

- entry into force of the Act of 17 November 2022 amending the Civil Code, Code of Civil Procedure, Penal Code and Banking Law, tightening regulations on counteracting usury,
- the position of the President of UOKiK on the interpretation of the provisions of the Act on payment services in the field of unauthorised payment transactions,
- UKNF communication on the method of developing WIBOR.

In addition, information on development and training programs, including novelties in the product offer; issues related to CSR, sponsorship and activities of the Bank Millennium Foundation as well as ratings, awards and distinctions granted to the Bank and its employees. Detailed information is annexed to the minutes.

In 2022, macroeconomic uncertainty factors appeared for the economy and the Bank Millennium Group, which were analyzed and discussed by the Supervisory Board on an ongoing basis, in particular: higher than expected price dynamics, which could result from the inflation-wage spiral, an increase in food and energy prices and a longer than expected period of supply difficulties in industry.

Further delay or lack of approval of the European Commission for the National Recovery Plan as a result of a deepening legal dispute between the Polish government and the European Union, which would affect the lower dynamics of investments in the economy than in the baseline scenario.

Military actions between Russia and Ukraine significantly increase uncertainty on the financial markets, which could result in a partial outflow of portfolio capital from Polish and a deterioration in the prospects of companies with exposure to Eastern European markets.

In the opinion of the Supervisory Board, the effects of the pandemic were still noticeable and felt in all spheres of banking activity, moreover, another factor negatively affecting the macroeconomic environment was the outbreak of the war in Ukraine.

The Bank very effectively adapted its activities to the dynamically changing environment, both in terms of internal reorganization and in terms of core banking activities. In this exceptional situation, the Supervisory Board supported the decisions of the Bank's Management Board aimed at making appropriate changes and maintaining the pace of development, while placing great emphasis on control, especially in the field of cost optimization and lending activities.

In its activities, the Supervisory Board was guided by care for the proper and safe functioning of the Bank, conducting work with the utmost care, objective assessment and judgment. Supervisory Board decisions were taken primarily during meetings. Nine Supervisory Board meetings were held in 2022.

Turnout each time exceeded the quorum necessary to adopt resolutions. The meetings were held at the Bank's registered office, however, more than half of the Supervisory Board members used the opportunity to participate in meetings using means of remote communication - in accordance with the provisions of the Regulations of the Supervisory Board of Bank Millennium S.A. Moreover, the Supervisory Board adopted two resolutions without holding a meeting - in the manner specified in § 12 and § 13 of the Regulations of the Supervisory Board of Bank Millennium S.A. Regular participants meetings of the Board were attended by all members of the Bank's Management Board.

Other people were also invited to attend the meetings, including the heads of the Legal Department, the Internal Audit Department and the Compliance Assurance Department.

The Board was particularly interested in issues related to the issue of foreign currency mortgage loans, especially in the context of risks related to judgments of the Court of Justice of the European Union and courts in Poland. As in previous years, the Board thoroughly analyzed the information submitted by the Bank's Management Board, relating to, m.in the Bank's activities aimed at limiting the number of possible lawsuits, including proposals for settlement solutions addressed to borrowers. Bearing in mind the complicated nature of the issue of foreign currency mortgage loans, as well as its impact on the Bank's development plans as well as significant values of provisions established in subsequent quarters of 2022 for the legal risk of mortgage loan portfolios in Swiss francs, as well as the expected loss in the Bank's financial result for 2022, as well as the implementation of budget assumptions in the coming years, The Supervisory Board placed great emphasis on the need to closely monitor all matters related to this issue. Members of the Board analyzed the information provided by the Management Board on foreign currency mortgage loans. In addition, the Supervisory Board analyzed issues related to negotiation processes in order to conclude settlements with clients, based on information provided by the Management Board in this matter.

The Board also dedicated special attention to the assessment and implementation of measures aimed at improving the capital ratios of the Bank and Group after the drop faced as a consequence of the approval of "credit holidays", including the implementation of Capital Protection Plan and Recovery Plan.

During its individual meetings, the Supervisory Board reviewed, subjected to analysis, held discussions and took relevant decisions in particular in the matters concerning the following issues:

**1) finance and business, including:**

- approval of the Budget of the Bank Capital Group for the years 2023-2025,
- analysis of the current results of the Bank Capital Group and business lines,
- Approval of the decision of the Bank's Management Board to establish the Bank's Eurobond Issue Programme,
- analysis of evolution of the share price of Bank Millennium S.A.,

**2) internal audit and compliance, including:**

- analysis of the information concerning the internal control in Bank Millennium S.A. in 2022, including the Report of Internal Audit Department from Activity in 2022 and Compliance Report for the year 2022,
- approval of the Audit Plan for 2022,
- approval of the Action Plan of the Compliance Department for 2022,
- assessment of application of „Corporate Governance Principles for the Supervised institutions” in the Bank, and "Best Practices of WSE Listed Companies", and recommendation "Z" PFSA,
- approval of changes in the document: "Management System at Bank Millennium S.A.",

**3) risk management in the Bank, including:**

- current analysis of risk management,
- analysis of the information on FX mortgage loans,
- status of capital ratios, MREL and capital improvement initiatives,

- approval of the Bank Risk Strategy for 2023 - 2025,
- approval of the Capital Plan and Contingency Capital Plan of the Bank Capital Group for 2023 - 2025,
- approval of the Liquidity Plan of the Bank Capital Group and analysis of the Bank long-term liquidity for 2023 - 2025,
- update of the Bank Contingency Liquidity Plan,
- update of the „Capital Management and Planning Principles”,
- analysis of the information about the review of the „Principles for Internal Capital Calculation”,
- adaptation of ratios of the Risk Appetite Statement matrix,

#### **4) personnel issues 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, head of risk unit and head of compliance unit,
- approval of changes in the document: “Remuneration Policy for Risk Takers in the Bank Millennium S.A. Group”,
- analysis of the documentation related to repeated assessment of suitability of members of governing bodies of Bank Millennium S.A. – annual verification, performed in cooperation with advisory company,
- adoption of resolution in the matter of assessment of suitability of the Management Board and Supervisory Board of the Bank,

#### **5) miscellaneous, including:**

- analysis of the regular IT reporting, including IT security (according to the requirements of KNF Recommendation D),
- approval of changes in the document: “Policy of Bank Millennium S.A. on disclosure of information on Risk, Own Funds, Capital Requirements, Remuneration Policy and other information”,
- motion in the matter of approval of the updated “Recovery Plan for Bank Millennium S.A. Capital Group ( keeping with the requirements of the Banking Law),
- 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,
- issuance of the legally required statements for the purposes of annual reports.

Moreover, the Supervisory Board was also regularly furnished with the 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 taking current actions adequate to the changing regulatory situation, or as regards the recommendations of the Polish Financial Supervision Authority on dividend policy, i.e. suspension of dividend distribution;

- 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;
- resolutions of the Management Board and their subject matter;
- outsourcing agreements and other agreements subject to monitoring.

Apart from engagement in the work of the Supervisory Board, most Board Members comprising standing Committees of the Supervisory Board, were also taking an active part in the work of relevant Committees.

### **ACTIVITIES OF THE 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 carried out by the Supervisory Board, i.e. since 24 March 2021.

#### **A. Audit Committee activity in reporting period**

In 2022 six meetings of the Audit Committee of the Supervisory Board took place, at the following dates: 27.01.2022, 18.02.2022, 21.04.2022, 21.07.2022, 20.10.2022, 15.12.2022.

#### **The following issues were subject to regular analysis during the meetings of the Audit Committee of the Supervisory Board in 2022:**

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, taxes, 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 1<sup>st</sup> and 3<sup>rd</sup> 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.

In **2022** the agenda of the Audit Committee was extended with “*Annual information on the implementation of the tax strategy together with a report on the tax risk non-compliance*”, which resulted from entry into force of “*Tax policy of Bank Millennium S.A.*” (approved by the Management Board Resolution No. 129/2021 of August 18, 2021 and the Supervisory Board Resolution No. 53/2021 of October 22, 2021).

**During the meetings of the Audit Committee of the Supervisory Board in 2022 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 2022 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 2022 prepared on the basis of analysing the risk areas and accepted information on fulfilling the Plan for 2021. 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 and supervisory recommendations, including recommendations H with the high implementation priority as well as with extended implementation dates. 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:**

- a) In 1Q2022 DAW updated **Strategy of Internal Audit Department** for the years **2022-2024**, the most important elements of which covers: (i) evaluation of implementation of DAW Strategy 2019-2021, (ii) current description of DAW activity (i.a. main tasks and responsibilities of DAW; formal and legal framework; internal regulations; human and IT resources; cooperation with BCP audit; Audit in Bank Millennium Group entities and Brokerage Office; Quality Assurance and Improvement Program (QAIP), (iii) global trends for internal audit, (iv) Supplement - Russian Invasion on Ukraine: A collection of risks to asses, (v) strategic goals of DAW for the years 2022–2024. At the meeting in April 2022, the Committee familiarized itself with the updated Strategy and, after expressing a positive opinion, recommended the Supervisory Board its approval.
- b) At the meeting in April 2022 the Committee got acquainted with the proposed changes to the internal regulation of DAW "Audit Charter - rules governing internal audit activities at Bank Millennium S.A.", which resulted from (i) the decision of the KNF approving the inclusion of the brokerage activities conducted by Millennium Dom Maklerski S.A. (Brokerage House) into the Bank’s structure as the Brokerage Office of Bank Millennium S.A., and the need to update the provisions on supporting internal audit in the Brokerage Office, (ii) the need to introduce changes in cooperation with the internal audit unit of Millennium Bank Hipoteczny S.A. (Mortgage Bank) and (iii) updates in the scope of consulting engagements provided by the Internal Audit Department. Taking into account the proposed modifications, the Audit Committee recommended the Supervisory Board to approve the update of the "Audit Charter - rules governing internal audit activities at Bank Millennium S.A."

- c) At the meeting in October 2022 the Committee got acquainted with the results of the periodic DAW Quality Self-Assessment 2022 carried out under the Quality Assurance and Improvement Program (QAIP 2022). Within the Program, internal audit is required to conduct periodic reviews of its activities through internal self-assessments and independent external reviews. The internal assessment cycle fall in 2022, and the next the external review will be carried out in 2023. The implementation of the QAIP'2022 project was to verify the preparation of the DAW for the external review in 2023. The review covered such areas as: regulatory compliance, implementation of initiatives and recommendations addressed to the DAW, human resources, and the adequacy and effectiveness of the implemented mechanisms ensuring the quality of the audit process. The results of the review confirmed the preparation of the DAW for the next external review in 2023. The Committee accepted the results of the periodic DAW Quality Self-Assessment 2022 carried out under the Quality Assurance and Improvement Program without reservations.

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 Committee with concern received the information about the staff difficulties of the DAW and expressed appreciation for the activities aimed at reconstruction and stabilization of the headcount. Regardless of the current staffing difficulties, the auditors' competences, including the ongoing process of their systematic development, were assessed very positively.

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. The Committee stresses the importance of supporting the independence and competence of the third line of defense unit for the safe and stable operation of the Bank, in particular in the face of the challenges faced by the entire sector.

### **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 annual solo report and the consolidated report of the Bank's Group as well as audit of other financial statements of the Bank and the Bank's Group for the periods during the year.

After reviewing the motion of the Bank's Management Board, at the meeting of the Committee on 28.01.2021, the Audit Committee decided to recommend to the Supervisory Board the extension of cooperation with Deloitte as the statutory auditor of the Bank and the Bank's Group for the further period covering the reporting years **2021-2023**.

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 2022.

At the meeting on 18.02.2022, the Statutory Auditor presented the "Report to the Audit Committee on the 2021 audit" 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 2021, and then at the meeting on 21.04.2022 supplemented the reporting scope with the final "Letter to the Management Board of Bank Millennium S.A."

At the meeting on 21.07.2022 the Audit Committee received *Information on annual assessment on the quality of services provided by the audit firm Deloitte*. Annual assessment is conducted by the Task Team coordinated by the Head of Finance and Reporting Department (DFS) (based on § 7 point 5 of Policy of Selecting and Cooperation with Audit Firms). The analyzed period included the

auditor's work performed in relation to the periodic reports for 2021 and in the scope of the audit of the annual financial statements for 2021 which was finalized with the issuance of the audit report on 21 February 2022. The analysis included observations regarding technical issues of the performed audit service as well as professionalism.

The main topic of discussions between the Audit Committee and the Statutory Auditor during individual meetings in 2022 were issues related to (a) the creation of provisions for litigation related to CHF mortgage loans; (b) Credit moratoria (credit holidays) introduced by Act on crowdfunding for business ventures and assistance to borrowers on July 14, 2022 and its impact on the Bank Millennium S.A. Capital Group, (c) additional provision for the aid fund established within the Institutional Protection Scheme (IPS) in June 2022, with cooperation of Bank Millennium, Alior Bank, PKO S.A., BNP Paribas, ING Bank Śląski, mBank, PKO BP, Santander and BFG.

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, at the meeting on 20.10.2022 Statutory Auditor presented planned scope and dates of an annual audit of the financial statement of the Bank and Bank's Group. After reading the presented materials, the Audit Committee did not comment and approved the proposed dates and scope of the audit.

#### **4. Cooperation with audit firms:**

Due to the need to adapt the Bank's internal regulations to the BCP Group Code GR0022 dated 03.03.2022 "Selection and Designation of Statutory Auditors/Audit Firms and Contracting of Non-Audit Services Firms", the changes were made to the ***Policy of selection and cooperation with audit firms***, which in the updated version was approved by the Audit Committee at the meeting on 21.07.2022. 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.

2023 will be the fifth year of cooperation with Deloitte. Considering the above, the Audit Committee together with the Management Board of the Bank started a discussion in 2H2022 on the direction of activities regarding the preparation of the tender procedure for the audit of the financial statements of the Bank and the Bank Group for the years 2024-25, with particular emphasis on the restrictions on the provision of prohibited services other than financial audits in the financial year directly preceding the examination period, i.e. in 2023. After analyzing the available cooperation options on the market of audit firms, at the meeting on December 15, 2022, the Audit Committee, at the motion of the Bank's Management Board, approved a preliminary, short list of audit firms that will be taken into account in the procedure for selecting an audit firm for the Bank for the years 2024-25.

#### **5. Monitoring of financial reporting:**

At the first meeting in 2022 the Finance and Reporting Department provided the Audit Committee with information on the monitoring of the financial reporting process, which included the following aspects: (a) challenges faced in 2021, (b) ensuring coherency between accounting standards applied by the Group and law regulations, (c) The biggest challenges for 2022 covering: Introduction of new taxonomy for MONREP report; Implementation of the new reporting requirements „Payments Statistic Database”; Reconciliation of RODM to EPM accounts, (d) confirmation of the timeliness of submitting all financial statements and reports to the parent company and Banking Supervision in 2021, as well as publication on the Warsaw Stock Exchange, (e) information on preparations for the publication of the annual financial statements for 2021, scheduled for 21.02.2022.

The meeting of the Audit Committee in February 2022 was devoted primarily to the analysis of the Management Board information on the Annual Report of the Bank and the Group for 2021, 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 31<sup>st</sup> December 2021. 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 2021.

#### **6. Annual information on the implementation of the tax strategy.**

At the meeting in July 2022, the Head of the Tax Department (DPD) presented the Audit Committee with annual information on the implementation of the tax strategy for 2021 and a report on the tax risk of non-compliance. The presented information included a discussion of such aspects as: the three main taxes of the Bank (CIT, bank tax, VAT), the Bank's tax against the market peer group, the division of duties in the tax area, self-assessment of tax risk, tax risk management, main tax risks for each tax, tax disputes and key tax issues.

#### **7. Results of the annual Review of the Internal Control System:**

The review of the internal control system (ICS) was conducted in 4Q2022 based on the resolution Notice 3/2020 Bank of Portugal, following new reporting formulas and obligations, with extended scope of participation in the review of the control function units (Risk, Compliance, Audit). The scope of reporting related to the process of implementing recommendations was standardized and increased within the BCP Group. The participation of the Statutory Auditor in the process of testing the adequacy and effectiveness of the control environment ceased to be obligatory, nevertheless, the BCP Group decided to continue the Auditor's support in attesting the ICS environment.

The Bank entrusted Deloitte with the implementation of the control environment attestation services, as agreed within the BCP Group, and the approval of these services as non-audit services was subject to approval by the Audit Committee.

With the proper implementation of supervisory requirements in mind, Bank Millennium appointed an appropriate team working closely with BCP, whose task was to properly prepare the reporting process according to the uniform rules applicable in the BCP Group. Activities on the Bank's side were coordinated by the Compliance Department with support of Internal Audit Department.

Based on the results of the work carried out by the units of the control function i.e. DAW, DZZ and DMR and the results of the attestation review reported by Deloitte, the Audit Committee approved in the form of resolutions at its meeting on 15.12.2022, the issuance of the *Self-Assessment Report by the Audit Committee of the Supervisory Board on the adequacy and effectiveness of the Bank's organizational culture in force and its governance and internal control systems, on an individual basis, considering the date 30.11.2022, in accordance with Article 55 (a) of Notice no. 3/2020 of Banco de Portugal.*

#### **8. 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-tables 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. Starting from 2020, the scope of information on significant interactions with supervisory authorities is 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 analysed issues in 2022 mainly concerned:

- the BION process and assessments obtained by the Bank,
- preparation to introduce alternative reference ratio to WIBOR – WIRON,
- reporting to KNF in the area of profitability,

- launching of Bank Millennium Capital Group Recovery Plan,
- preparation and approval of Capital Protection Plan for BM Capital Group,
- preparation of Synthetic Securitisation Transaction,
- Reporting to KNF in the area of Combined Buffer Requirement,
- Periodic information to KNF and BFG on the circumstances related to the Bank's financial situation, identified threats and financial objectives,
- correspondence with the BFG on MREL requirements,
- regular update of information external inspections / controls in Bank Millennium conducted by: KNF in the area of Capital Adequacy; GIFI in scope of AML; UODO in the area of personal data protection; ECB in BCP – Business Model of the Group with part related to operations in BM Poland; BFG in the scope of SKOK PIAST acquisition; KNF in the area of Investment Funds,
- correspondence with tax authorities and the Personal Data Protection Office,
- the position of the KNF on the dividend policy of commercial banks in 2022.

#### **9. 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 in 2022 were the main aspects of compliance process, including: key initiatives and projects implemented with the participation of Compliance, 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 2022. The Compliance Action Plan for a given year is subject to the Audit Committee's opinion and approval by the Supervisory Board.

In accordance with approved by the Management Board and Supervisory Board of the Bank "Compliance Department's Action Plan for 2021", in 4Q2021 the Compliance Department conducted periodic review of the document "Internal Control System at Bank Millennium S.A." As a result of the work performed, changes were made to the document, which were submitted for approval to the Audit Committee at the **meeting on 27.01.2022**. Committee familiarized itself with the updated document and, after expressing a positive opinion, recommended the Supervisory Board its approval.

In order to provide the Head of the Compliance Department with relevant attributes of independence, similar to those assigned to the audit function, in 2021, as part of the report after the third quarter, the practice of direct communication during the closed part of the Committee meeting was introduced for the Head of DZZ, where it is discussed with him the staffing situation of the Department and the remuneration policy of his employees. A closed meeting of the Head of the DZZ with the Members of the Audit Committee took place during the meeting on 20.10.2022.

The Audit Committee welcomes the significant changes in the operation of the Compliance Department, contributing to the systematic strengthening of the competences and role of this unit, which is a key element of the stable and effective functioning of the second line of defence.

#### **10. Bank's relations with clients - area of claims and complaints:**

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 in 2022, detailed information on complaints submitted by the Bank's Customers prepared by the Quality Department was presented.

Considering all the activities carried out by the Audit Committee in 2022, including materials provided by the Internal Audit Department, Compliance Department, Statutory Auditor, results of the Internal Control System Review 2022 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 29<sup>th</sup>, 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 selection<sup>1</sup> 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 Committee<sup>2</sup>:
  - 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. Activities of the Personnel Committee in the reporting period**

The composition of the Committee ensured an appropriate level of supervision over the entrusted areas of the Bank's activity, and individual Members guaranteed the proper performance of duties

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

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

resulting from education and professional experience. The independent Members of the Committee are: Mrs Olga Grygier-Siddons, Ms Anna Jakubowski and Mr Alojzy Nowak.

The scope of the Committee's competences is defined in § 18 section 6 of the Articles of Association of Bank Millennium S.A. and in § 6 section 8 of the Regulations of the Supervisory Board of Bank Millennium S.A. and it includes in particular:

- assessment of candidates for Members of the Bank's Management Board,
- determining the terms of employment for newly appointed Members of the Bank's Management Board,
- negotiating changes to the terms and conditions of employment of Members of the Bank's Management Board,
- with respect to Members of the Management Board, defining assessment criteria, performance assessment (including the policy on variable remuneration components for persons in management positions) and making decisions on annual bonuses,
- determining the conditions for terminating the employment relationship with Members of the Bank's Management Board,
- assessment of the policy on variable remuneration components, and also, on the basis of reports on payments made, issuance of recommendations concerning:
  - remuneration amounts and components, with a view to prudent and stable management of risk, capital and liquidity as well as long-term benefits for the Bank,
  - variable remuneration of persons in management positions in the Bank involved with risk management as well as compliance of the Bank's activity with legal and internal regulations.

Four meetings of the Committee were held during the period under review. During the meetings, the Members of the Committee analysed the documents and information provided, as well as made appropriate decisions in the form of resolutions.

The main topics of the Committee's work were the remuneration policy, identification and assessment of risk takers, as well as the assessment of the work of the Management Board and the reassessment of the adequacy of the management bodies, both the Management Board and the Supervisory Board.

### **27 January 2022**

- Report on functioning of remuneration policy in 2021
- Remuneration proposal for Heads of Risk, Audit and Compliance Departments
- Buy-back program of own shares in 2022 as part of the incentive programme for Risk Takers II

### **13 April 2022**

- Assessment of individual and collective suitability of the Bank's Management Board
- Assessment of individual and collective suitability of the Bank's Supervisory Board
- Decision on vesting the deferred part of last years' (2018 and 2019) bonuses on a 3 years assessment perspective
- Assessment and decision regarding granting of variable remuneration for Members of the Bank's Management Board in relation to 2021

### **3 November 2022**

- The results of identification of Risk Takers in the Bank Millennium S.A. Group
- Amendments to the "Remuneration Policy for Risk Takers in the Bank Millennium S.A. Group"
- Amendments to the "Employee Remuneration Policy in the Bank Millennium Group"

- Amendments to the Policy of selection and assessment of suitability of the Members of the Supervisory Board and Members of the Management Board, and Key Function-Holders

## 15 December 2022

- Information on HR management at Bank Millennium

All Members of the Committee were present at the meetings.

For the purpose of proper performance of tasks, in 2022 the Committee Members worked not only during but also outside their meetings - in 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 its particular Members, and also supporting the Bank's bodies in formulation and implementation of the remuneration policy in force in the Bank. Attention was drawn to the need for good cooperation between the Management Board and the Supervisory Board in view of dynamically changing regulatory environment.

In 2022, the Committee conducted an individual and collective assessment of the Bank's bodies. It was a periodic assessment. The Committee analysed individual profiles and the profile of collective competences of the Members of the Supervisory Board and concluded that the members of the Supervisory Board – both individually and as a whole – met the expected competence requirements. In particular, the diverse composition of the Supervisory Board in terms of age, gender, professional experience, knowledge and skills, as well as the fact that it includes both representatives of science and business, reflects diligence in the widest possible diversity of views on the work of the Management Board.

The Committee also analysed the competence model of the Bank's Management Board in the field of management, risk management, knowledge of business lines and soft skills. The Committee compared individual profiles and the collective competence profile of the Management Board and came to the conclusion that the Management Board met the expected competence requirements.

The Committee monitored the Management Board's decisions regarding remuneration policy activities on an ongoing basis (in particular the value of bonus budgets and changes in the fixed remuneration of persons designated as risk takers) and considered them to be consistent with the long-term objectives of the remuneration policy adopted by the Group. In connection with introduction of the Recovery Plan and the Capital Protection Plan the Committee analysed the conditions related to the possibility of granting variable remuneration for the key function holders, and authorized decisions related to granting of the bonus pool to the so-called Risk Takers based on legal recommendations prepared by PwC Legal Żelaźnicki sp.k.

The Committee also analysed the remuneration policy and employee turnover in the context of changes in the labour market: in particular inflation, accelerated digitalisation and the so-called employee market, drawing attention to the need to conduct an active and employee retention-oriented remuneration policy.

The Committee conducted a detailed assessment of the results of the Bank's Management Board for 2021. The Committee took into account the following elements:

- The BM Group recorded a consolidated net loss of PLN 1,332 mn, but these were costs related to the portfolio of FX mortgage loans granted mainly in 2006-2008 and they were the main cause of the net loss of the BM Group in 2021.
- After adjustment, the BM Group would book a record high net profit of PLN 1,098 mn in 2021, compared to adjusted net profit of PLN 695 mn in 2020. Full year 2021 net profit adjusted for all extraordinary items (above mentioned FX-mortgage related costs, revaluation of Visa shares and provision against a corporate court case) stood at PLN 1,123 mn, up 46% y/y. Adjusted ROE at 13,8% against 8,4% in 2020.

- Income was up 2% y/y, while opex (excluding charges for the Bank Guarantee Fund/"BFG" and legal costs) was down 7% y/y. Core income was especially strong in this period with 6% y/y growth in 2021. NII, the main driver, rose in Q4 by 15% q/q to above pre-pandemic level, while full-year NII in 2021 increased by 5% y/y. This result was achieved thanks to a combination of higher interest rates and a solid 7% y/y increase in loans (+15% y/y excluding the FX mortgage portfolio). Record-high disbursements of PLN mortgage loans (PLN 9.8 bn, increase by 46% y/y) and much faster launch of leases (PLN 3.9 bn, up 57% y/y) were the main factors contributing to this result. In the entire 2021, the Bank's share in the mortgage loan market was 12.5% (2020: 12.2%), which places us in the #3 position on the market (2020: #4).

Taking into account the above factors, the Committee decided to grant the Bank's Management Board variable remuneration for 2021 in the total amount of PLN 8.4 mn, paid 50% in cash/50% in equity instruments and deferrable in 5 years following the regulations.

The Personnel Committee also approved the transferred the rights to the deferred parts of the variable remuneration for previous years.

### **C. Activities of the Strategic Committee during the reporting period**

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.

In particular Supervisory Board discussed:

1. Bank Strategy implementation on 2022-2024
2. the need for adaptation to the high interest rate environment
3. optimum approach to management of the risk related to CHF mortgage portfolio.

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 on the matters of the recovery plan and the capital protection plan.

### **D. Activities of the Committee for Risk Matters during the reporting period**

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.

#### COMMITTEE FOR RISK MATTERS ACTIVITY

In 2022 there were five meetings of the Committee for the Risk Matters, respectively: 27.01.2022; 21.04.2022; 21.07.2022; 20.10.2022; and 30.11.2022.

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, evolution of portfolio credit quality with special focus on credit holidays 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 with analysis of trends, monitoring system and quarterly activity of the AML area;
- 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 on a quarterly basis of the back testing results of Expected Credit Losses;
- 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:

- Information on market risk limits.
- Information on important court disputes under lawsuits filed by Clients against Bank Millennium SA regarding portfolio managed by the Corporate Recovery Department namely regarding FX options disputes;
- Information on WIBOR replacement;

- Report on Model Risk Management in Bank Millennium Group with the approved proposal of the medium level of model risk tolerance;
- Results of the supervisory stress tests performed upon KNF request;
- Information on the Report on exposure to risk (mid-year data) as of 30 June, 2022 in accordance to part eight of the Regulation (EU) No 876/2019 of the European Parliament and of the Council of 20 May 2019 and Commission implementing Regulation (EU) 2021/637 of 15 March 2021 and the Policy of Bank Millennium S.A. on disclosure of information on risk, own funds, capital requirements, remuneration policy and other information required by law and KNF recommendations.

And the Committee analysed and gave positive opinion to the Supervisory Board on the following items:

- Risk Management Function Assessment.
- Validation Function Assessment.
- Expression of opinion on the transactions between the Bank and an entity linked to the Bank, i.e. Millennium Leasing Sp. z.o.o., a subsidiary of the Bank.
- Approval of changes in the document “Principles Relating to Stress Tests at Bank Millennium S.A.”.
- Updated “Recovery Plan for Bank Millennium S.A. Capital Group” (in the meetings held on 21.04.2022 and 30.11.2022);
  - Approval of changes in the document: „Policy of Bank Millennium S.A. relating to disclosure of information on risk, own funds, capital requirements, remuneration policy and other information”;
  - Approval of the “Risk management and control principles”;
  - Approval of the amendments to the Capital Adequacy, Risk, Remuneration Policy Report of Bank Millennium Capital Group.

Specifically on the 30.11.2022 meeting, the Committee analysed and gave positive opinion to the Supervisory Board on the following documents related to strategy:

- Risk Strategy of the Capital Group of Bank Millennium S.A.
- Liquidity Plan of the Capital Group of Bank Millennium S.A. and analysis of long-term liquidity, in accordance with the supervisory regulations of the Polish Financial Supervision Authority.
- Update of the Liquidity Contingency Plan of Bank Millennium S.A.
- Capital Plan and Contingency Capital Plan of the Capital Group of Bank Millennium S.A.
- 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.

### **Evaluation of the Activities of the Supervisory Board in 2022**

When assessing its activities in 2022, the Supervisory Board was guided by the guidelines contained in the Best Practices and Principles. 2022 was another year in which the Supervisory Board conducted its activities in different environments than in previous years, 2022 was a year of reconstruction of national economies after the COVID-19 pandemic, and in a difficult macroeconomic environment caused by the outbreak of war in Ukraine.

In accordance with its competences as provided for in the Bank's internal regulations and in accordance with the general legal requirements relating to listed companies and banks in particular, the Board exercised constant and ongoing supervision over the entire activity 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 the activities of its members within the Supervisory Board or in Supervisory Board Committees, were highly effective, transparent and compliant with best 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, as proven i.a. by high level of attendance during meetings – despite the situation caused by the coronavirus pandemic - as well as active participation in discussions, as confirmed by records in the minutes.

The composition of the Board as a whole guaranteed an appropriate level of performance of collective supervision over all areas of the Bank's activity. Particular members of the Board demonstrated a high level of qualifications, specialist knowledge and competences resulting i.a. from education and professional experience, including knowledge of the financial market, management, modern technologies, thus assuring 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 Key Function Holders 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) competences 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 competences; (iv) knowledge of the Polish language; (v) combining functions and devoting sufficient amount of time. The Personnel Committee of the Supervisory Board concluded 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 positively evaluating 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 2022.

**2. Information on the composition of the Board and its committees, indicating who of the members of the Board meet the independence criteria defined in the Act of 11.05.2017 on statutory auditors, audit firms and public supervision, as well as who among them does not have real and material links with a shareholder holding at least 5% of the total number of votes in the Bank, as well as information on the composition of the Board in the context of its diversity.**

The Bank's Supervisory Board operates on the basis of the Commercial Companies Code, the Banking Law, the Bank's Articles of Association and the Bylaws of the Supervisory Board. The term of office of the Supervisory Board, in accordance with § 13 section 1 of the Bank's Articles of Association, lasts 3 years.

**Composition of the Supervisory Board**

On 24 March 2021, the Bank's General Meeting elected the Bank's Supervisory Board for a new term of office. In connection with the above, the composition of the Supervisory Board was as follows:

- Mr. Bogusław Kott – Chairman of the Supervisory Board;
- Mr. Nuno Manuel da Silva Amado – D Deputy Chairman of the Supervisory Board;
- Mr. Dariusz Rosati – Deputy Chairman and Secretary of the Supervisory Board;
- Mr. Miguel de Campos Pereira de Bragança - member of the Supervisory Board;
- Ms. Olga Grygier-Siddons – Member of the Supervisory Board;
- Ms. Anna Jakubowski – Member of the Supervisory Board;
- Mr. Grzegorz Jędryś - Member of the Supervisory Board;
- Mr. Alojzy Nowak – Member of the Supervisory Board;
- Mr. José Miguel Bensliman Schorcht da Silva Pessanha – Member of the Supervisory Board;
- Mr. Miguel Maya Dias Pinheiro – Member of the Supervisory Board;

- Ms. Beata Stelmach – Member of the Supervisory Board;
- Mr. Lingjiang Xu – Member of the Supervisory Board.

At the time of candidacy for office in the Board, all the above-mentioned persons submitted statements regarding their compliance with criteria referred to in the applicable law, including in particular: in the Banking Law, Principles and Good Practices.

The independence criteria are fulfilled by five Members of the Supervisory Board: Ms. Olga Grygier-Siddons, Ms. Anna Jakubowski, Ms. Beata Stelmach, Mr. Grzegorz Jędrys and Mr. Alojzy Nowak.

Members: Mr. Bogusław Kott, Mr. Dariusz Rosati, Mr. Olga Grygier-Siddons, Ms. Anna Jakubowski, Mr. Grzegorz Jędrys, Ms. Beata Stelmach and Mr. Alojzy Nowak have no real and significant ties with a shareholder holding at least 5% of the total number of votes in the Bank.

Polish nationality is held by seven Members of the Supervisory Board, including its Chairman. The Supervisory Board in 2022, to the best of its knowledge, did not find existence of any relationships or circumstances that could affect the fulfilment of the independence criteria by the above-mentioned members of the Supervisory Board. The Composition of the of the Supervisory Board was diversified in terms of gender, age, education and professional experience. The CVs of the Supervisory Board members are published on the Bank’s website.

### **Composition of the Audit Committee**

On 24.03.2021 the newly appointed Supervisory Board elected Members of the Audit Committee for a new term of office, in the following composition:

Chairman of the Committee:	Mr. Grzegorz Jędrys	independent member
Committee Member:	Mr. Miguel de Campos Pereira de Bragança	
Committee Member:	Ms. Olga Grygier-Siddons (from 01.07.2022)	independent member
Committee Member:	Ms. Anna Jakubowski	independent member
Committee Member:	Mr. Alojzy Nowak	independent member
Committee Member:	Mr. José Miguel Bensliman Schorcht da Silva Pessanha	

In this make-up the Audit Committee of the Supervisory Board of Bank Millennium S.A. operated until the end of 2022.

Thus, the Bank fulfilled the provisions of Article 129. Item 3 of *the Act on Statutory Auditors [...]* ensuring that the majority of the members of the Audit Committee, including its Chairman, meet the independence criteria.

The scope of activities of the Audit Committee of the Supervisory Board is provided for in the Bank's Articles of Association and specified in the Bylaws of the Audit Committee of the Supervisory Board.

### **Composition of the Personnel Committee**

On 24 March 2021 the General Meeting of Shareholders elected a new Supervisory Board of Bank Millennium SA. At its meeting on the same day, the Supervisory Board established the following Personnel Committee:

- Mr. Alojzy Nowak - Chairman
- Ms. Olga Grygier-Siddons

- Ms. Anna Jakubowski
- Mr. Miguel de Campos Pereira de Bragança
- Mr. Bogusław Kott

The composition of the Committee ensured an appropriate level of supervision over the entrusted areas of the Bank's activity, and individual members guaranteed the proper performance of duties resulting from education and professional experience. The independent members of the Committee are: Ms. Olga Gryggier-Siddons, Ms. Anna Jakubowski and Mr. Alojzy Nowak.

### **Composition of the Strategic Committee**

On 24 March 2021 the General Meeting of Shareholders elected a new Supervisory Board of Bank Millennium SA. At its meeting on the same day, the Supervisory Board established the following Strategic Committee of Bank Millennium:

- Mr. Bogusław Kott – Chairman
- Mr. Nuno Manuel da Silva Amado
- Mr. Miguel de Campos Pereira de Bragança
- Ms. Anna Jakubowski
- Mr. Miguel Maya Dias Pinheiro,
- Mr. Dariusz Rosati
- Mr. Lingjiang Xu

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.

### **Composition of the Committee for Risk Matters**

In the period from 01.01.2022 to 31.12.2022, the composition of the Committee for Risk Matters (Committee) was as follows:

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

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

## **3. Report on the assessment of the functioning of the remuneration policy at Bank Millennium S.A.**

The Supervisory Board of Bank Millennium S.A. (the "Supervisory Board"), in consultation with the Personnel Committee of the Supervisory Board, assessed the functioning of the remuneration policy in Bank Millennium S.A. (the "Bank") in 2022.

In making the assessment, the Supervisory Board analyzed the context of the Bank's remuneration policy. The year 2022, was characterized primarily by:

- an unprecedented level of inflation over the years,

- high dynamics of salaries growth in the economy,
- a low level of unemployment,
- the introduction of a new law on so-called "credit vacations", the consequence of which was the need to make provisions that lowered the levels of capital ratios. Reduced capital ratios led Bank Millennium to introduce a recovery plan and a capital protection plan.
- high demand on the labor market for specialists, especially in the IT area.

The following documents defining the framework for the remuneration policy are in place at Bank Millennium:

„Employee remuneration policy in Bank Millennium Group” which is addressed to all employees of the Bank. In December 2022, changes were made to the evaluation criteria for control function employees.

Detailed remuneration rules for employees with significant impact on the risk profile ("Risk Takers") are defined in the „Remuneration Policy with respect to Risk Takers in the Bank Millennium S.A. Group S.A.". The Supervisory Board, at its meeting on December 2, 2022, adopted amendments to the Policy regarding the criteria for determining the bonus pool, identifying Risk Takers and financial instruments.

“Remuneration Policy with regard to members of the Management Board and Supervisory Board of Bank Millennium SA" in effect since March 2021, which specifies the remuneration arrangements for members of the Bank's highest bodies, was not subject to changes in 2022.

**Bank Millennium's 2022 remuneration policy activities focused primarily on increasing the Bank's competitiveness in the labor market and stabilizing employee income.** The Bank pursued this goal by:

**1. Increasing the share of base salary in total employee compensation.**

The Management Board decided to gradually reduce the share of bonuses in the total remuneration offer to employees and to adequately transfer budgets to finance base salaries.

**2. Negotiation of new remuneration regulations linked to changes in positions and remuneration rules in the retail network.**

The Remuneration Regulations, in effect since 2003, set minimum salary levels for positions based on the multiplier of the minimum salary in the Polish economy.

In 2022, the Bank, in consultation with the social partners, decided to significantly reform the remuneration in the retail network and prepare a competitive proposal for positions with minimum and maximum salary rates. The criteria affecting promotion to a position (seniority and a certain level of competence) were defined in a simple and transparent manner.

Work on a comprehensive revision of the regulations will be carried out in 2023.

**3. Conducting two significant reviews of base salaries.**

Changes in employee salaries were preceded by an in-depth analysis of market benchmarks. As a result of the review, a 12% increase in average base salary was recorded and the average total compensation increased by more than 14%.

**Remuneration policy for employees in managerial positions**

In accordance with regulatory requirements, Bank Millennium in 2022 conducts an annual identification of employees who have a material impact on the risk profile of the Bank Millennium Group ("Risk Takers"), as a result of which 91 employees were identified, including Management

and Supervisory Boards members. The results of the identification apply to the following year. Similarly, in 2022, because of the identification conducted in 2021, 92 employees had Risk Taker status.

Risk Takers are subject to separate rules for awarding and paying variable remuneration as defined in the „Remuneration Policy with respect to Risk Takers in the Bank Millennium S.A. Group S.A.“.

Information below considers Risk Takers II – managers reporting to Management Board members. The bonus rules for Risk Takers I (Board Members) and the amount of remuneration awarded in 2022 are set out in a separate report.

**Fixed remuneration** of Risk Takers II is shaped basing on valuation of optimal qualifications required for good performance in the position, management span, scope and type of tasks, in particular the scope of responsibility and impact on the risk profile of the institution. The review of fixed salaries takes place twice a year during meetings of the Personnel Committee of the Management Board of Bank Millennium (“Personnel Committee”).

**Variable components of remuneration consist of bonuses**, which are allocated by the Personnel Committee following the Risk Takers' II evaluation made after the end of the evaluation period. Bonuses are awarded as part of annual bonus programs.

The Personnel Committee of the Management Board at its meeting on February 16, 2022 has made annual evaluation of Risk Takers II. The evaluation was carried out based on financial and non-financial criteria, taking into account a three-year perspective.

The process of awarding fixed and variable components of remuneration, their terms and conditions, the total amount of remuneration and the payment scheme was assessed as adequately meeting the objectives of the Group's remuneration policy.

In particular, they implement such objectives as:

- care for the long-term welfare of the Bank,
- protecting the interests of investors and customers of the Bank Millennium Group,
- avoiding excessive risk exposure.

### **Variable remuneration management in the context of the recovery plan and capital protection plan**

Due to the decrease in the Bank's capital ratios associated with the introduction of the credit holidays law, the Bank decided to implement a recovery plan and a capital protection plan. These programs entail additional restrictions related to cost management at the institution, including remuneration. After consultation with the legal company PwC Legal Żelaźnicki sp. k., the principles of prudential management of bonus costs were defined i.e. the criteria for determining the amount of the bonus pool for Risk Takers in relation to the so-called MDA Maximum Distributive Amount, were clarified.

### **Compliance of the conducted Remuneration Policy with regulations**

In assessing the functioning of the policy, it is also important that the policy follows both internal and supervisory regulations. The Internal Audit Department audited the functioning of the Bank Millennium Group's variable remuneration policy and conducted a suitability assessment of the Supervisory Board Members, the Bank's Management Board Members, as well as the key function holders in the Group.

In the opinion of Internal Audit, the audited process functions correctly. The Committee for Risk Matters of the Supervisory Board gave a positive assessment of incentives provided by remuneration policies in Bank Millennium with respect to Bank's risk, capital and liquidity and the likelihood and timing of earnings.

#### **Evaluation of the functioning of the remuneration policy:**

**The Supervisory Board assesses that the remuneration policy in Bank Millennium S.A. is carried out in a stable manner, in continuity of the implemented strategies, while adapting to the challenges arising from the current business context.**

#### **4. Assessment of application of the "Corporate Governance Principles for Supervised Institutions" adopted by the PFSA and assessment of the manner of compliance with disclosure obligations regarding the application of the "Best Practices of WSE Listed Companies 2022" and recommendation "Z" PFSA.**

The Supervisory Board, after reading relevant reports, declares that in 2022 the Bank properly implemented the "Principles of Corporate Governance for Supervised Institutions", adopted by the PFSA, to the extent determined by resolutions of the Bank's bodies (Resolution No. 24 of the General Meeting of 21 May 2015, Resolution No. 12/2014 of the Supervisory Board of 12 December 2014 and Resolution No. 95/2014 of the Bank Management Board of 10 December 2014). The solutions and mechanisms applied in the Bank and aimed at implementation and execution of the Principles duly take into account the objectives stated therein in combination with the needs for optimum organisation of the Bank's activity.

Likewise, with respect to Best Practice, the Supervisory Board is of the opinion that the Bank properly met disclosure requirements as regards compliance with the "comply or explain" principle as well as regarding current and periodic information.

At this point the Supervisory Board emphasises that on 1 July 2022 Best Practice of Companies Listed on GPW 2022 came into force, in the period from entry of the Best Practice 2022 the Bank was observing all principles contained in the Best Practice.

The previously binding Best Practice of Companies Listed on GPW i.e. The Best Practice 2016 was implemented by the Bank in compliance with all principles contained in the Best Practice 2016 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.

The Supervisory Board evaluates that the Bank properly implemented the principles resulting from the recommendation "Z" of the Polish Financial Supervision Authority.

#### **5. Assessment of expenses incurred by the Bank and the Bank Group to support culture, sports, charitable institutions, the media, social organisations, trade unions and similar objectives**

Bank Millennium SA, in cooperation with non-governmental and community organisations runs financial education programmes, initiatives promoting culture, supporting development of local communities and care for the natural environment as well as climate protection.

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 Warsaw Stock Exchange (GPW) index, which comprises companies meeting highest standards of corporate social responsibility. In 2010-2019 the Bank was included in 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 GPW.

Bank Millennium is also a signatory of two international initiatives. The first one is the business and government administration partnership for attaining UN SDG - Sustainable Development Goals, where the Bank made a commitment to undertake activities especially in support of the financial education of children and the youth. 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 matters of ecology and climate protection the Bank follows an environmental policy, which defines its own environmentally oriented activities, an approach to project financing as well environmental education. ESG aspects are an integral part of the strategy adopted by the Bank for 2022-2024.

Sponsorship, charity and similar initiatives along with information on the funds allocated are presented in the company's annual ESG Report. Below we present a description of the most important initiatives carried out by the Bank.

### **5.1 Support for refugees from Ukraine**

In connection with Russia's invasion of Ukraine, Bank Millennium and the Bank Millennium Foundation supported several non-governmental organisations helping refugees from Ukraine and undertook many initiatives for refugees. The Bank and the Foundation allocated 1 million PLN for these projects and for the support of non-governmental organisations.

Donations were made to four nationwide organisations, as well as ten organisations operating locally, indicated by the authorities of Warsaw, Wrocław and Gdańsk.

The Bank Millennium Foundation launched a special edition of the #słuchaMYwspieraMY grant programme for the benefit of Ukrainian citizens, under which, with the involvement of 147 volunteer employees, 33 initiatives were implemented, within 1,666 hours, and more than 8,252 Ukrainian citizens received assistance.

In addition, the Bank patronised the exhibition of Polish photographers "Solidarity", showing the drama of refugees from war-torn Ukraine and the extraordinary solidarity of Poles towards them. The exhibition was presented in Gdańsk, Warsaw and Chełm.

As part of the patronage of the 19th edition of the Millennium Docs Against Gravity festival, the Bank supported Ukrainian filmmakers by funding two additional special awards - for the director of the best Ukrainian film and the best project of a new film from Eastern Europe. They were received by Oleksiy Radynski for the film "Infinity according to Florian" and Tetiana Dorodnitsyna and Andriy Litvinenko for the project of the film "Mother of Angels".

As part of cooperation with Martyna Wojciechowska's Unaweza Foundation, the Bank also supported Ukrainian Paralympic athletes preparing to compete in the Olympic Games in Paris, funding a scholarship.

The Bank also donated computer equipment for Ukrainian citizens and their children. In total, as of January 2022, 639 pieces of equipment have been handed over. 85 units were transferred directly to Ukraine, as part of the initiatives of the bank's employees. The remaining 554 units, due to the fact that the burden of providing education to children coming from Ukraine is on the side of educational institutions, were handed over to schools, kindergartens and other institutions indicated by the bank's employees, as well as foundations cooperating with the bank. Some of the equipment was donated by these institutions to the poorest children, some of it was used to build computer rooms, which are used by both children from Ukraine and their friends from Poland.

## **5.2 Financial education of children of preschool age**

The Bank Millennium Foundation continued the „Financial ABCs” project started in 2016. It is a proprietary preschoolers education programme prepared by Bank Millennium employees in cooperation with a non-governmental organisation, under the honorary patronage of the Ministry of Finance. Its goal is to explain through fun and play the basic notions from the world of finance to the youngest. Research commissioned by the Bank Millennium Foundation indicates that parents support the start of education at preschool age, 65% of parents believe that the early start of financial education makes us cope better in crisis situations in adulthood. Also, the OECD report from 2022 on the level of financial knowledge in Poland shows the benefits for Poles from the introduction of such education programmes. The report shows i.a. that almost a third of Poles consider their financial knowledge to be low or very low, only slightly more than a third of us understand, for example, the concept of calculating interest.

In 2022, during the Financial ABCs workshops in kindergartens, the focus was additionally on cybersecurity and technologies in banking. The Foundation organised nearly 400 workshops in 118 kindergartens for about 10,000 children. The workshops were attended by 54 volunteers-employees of the bank, who worked 300 hours as part of the project.

In total more than 2 700 workshops were held and 68 000 children in kindergartens all over Poland were trained. Special education materials were prepared for needs of the programme, including four books for children.

In addition, throughout the year, the Foundation presented rich educational materials online, titled “Financial ABCs” addressed to children, as well as special guide articles for parents along with a series of video interviews with a pedagogue, an expert in children's education methods.

The Bank Millennium Foundation became the general partner of the 6th Congress of Financial Education and Entrepreneurship, which was held on 23–24 March 2022 under the motto "Financial education – a common duty for present and future generations". The Foundation’s representatives took active part in the event, promoting the view that activities in the field of financial education of children should be started already at preschool age and should also include parents, who in opinion surveys demonstrate a sense of responsibility for the education of children and readiness to build the financial awareness and attitudes of their kids.

## **5.3 Cultural sponsorship**

Activity in the field of culture has been an important part of the social activities pursued by Bank Millennium for over 30 years now. The Bank supports national as well as local cultural projects. It is a sponsor of culture on a 360° basis - promoting art in almost all its forms, including: music, painting, sculpture, film, theatre, photography, literature and performance. It supports 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 20 years it has been sponsoring the International Festival of Traditional Jazz "Old Jazz Meeting - Złota Tarka". The Bank was also a sponsor of the “Sacrum Profanum” contemporary music festival, Bella Skyway Festival – a multimedia show prepared by an international group of artists, the “Dwa Teatry” Festival, Mozart Festival in the Warsaw Chamber Opera as well as many others.

Examples of cultural projects supported in 2022:

## **Millennium Docs Against Gravity**

The Millennium Docs Against Gravity Festival is the flagship cultural project supported by the Bank. This is Poland's biggest film festival and an important documentary film festival worldwide. Bank Millennium has been a partner of the festival for 17 years, at the same time continuing the audio description project, enabling people with disabilities to participate in the festival. The Bank is also the founder of the Festival's main prize - and in 2022 also two special awards for Ukrainian authors.

In May 2022 the 19th edition of the Millennium Docs Against Gravity festival was held, for the third time in a hybrid formula. 192 films were presented at the Festival, accompanied by meetings with authors and protagonists as well as debates focusing on important themes presented on screen. As is the case every year, the Festival touched on many important themes – from ecology through diversity, politics, psychology, human rights, art (including avantgarde), pop culture to family relations. The festival took place in eight cities, including for the first time in Łódź and online on the festival platform. In 19th edition of the Millennium Docs Against Gravity festival 138,000 persons took part.

## **International Festival of Traditional Jazz "Old Jazz Meeting - Złota Tarka"**

For 20 years it has been sponsoring the International Festival of Traditional Jazz "Old Jazz Meeting - Złota Tarka", one of the most important events on the jazz map of Poland, valued by local and international music circles. The Festival took place on 12-14 August in Iława, this year under the motto "100 years of jazz in Poland".

## **Lidzbark Evenings of Comedy and Satire.**

Bank Millennium is a long-term sponsor of this one of the most important events of the Polish cabaret scene. The nearly fifty-year history of Lidzbark Evenings of Comedy and Satire perfectly shows how important the role of the performing art form known as cabaret is in Polish culture.

## **5.4 Supporting academic education and activities aimed at young people entering the labour market**

In 2022, the Bank was engaged in cooperation with renowned universities, including the Warsaw School of Economics SGH and the University of Warsaw. The Bank actively participated in the life of the academic community, giving students and graduates the opportunity to develop their competences and interests. The Bank's employees took an active part in workshops and conferences.

Since 2017 Bank Millennium has been a member of the SGH Partners Club, thanks to which it is providing specialist input and takes part in academic life. In March, the Bank became a partner of the "Economic Bridges" conference at the Warsaw School of Economics and conducted a workshop for students on solutions supporting digitalisation.

In April, Bank Millennium became a partner of the "Career Days" at the Faculty of Management of the University of Warsaw. In May, a representative of the Bank took part in the event "Business Conference of the University of Warsaw" on ESG. Bank Millennium was a sponsor of IT Azure Summit 2022, the largest Polish conference devoted to Microsoft Azure cloud computing, during which a representative of the Bank delivered a presentation. The Bank also took part in the largest conference for IT specialists in Poland, where as part of the panel "Effective Development Execution: Minimum Valuable Product", the Bank's expert talked about the approach to software development.

The Bank took part in the seventeenth edition of the Absolvent Talent Days job fair, which for years has enjoyed unflagging, record attendance. Representatives of the Bank had the opportunity to meet in real life with young people in 4 cities: Kraków, Wrocław, Poznań and Warsaw.

The Bank has also launched a new edition of the internship programme addressed to students and graduates of Warsaw's universities. The programme was preceded by the Bank's activity at Warsaw's universities, including numerous meetings with students, which allowed it to get to know their expectations and adjust the programme to expectations. The offer put forward by Bank Millennium is wide and diverse. The interns have the opportunity to develop in areas such as: IT, HR, finance, risk, marketing, project management or electronic banking. Their development was supervised by 18 substantive supervisors and a coordinator. In addition to individual development, the interns were invited to training in soft skills and agile methodologies used at Bank Millennium. This year's edition of the programme was very well evaluated by the interns.

## **5.5 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. Since 2011 the Group has been reporting on its environmental impact, including disclosure of data regarding greenhouse gas emissions. For subsequent years the Bank has defined targets of reduction of own emissions of greenhouse gases as well as reaching climate neutrality.

### **Cooperation with WWF Poland**

For several years, Bank Millennium has been supporting WWF Poland, an organisation focused on protecting the planet and saving the most valuable natural places in Poland and in the world. In 2022, the cooperation was extended for further years, and activities focused on issues related to forest and climate protection. As part of the cooperation, Bank Millennium provided WWF Polska with funds for statutory activities supporting the protection of forest ecosystems. WWF experts were involved together with Bank Millennium employees in pro-ecological initiatives and spreading awareness of nature conservation. Also part of the joint effort is the WWF Millennium Mastercard, which allows engaged customers to support environmental efforts.

### **Support for the film "Simona"**

"Simona" is one of the unique films of the 19th edition of the Millennium Docs Against Gravity festival. It tells the story of a visionary, the first eco-activist and defender of the ancient forest. This is one of the most important titles of the last edition of the festival. In the era of climate change, the fight for climate and environmental protection, the Bank wants to promote such people as Simona Kossak – living in harmony with nature, involved in nature protection, inspiring to act.

"Simona" entered cinemas all over Poland. The Bank has prepared a special spot in which it invites you to this unique film production. It also organised special screenings of the film for employees in Warsaw, Gdańsk and Wrocław.

## **EcoCraft hackathon**

Millennium became the main partner of the EcoCraft 2022 hackathon, organised by Koźminski Business Hub. It is an event combining the latest technologies with ecology. The aim of the event is to promote sustainable, pro-ecological activities among participants and fans of Minecraft. Participants worked on enriching the game, adding new, pro-ecological elements to its environment.

## **Millennium ECO-INDEX**

The Bank has developed, in cooperation with substantive partners: the Patent Office of the Republic of Poland, the AGH University of Science and Technology in Kraków and the Warsaw School of Economics, an original eco-innovation index of Polish Voivodships. The report "Eco-Millennium index – the eco-innovation potential of regions" is a platform for discussion on the importance and development of green innovations in Poland, encourages cooperation, which, as the results of the survey show, is conducive to eco-innovation. The criteria on which the Millennium Eco-Index is based were the subject of cooperation, as well as analysis and consultation with the report's substantive partners. Some of the data was prepared specifically for the purpose of the paper.

## **5.6 Supporting the sectoral education campaign "Bankers for Cyber Education"**

"Bankers for CyberEducation" is a joint campaign of the banking sector under the patronage of the Polish Bank Association, implemented since 2018. Bank Millennium once again joined the initiative, supporting the campaign financially and substantively and promoting materials in its channels. The study "The level of financial knowledge of Poles 2022", conducted by the Warsaw Banking Institute Foundation and the WSE Foundation, indicates that cybersecurity is a topic of "first need" that requires improvement, because more than half of Poles feel a lack of knowledge in this area. That is why the materials reach a very wide group of recipients as part of the campaign – primary school students, secondary school students, university students and senior citizens. They are used both during direct meetings as well as being promoted in the own communication channels of individual banks and media of various types and reach.

## **5.7 Reporting ESG activity**

The information presented above, concerning implementation by the Bank of principles of corporate social and environmental responsibility, is available in the ESG Report, which is an integral part of Bank Millennium's 2022 Report. The ESG Report is prepared in keeping with the guidelines of the amended Accounting Act, the international Global Reporting Initiative Sustainability Guidelines, European Union recommendations for reporting climate-related information and has been verified by an auditing company. The report presents 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, the 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.

**6. Information about the extent of diversity policy implementation with respect to the Management Board and the Supervisory Board, including attainment of diversity goals in such areas as gender, education, specialised knowledge, age as well as professional experience**

The Composition of the Management Board was diversified in terms of age, education and professional experience. The CVs of the Supervisory Board members are published on the Bank's website. The Management Board composition is not diversified in terms of gender, however selection of the Management Board members was guided first of all by the high competencies of Management Board Member candidates, their extensive knowledge and experience in banking.

In terms of diversity, the Bank will strive to ensure greater participation of women in the structure of the governing bodies, both the Supervisory Board and the Management Board, aiming to achieve a minimum of 30% of the level of the under-represented gender.

The Bank introduces the principle that for each vacancy in the Management Board and Supervisory Board that appears, it will provide at least 30% of women among the candidates on the final list of candidates. In the absence of an internal candidate for the Management Board, the Bank will be looking for an external candidate.

The Composition of the of the Supervisory Board was diversified in terms of age, education and professional experience. The CVs of the Supervisory Board members are published on the Bank's website.

Members of the Supervisory Board, both women and men, receive the same monthly amount for their work in the Board regardless of the number of meetings. The position of Chairman is remunerated higher than that of members. In addition, participation in the committees of the Supervisory Board is remunerated per meeting.

**7. Assessments results of the combined Management Board report on the activity of Bank Millennium S.A. and Bank Millennium S.A. Capital Group, combined ESG report of Bank Millennium S.A. and Bank Millennium S.A. Capital Group and financial reports of Bank Millennium S.A and Bank Millennium S.A. Capital Group for fiscal year 2022.**

Pursuant to art. 382 § 3 of the Commercial Companies Code, § 17 section 3 of the Bank's Articles of Association and in connection with § 70 section 1 point 14) and § 71 sect. 1 point 12) of the Regulation of the Minister of Finance of 29 March 2018 on current and periodical information disclosed by issuers of securities and conditions to be met when recognising as equivalent the information disclosed under laws of a state which is not a member state, the Supervisory Board, at its meeting on 15 February 2023, conducted an assessment of the Management Board's submissions: (I) 2022 financial report of the Bank, (II) 2022 financial report of the Bank Capital Group, (III) 2022 joint Management Board Report on activity of the Bank and Bank Capital Group and (IV) joint ESG Report of Bank Millennium S.A. and Bank Millennium S.A. Capital Group. The Supervisory Board also familiarised itself with: the auditor's expressed assessments with respect to documents identified as (I), (II) and (III) as well as the certifying letter issued by Deloitte Audyt spółka z ograniczoną odpowiedzialnością sp.k., with respect to the document identified as (IV). On these grounds the Supervisory Board concludes that both the 2022 Bank's financial report as well as the 2022 financial report of the Bank's Capital Group, and also the joint 2022 Management Board Report on activity of the Bank and Bank Capital Group and the joint ESG Report of Bank Millennium S.A. and Bank Millennium S.A. Capital Group, were prepared correctly in terms of the

content and form, comply with the books and documents, as well as with the actual status, and provide an accurate reflection of the status of the financial results and activity of the Bank and Bank Capital Group in the financial year 2022.

The Supervisory Board recommends to the General Assembly of the Bank to adopt the above documents in the version submitted by the Management Board with the auditor's opinion and certifying letter.

#### **8. Assessment result of the Management Board motion on 2022 loss coverage,**

Pursuant to art. 382 § 3 point 2 of the Commercial Companies Code and § 17 section 3 of the Bank's Articles of Association, the Supervisory Board, at its meeting on 15 February 2023, assessed the proposal of the Bank's Management Board ("Motion") regarding coverage of the Bank's loss for 2022 in the amount of PLN 1 029 898 772,97 assuming its coverage from reserve capital.

After the assessment, the Supervisory Board concluded that the Management Board's motion was justified.

The Supervisory Board recommended to the General Meeting to accept the Management Board's proposal.

#### **9. Assessment of the situation of Bank Millennium S.A. in 2022 including the assessment of the internal control system, risk management system, compliance and internal audit function. Assessment includes an assessment of the Bank's situation, taking into account the adequacy and effectiveness of the internal control systems, risk management, ensuring compliance of operations with standards or applicable practices and internal audit pursuant to Article 382 § 3<sup>1</sup> point 2 of the Commercial Companies Code.**

This part of the Report is an assessment of the Bank's situation expressed by the Supervisory Board, in relation to the requirements of Principle 3.1. Good practices. This assessment includes an assessment of the Bank's situation, taking into account the adequacy and effectiveness of the internal control systems, risk management, ensuring compliance of operations with standards or applicable practices and internal audit pursuant to Article 382 § 3<sup>1</sup> point 2 of the Commercial Companies Code.

The Supervisory Board, including through the Audit and Risk Committees, monitors on an ongoing basis the quality of risk management, compliance assurance, internal control system and proper performance of its functions by the Internal Audit Department, as well as the information policy pursued by the Bank, including by approving relevant internal regulations, plans and strategies, thorough analysis of submitted reports and information, and making appropriate reviews and inspections.

Taking into account the conducted supervisory activities, including the opinions of the Audit Committee and the Risk Committee, expressed m.in in the Reports on the activities of the Committees, the Supervisory Board concludes that:

- the components of the Internal Control System (control function, Compliance Department and Internal Audit Department) demonstrate adequate ability to identify possible irregularities and weaknesses in banking processes and ensure proper effectiveness of managing identified problems in terms of continuous and systematic improvement of the functioning control mechanisms. At the same time, the adopted criteria for the assessment of the Internal Control System confirm the assessment of the adequacy and effectiveness of this process at a satisfactory level;

- the management system for all types of risks, both financial and non-financial, includes elements such as risk identification, measurement, control, monitoring and reporting. The methods and frequency of tasks within the above components of the risk management process are adjusted to the size and risk profile of the Bank and enable the Supervisory Board to adequately inform about changes in the size and profile of risk. The methods of risk measurement and estimation applied by the Bank take into account both the current and planned activities of the Bank. In the risk measurement process, the Bank uses, among others, stress tests, and risk control is carried out 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 defines procedures to be followed in the event of exceeding the limits, as well as defines measures to eliminate exceedances and defines corrective measures;
- The Bank pursues a transparent information policy towards all shareholders, investors, media, customers and other stakeholders, and the scope of information disclosed by the Bank meets the requirements of the Banking Law, the Commercial Companies Code, the Acts on Public Offering and Trading in Financial Instruments, the Regulation of the European Parliament and of the Council on market abuse (MAR) and other detailed regulations concerning financial institutions and publicly listed companies on the WSE. While implementing the information policy, the Bank, as a public company and supervised institution, also complies with the provisions of law on confidentiality and information protection, the Bank's information policy is also consistent with the principles of corporate governance, including ensuring that all shareholders and investors have proper access to information.

For the reporting period, the Supervisory Board assessed the Bank's situation taking into account the adequacy and effectiveness of the internal control systems, risk management, ensuring compliance of operations with standards or applicable practices and internal audit (pursuant to Article 382 § 3<sup>1</sup> point 2 of the Commercial Companies Code). The Board assessed the adequacy and effectiveness of the Bank's internal control, risk management, compliance with standards and applicable practices and internal audit systems, positively assessing the Bank's situation taking into account the aforementioned conditions.

Notwithstanding the above, the Board, with a view to making a reliable assessment of the Bank's situation in the reporting period covering 2022, has read and thoroughly analyzed, in the following parameters and factors concerning the core areas of the Bank's and the Bank's Group's operations, while bearing in mind extraordinary macroeconomic events affecting the entire banking sector in Poland.

The main financial and business parameters relating to the results of the Bank's Group for 2022 are as follows:

In 2022, the Bank Millennium S.A. Group ("BM Group", "Group") incurred a net loss of PLN 1,015 million at the consolidated level. Although the current year experienced a more difficult coincidence of significant negative factors, this loss was lower than the net loss of PLN 1,332 million in 2021. While in 2022 the costs related to the portfolio of foreign currency mortgage loans were at a level comparable to those in 2021 (PLN 2,361 million after tax compared to PLN 2,430 million), the results of 2022 were additionally burdened with huge costs related to credit holidays (PLN 1,073 million after tax) and significant costs related to the Commercial Bank Protection System (IPS) (PLN 224 million after tax). Despite these adversities, 4 Quarter 2022 brought the long-awaited positive net result. Net profit of PLN 249 million was achieved by the BM Group despite high costs related to the portfolio of mortgage loans in foreign currencies ("foreign currency mortgage loans") (PLN 615 million after tax) and shows the strength of its core business.

The main financial ratios/operating results in 2022 were as follows:

- Net interest income increased by 23% y/y (or 72% after adjustment for the cost of credit holidays);
- net interest margin (NIM) reached an average level of 443 b.p. compared to 270 b.p. in 2021 with quarterly NIM peak of 479 b.p. in 3Q22 (after adjustment for the cost of credit holidays);
- The loan portfolio shrank slightly (net/gross loans: -3%/-2% y/y);
- Cost efficiency remained high as a result of continued growth in digitalization of our business, as well as customer relationships and a strong cost response to revenue pressures at the beginning of the year; stable number of employees (number of active employees increased by 80, i.e. 1% since the end of 2020), ongoing optimisation of our physical distribution network (number of own branches decreased by 34 units, i.e. 8% in the last twelve months) complementary to the growing share of digital services (digital customers: 2,5 mln, increase by 11% y/y, active mobile banking users: 2,24 mln, up 17% y/y); cost optimisation activities); cost optimisation measures helped to limit the inflationary increase in operating costs and translated into a significant improvement in cost efficiency; the reported cost/income ratio ("C/I") (excluding the cost of credit holidays) was below 40% in 2022 compared to 46% in 2021, while the adjusted C/I ratio (excluding credit holidays and costs related to foreign currency mortgages) remained low at around 36% compared to 43% in 2021;
- customer deposits increased significantly by 7% y/y with retail deposits growing by 4%; and corporate deposits growing by 15% y/y; the structure of retail deposits continued to gradually change with the share of term deposits at the level of 29% at the end of December 2022 compared to 15% at the end of 2021; the Bank's liquidity remained at a very comfortable level with the C/I ratio decreasing further to 78%;
- capital ratios were above the required minimum levels, albeit lower than at the end of 2021 (consolidated TCR: 14,4%/T1: 11,3% compared to 17,1%/14,0% respectively at the end of December 2021) as a result of combining a negative result with a negative valuation of the bond portfolio;
- assets managed by both Millennium TFI and external funds fell by 28% q/q followed by their stabilisation in 4 Quarter 2022.
  
- Bank Millennium was named the best Bank in Poland In the annual Best Bank Awards 2022 competition organised by the renowned Global Finance Magazine, Bank Millennium was named the Best Bank in Poland. The selection was made by the editors of Global Finance Magazine after extensive consultations with with financial directors of enterprises, bankers and banking consultants as well as analysts from all over the world.
- Winning the Golden Banker 2022 award - Bank's activities for sustainable development and making them an integral part of the business strategy have once again been appreciated with the CSR Golden Leaf from Polityka weekly. This award is given to companies, which implement the highest social responsibility standards – they have in place ethics management systems, engage socially, introduce actions in response to the needs of clients and staff and minimise their impact upon the natural environment.
- 2nd place on the ranking list of best employers in banking and financial services by Forbes and Statista Poland's Best Employers 2022.
- Service Quality Star.
- Bank Millennium the Star of Banking the Bank was ranked third in the category of #Customer relations of the Stars of Banking competition, organised for the eighth time by Dziennik Gazeta Prawna in cooperation with PwC. The position of banks was determined by the results of an opinion survey conducted among 12,000 customers. The

survey concerned issues related to the bank's activity, customer attitudes and customer assessment.

- The title of Patron of Culture for supporting local culture.
- The Bank Millennium application was considered the most friendly in the subjective opinion of customers.
- Kantar Polska Award for the most effective brand communication 2021.
- 1st place of the team of economists in the Refinitiv ranking.
- Bank Millennium among top three in retail customers' ranking.
- Economists of the Bank among the best forecasters of the "Parkiet" daily.
- Bank Millennium among top three in Gazeta Bankowa competition.
- Millennium the best digital bank in Poland and winner in 3 other categories according to Global Finance. The Bank was hailed The Best Consumer Digital Bank in Poland for 2022 in the competition organised by Global Finance Magazine and won 3 other awards. Altogether, in 2022, Bank Millennium received awards in as many as 4 categories:
  - The Best Consumer Digital Bank in Poland.
  - The Best Integrated Corporate Banking Site in Central and Eastern Europe.
  - The Best Information Security and Fraud Management in Central and Eastern Europe.
  - Contact Center employees stood on the podium of the Polish Contact Center Awards 2022 7 times.
- Millenet online banking at the top of the BANK Monthly ranking.
- Bank Millennium is the best digital bank in Newsweek's Friendly Bank ranking!
- Bank Millennium with the title of Reliable Employer 2022.
- Millennium with the title of "Europe's Diversity Leader 2023" from the Financial Times.
- Bank Millennium with the title of "Climate-Conscious Company 2022".
- First place in the Excellence in Workforce Engagement category.

The year 2022 was dominated by the Russian attack on Ukraine. It has triggered a humanitarian crisis that has not been seen in Europe for a long time and has left its mark on the global economy. The economic sanctions imposed on Russia and Belarus and the disruption of energy and food supplies have caused a very rapid increase in their prices. In 2022, the increase in gas prices in Europe temporarily exceeded 600% y/y, and the food price index immediately after the outbreak of the war was 40% higher than a year earlier. As a result, inflation in many economies reached in 2022. multi-year peaks, and central banks have started or continued the cycle of monetary tightening. Rapid price increases, high interest rates and uncertainty contributed to the slowdown in global economic growth, which was further contributed by the radical anti-epidemic policy in China. The turn of 2022 and 2023 brought the beginning of disinflationary tendencies in the world, and the process of tightening monetary policy in many economies was coming to an end. Nevertheless, 2023 will continue to be a period of high inflation and high interest rates, hampering global economic growth.

In 2022, the outbreak of war in Ukraine also had a strong impact on the domestic economy. The supply shock on the raw materials markets and the increase in uncertainty intensified inflation, which in October 2022 reached its peak of 17.9% y/y according to the CPI, the highest value since 1996. However, the strong increase in cost pressure in the economy fell on the ground of solid domestic demand, which gave producers room for price increases.

In addition, the factors that undoubtedly had a negative impact on the Bank's operations include the need to establish high provisions related to the credit holidays and to the legal aspects of foreign currency mortgage loans.

Despite the above negative conditions, in the discussed settlement period, covering 2022, the Bank met the challenges with very good operating results, including a significant increase in the number

of active retail banking customers, especially in digital channels and mobile banking, high sales of PLN mortgage loans and a significant recovery in corporate banking, while in corporate banking an increase in loans corporate, and growth in the area of Leasing and Factoring.

In the opinion of the Supervisory Board, the perception of the Bank by the market is very good, due to the high quality of services provided, qualified staff and a high degree of digitization. Despite negative factors such as low unemployment, inflation, employee turnover, etc. in the opinion of the Supervisory Board, the Bank's situation is stable and the above-mentioned positive factors provide the basis for positive forecasts regarding the Bank's situation in 2022.

Bearing the above in mind, the Supervisory Board concludes that in 2022 the Bank carried out activities aimed at maintaining the constant development of the Bank, m.in. by undertaking a number of initiatives aimed at minimizing the impact of negative factors that dominate economic life, including further digitization, optimization and modernization of processes, increasing efficiency, monitoring costs, maintaining high standards of customer service. The Bank has achieved many prestigious awards and taken top positions in rankings, which reflect both the opinions of customers and experts. The Bank's continued involvement in cultural, educational and social projects also deserves recognition.

After thoroughly reviewing the financial statements for 2022 and the results of Bank Millennium S.A. and the Bank Millennium S.A. Group, achieved in complicated socio-economic conditions, the Supervisory Board positively assesses the financial situation of the Bank and the Group, giving good prospects for further operations while maintaining high cost awareness.

**10. Assessment of the implementation by the Management Board of the obligations referred to in Article 380<sup>1</sup> of the Code of Commercial Companies (pursuant to Article 382 § 3<sup>1</sup> pt. 3 of the Code of Commercial Companies).**

Pursuant to art. 382 § 3<sup>1</sup> pt. 3 of the Code of Commercial Companies, the Board performed assessment of the implementation, by the Management Board, of the obligations referred to in art. 380<sup>1</sup> of the Code of Commercial Companies i.e. obligations that entered into force on 13 October 2022 (amendments to the Code of Commercial Companies) in the area of provision, by Management Board, of information to the Supervisory Board on activities of the Bank and its subsidiaries and affiliates, including information on resolutions adopted by the Management Board and subject matters thereof. The Board positively assesses the implementation of the duties of the Management Board in this respect, stating that the information was submitted to it in a timely manner and appropriate scope.

**11. Assessment of the manner, in which the Management Board prepares or submits to the Board information, documents, reports or explanations requested in accordance with the procedure specified in art. 382 § 4 of the Code of Commercial Companies (pursuant to art. 382 § 3<sup>1</sup> pt. 4 of the Code of Commercial Companies).**

Pursuant to art. 382 § 3<sup>1</sup> pt. 4 of the Code of Commercial Companies, the Supervisory Board evaluated the manner in which the Management Board prepares and provides the Board with information, documents, reports or explanations requested in accordance with the procedure specified in art. 382 § 4 of the Code of Commercial Companies (according to which, in order to perform its duties, the supervisory board may examine all company documents, review the company's assets and demand from the management board, proxies and persons employed in the Company on the basis of an employment contract or performing certain activities for the Company

on a regular basis on the basis of a contract for specific work, a mandate contract or other contract of a similar nature to prepare or provide any information, documents, reports or explanations concerning the Company, in particular its activities or assets, and the subject of the request may also be information held by the authority or the obliged person, reports or explanations concerning subsidiaries and affiliates). The Board concludes that the duties in this respect have been properly performed by the Management Board. All information, explanations and documents were provided to the Supervisory Board in good time and in line with expected scope and manner of presentation.

**12. Information on the total remuneration due from the Bank for all audits commissioned by the Supervisory Board in the course of the financial year 2022 in accordance with the procedure specified in art. 382<sup>1</sup> of the Code of Commercial Companies (pursuant to art. 382 § 3<sup>1</sup> pt. 5 of the Code of Commercial Companies).**

Pursuant to art. 382 § 3<sup>1</sup> pt. 5 of the Code of Commercial Companies - with respect to information on the total remuneration due from the Bank for all audits commissioned by the Supervisory Board during the financial year 2022 under procedure provided for in art. 382<sup>1</sup> of the Code of Commercial Companies (i.e. on the basis of a resolution adopted by the Board on the examination at the Bank's expense of a specific matter regarding the Bank's operations or its assets by a selected advisor, being an advisor to the supervisory board within the meaning of the new provisions of law in force from 13.10.2022) - the Board states that in the reporting period, resolutions on the examination of specific matters by an advisor to the supervisory board were not adopted by the Bank's Supervisory Board, and therefore the Bank did not pay any remuneration due from the Bank for such audits

**13. Information on the number of meetings and attendance at meetings of the Supervisory Board in 2022.**

In 2022, the Members of the Bank Supervisory Board devoted an appropriate amount of time to perform their duties. Last year, the Bank Supervisory Board held 9 meetings and adopted 43 resolutions. The average attendance of the Board Members at meetings was 97,22%.

## **Summary**

In the opinion of the Supervisory Board, assessing on the basis of reasonable premises, including taking into account the implemented improvement activities, the internal control system as a whole, including its individual components, including the risk management system and the information and communication system, effectively and appropriately meets regulatory requirements and is efficiently managed, adequate to the size of the Bank and to the exposure to risks related to the activities conducted by the Bank and the Capital Group Bank Millennium S.A.

The Supervisory Board, expressing hope for further successful development of the Bank, notes with admiration the Bank's proactive attitude, readiness for new challenges, manifested, m.in. in a quick response to the changing socio-economic environment, searching for new opportunities for interaction with customers, new areas of interest for financial products and new products in response to market expectations, which proves, m.in. an innovative and creative approach to possible paths Development. It is also worth emphasizing the responsible attitude and commitment of the entire team of employees and very good cooperation with the Management Board, based on an effective and transparent flow of information. The Supervisory Board hereby pays tribute both to the

members of the Bank's Management Board and to the employees of the Bank Millennium S.A. Capital Group for their excellent work and quick adaptation to extremely demanding economic realities.

[Signatures of the Members of the Supervisory Board of the Bank]