

## **Annual Report of the Supervisory Board of Bank Millennium S.A. on 2023 financial year**

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”), submits to the Bank’s General Shareholders Meeting the *Annual Report of the Supervisory Board of Bank Millennium S.A. on 2023 financial year* (“the Report”).

### **This Report comprises:**

1. Summary of activity of the Supervisory Board and its committees in 2023: 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 GPW 2021” (“Best practice”) adopted on 29 March 2021 by the Board of the Warsaw Stock Exchange (“GPW”), as well as the Supervisory Board’s motion for the General Meeting to discharge the Members of the Bank’s bodies from performance of their duties in financial year 2023.
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 at Bank Millennium S.A., in accordance with § 28 pt. 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 GPW Bylaws and provisions relating to current and periodical information transferred by issuers of securities, and (iii) Recommendation Z of the Polish Financial Supervision Authority along with information on the steps taken by the Board to make this 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. Results of the assessment of the combined Management Board report on the activity of Bank Millennium S.A. and Bank Millennium S.A. Capital Group, the 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 financial year 2023.
8. Result of the assessment of the Management Board motion on the distribution of profit for financial year 2023, 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 Supervisory 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 2023 in 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 2023.

1. **Summary of activity of the Supervisory Board and its committees in 2023: 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 GPW 2021” (“Best practice”) adopted on 29 March 2021 by the Board of the Warsaw Stock Exchange (“GPW”), as well as the Supervisory Board’s motion for the General Meeting to discharge the Members of the Bank’s bodies from performance of their duties in financial year 2023.**

2023 was, as expected, a breakthrough year for Bank Millennium S.A. (‘Bank’) and Bank Millennium S.A. Capital Group’s (‘BM Group’, ‘Group’). Following a turnaround in 4Q22, each quarter of 2023 brought a positive net result. In 2023 overall, the Group posted net profit of PLN576 million which translates into ROE of 9%. This was a very positive development given that 2023 results were burdened by record high costs related to the legacy FX-mortgage portfolio (‘FX-mortgage costs’).

2023 net profit adjusted for these costs and other one-offs but with a hypothetical asset tax (‘bank tax’) was PLN2,993 million, up 34% y/y. This was well above the PLN2bn net profit before FX costs originally targeted for 2024.

In the first half of 2023, activity in the Polish economy slowed down significantly as a result of high inflation, restrictive financial conditions, a decline in global demand and the fading of the demand impulse after the outbreak of the war in Ukraine. However, in the second half of 2023, the economy entered the path of recovery and in the whole 2023 the GDP growth was positive and, according to preliminary estimates, amounted to 0.2%. Compared to other European Union countries, Poland was characterised by a relatively smaller scale of economic downturn, thanks to expansionary fiscal policy, good situation on the labour market and growing investments. The registered unemployment rate remained close to its historical lows and stood at 5.1% at the end of 2023. The good situation on the labour market, along with falling inflation and a good income situation, was one of the main factors responsible for the improvement of consumer sentiment and, as a result, the recovery of individual consumption. The recovering private consumption

mitigated the negative impact of lowered economic activity in Poland's main trading partners, especially in Germany, which was in recession in 2023.

Year 2023 was a period of disinflation. After rising to 18.4% y/y in February 2023, CPI inflation started to decline due to the faster disappearance of negative supply shocks, as well as the government's regulatory measures. 2023 closed with CPI inflation at 6.2% y/y, i.e. 12.2 percentage points below the peak in February. On the other hand, inflation in the prices of services was more persistent, which was related to rapidly rising labour costs. As a result, core inflation declined at a markedly slower pace than the overall CPI. In December 2023, it amounted to 6.9% y/y compared to 11.5% y/y at the end of 2022. In the Bank's opinion, inflation will continue to decline in the coming months, although its return to the NBP inflation target remains a distant prospect.

For most of 2023, the National Bank of Poland maintained key interest rates at the highest level since 2002. However, in September last year, the Monetary Policy Council made a sudden turn in monetary policy and cut interest rates by 75 basis points and in October by another 25 basis points. As a result, the reference interest rate of the National Bank of Poland stood at 5.75%. After parliamentary elections in October, in which the opposition took power, the Monetary Policy Council tightened its bias and communicated its willingness to stabilise the parameters of monetary policy.

In 2023 deposits in the banking sector were growing at a solid pace and in December their nominal value was by PLN 172.5 billion higher, i.e. 9.9%, compared to December 2022. Nevertheless, the ratio of deposits to the GDP decreased from 57.1% in 2022 to estimated 56.6% in 2023. Deposits in the household sector grew the most and its annual dynamics accelerated to 11.2% y/y from 3.2% y/y in December 2022. The nominal volume of households' deposits increased by as much as PLN 124 billion during 2023, compared to an increase of PLN 34 billion a year earlier. Conducive to households' deposits were high nominal interest rates and solid wage growth. In 4Q 2023 the growth of households' deposits slowed down slightly, which can be associated with reviving consumption. Growth of deposits in corporate sector slowed down to 7.5% y/y in 2023 from 9.6% in 2022. In the environment of high interest rates and low economic growth, credit creation in the economy was low, especially in the first half of 2023. In second half of the year lending activity recovered markedly, especially in the households' segment. In 4Q 2023, the value of newly granted loans to households amounted to PLN 57.8 billion, reaching the highest value in the history of available data. This was mainly the result of a strong rebound in mortgage loans and huge interest in the government's "Safe Loan 2%" programme. A revival, albeit on a smaller scale, was observed in the consumer credit segment. Demand for credit from companies was subdued during whole 2023.

In 2023, there were factors of macroeconomic uncertainty for the economy and the Bank Millennium Group, in particular: the geopolitical situation in the world, including, m.in, war between Russia and Ukraine and the escalation of tensions in the Middle East and Asia.

In the Supervisory Board opinion, the Bank was adapting its operations very effectively to the dynamically changing environment, both in terms of internal reorganisation as well as in terms of its core banking business. In this exceptional situation the Supervisory Board was supporting decisions of the Bank Management Board directed at making appropriate changes and maintaining the pace of development, at the same time putting strong emphasis on control, especially as regards optimising costs and the lending business.

In its activities the Supervisory Board was guided by concern for proper and safe operation of the Bank, carrying out work with observance of highest care, objective assessment and judgement. The Board's decisions were taken first of all during meetings. In 2023, there were nine meetings of the Supervisory Board.

Each time, the turnout was above the quorum necessary to pass resolutions. The meetings were held in the Bank's offices, whereas part of the Board's Members took the opportunity to participate in meetings with use of distance communication - according to the By-laws of the Supervisory Board of Bank Millennium S.A. Moreover the Supervisory Board passed four resolutions without holding a meeting - under the procedure defined in § 12 and § 13 of the By-laws of the Supervisory Board of Bank Millennium S.A. All Members of the Bank's Management Board were regular participants of Supervisory Board meetings. Other persons, including the Head of the Legal Department, Internal Audit Department and Compliance Department, were also invited to attend the meetings.

The Supervisory Board remained particularly interested in matters related to FX mortgage loans, especially in the context of risks involved with judgements of the Court of Justice of the European Union and courts in Poland. As in previous years, the Supervisory Board was analysing in-depth the information submitted by the Bank's Management Board, regarding inter alia the Bank's actions aimed at limiting the number of potential litigations, including proposed amicable solutions for borrowers. Bearing in mind the complicated nature of matters regarding FX mortgage loans, as well as their impact on the Bank's development plans and also significant values of provisions established in subsequent quarters of 2023 for legal risk of mortgage loan portfolios in Swiss franc currency, and the expected consequential loss in the Bank's financial result for 2023, as well as attainment of budgetary targets in the upcoming years, the Supervisory Board was emphasising the need to closely monitor all matters related to this subject. Members of the Supervisory Board analysed the information provided by the Management Board regarding foreign currency mortgage loans. Moreover the Supervisory Board analysed matter related to negotiation processes for the purpose of concluding settlements with clients, based on information provided by the Management Board in this matter.

The Supervisory Board also devoted particular attention to assessment and implementation of actions aimed at improving capital ratios of the Bank and Capital Group after the decrease in result of coming into force of the Act of Law introducing the so-called "credit holidays". The Supervisory Board was moreover analysing the process of implementation of the Capital Protection Plan and the Recovery Plan as well as the activities of the Bank's Management Board aimed at improving capital ratios, and in particular those aimed at meeting MREL requirements.

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, including:**

- approval of the Budget of the Bank Capital Group for the years 2024-2026,
- analysis of the current results of the Bank Capital Group and business lines,
- 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 2023, including the Internal Audit Department 2023 Activity Report as well as 2023 Compliance Report,
- approval of the Audit Plan for 2023,
- approval of the 2023 Compliance Department Action Plan,
- assessment of application in the Bank of „Corporate Governance Principles for the Supervised institutions” and “Code of Best Practice for GPW Listed Companies” as well as KNF Recommendation “Z”,
- 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 Risk Strategy of the Capital Group of the Bank for 2024 - 2026,
- approval of the Capital Plan and Contingency Capital Plan of the Bank Capital Group for 2024 - 2026,
- approval of the Liquidity Plan of the Bank Capital Group and analysis of the Bank long-term liquidity for 2024 - 2026,
- 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”,
- approval of changes in the document: “Remuneration Policy for Risk Takers in the Bank Millennium S.A. 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,
- 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 an advisory company,
- adoption of a resolution on assessment of suitability of the Bank’s Management Board and Supervisory Board,

## **5) other business, 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 (in 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 undertaking 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 contracts and other contracts 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 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 changed since the elections made by the Supervisory Board, i.e. since 24 March 2021.

### **A. Activities of the Audit Committee during the reporting period**

#### **ACTIVITY OF THE AUDIT COMMITTEE**

In **2023 eleven** meetings of the Audit Committee of the Supervisory Board were held on the following dates:

in Q1 2023: **26.01.2023, 14.02.2023,**

in Q2 2023: **26.04.2023, 10.05.2023** (circular procedure), **28.06.2023** (circular procedure),

in Q3 2023: **21.07.2023, 21.08.2023** (circular procedure),  
in Q4 2023: **04.10.2023, 25.10.2023, 07.12.2023, 14.12.2023.**

**The following issues were subject to regular analyses at the meetings of the Audit Committee of the Supervisory Board in 2023:**

1. The activities of the Internal Audit Department along with the identified material findings, the recommendations issued and the effectiveness of monitoring the process of their implementation.
2. Review of efficiency, adequacy and effectiveness of the Internal Control System in the Bank.
3. Monitoring the activities of the Bank's External Auditor, including the Auditor's independence and key findings in relation to the financial reporting process.
4. Issues in the areas of risk, finance, taxes, compliance and customer complaints based on the information presented by the Bank's units and the External Auditor.
5. Supporting the activities to increase the effectiveness and improve the quality of the implementation of the internal audit function.
6. Relations with supervisory authorities, including information on material interactions, the course, results of inspections and actions taken by the Bank to implement post-inspection recommendations.

The agenda of the Audit Committee included issues specified in the standing agenda of the Committee meetings approved by the Supervisory Board at its meeting on 31 January **2013**.

In **2016** information on customer complaints (after Q1 and Q3 of the year) was included in the standing points of the agenda.

In **2020**, in accordance with the guidelines of the Bank's Supervisory Board, the agenda of meetings of the Audit Committee was extended to include "*Information on material interactions with supervisory authorities*" – a periodic report prepared by the Internal Audit Department for the purposes of reporting to the Audit Committee of the Supervisory Board and the Supervisory Board, comprising synthetic information on the most important interactions and correspondence with supervisory authorities, in particular KNF, JST (Joint Supervision Team), tax authorities, as well as other supervisory authorities.

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

**The following issues were discussed at the meetings of the Audit Committee of the Supervisory Board in 2023:**

**1. Internal Audit Department (DAW) Activity Reports:**

containing a risk assessment of the audited processes and the degree of implementation of the tasks enumerated in the 2023 Audit Plan approved by the Supervisory Board.

The Internal Audit activity at the Bank was subject to systematic supervision and evaluation by the Audit Committee. The Audit Committee gave a positive assessment and recommended for approval to the Supervisory Board, the annual Audit Plan for 2023

prepared on the basis of an analysis of risk areas, and accepted the information on the implementation of the 2022 Plan. During the individual meetings of the Committee, the material findings identified by audit, along with the agreed remedies, were discussed. A detailed analysis was carried out for the process of monitoring the implementation of post-audit and supervisory recommendations, including H recommendations with high implementation priority and recommendations with prolonged implementation deadlines. Key Risk Indicators are used to assess the effectiveness of monitoring the implementation of the recommendations.

## **2. The Audit Committee supported activities aimed at systematic improvement of the quality and standards of the internal audit work at the Bank:**

- a) At its meeting in May 2023, the Audit Committee approved KPMG's engagement to conduct the "Independent review of the functioning of internal audit in Bank Millennium S.A. 2023". In accordance with the requirements of Recommendation H (KNF), amended in 2017, the assurance and advisory activities of the internal audit cell should be subject to regular, independent external evaluation, at least every five years. The last external reviews took place in 2013 and 2018.

The results of the review were presented to the Audit Committee in December 2023. The report confirmed that DAW's activities are "generally compliant" with the International Standards for the Professional Practice of Internal Auditing, the Code of Ethics issued by the Institute of Internal Auditors and Recommendation H issued by the UKNF. Detailed analyses have shown that in terms of Standards: 51 Standards are met in 100%, in terms of Recommendation H: 52 Recommendations are met in 100%. As part of the review, KPMG did not identify areas for improvement, and the final conclusion of the review indicates that the Internal Audit Department of Bank Millennium is one of the best audits among comparable banks.

- b) At its meeting in October 2023 the Committee approved the "DAW Employee Qualifications Improvement Programme 2024-2026".

In accordance with the requirements of (a) Recommendation H (KNF) 23.2. *The activity of the internal audit cell should result from a long-term strategy of its activity developed by the head of this cell, including at least a vision of the unit's functioning in a specific period of time, its organisational model (organisational structure taking into account the organisational structure of the bank, an appropriate number of auditors), an employee development programme [...]* and (b) the Audit Charter - principles of internal audit activity in Bank Millennium S.A., *the Head of the DAW develops a periodic "Employee Qualification Improvement Programme"*. In the 3rd quarter of 2023, DAW employees settled the development goals planned for 2021-2023 and prepared Individual Development Programmes for 2024-2026. The summary of the activities carried out was the "DAW Employee Qualifications Improvement Programme 2024-2026". The Programme was approved by the Bank's Management Board at the meeting on 18.10.2023 and also by the Audit Committee on 25.10.2023.

The Head of the Internal Audit is provided with constant and direct contact with the Members of the Committee, and at one meeting during the year (after Q3), during the closed part of the meeting, the staffing situation of the Internal Audit Department and the remuneration policy for auditors are discussed with him. The Committee was concerned to learn about DAW's staffing difficulties and expressed its appreciation for the efforts to rebuild and stabilise the personnel status. Regardless of the current personnel difficulties, the competences of the auditors were assessed very positively, including the ongoing process of their systematic development.



The Committee gives a positive evaluation of the internal audit activity at the Bank, which is carried out assuring independence, in accordance with the planned scope, effectively identifying weaknesses of the control mechanisms, and at the same time, as part of its advisory activities, is a substantive support for other units of the Bank. The Committee underlines the importance of supporting the independence and competence of the third-line-of-defence unit for the secure and stable functioning of the Bank, in particular in view of the challenges that accompany the entire sector. Taking into account the level, efficiency and quality of DAW's assurance and advisory activities, as well as the externally and independently confirmed results of the evaluation of DAW's performance, the Audit Committee assessed the performance of the audit function at the Bank as *satisfactory*.

### **3. Monitoring the activities of the Bank's Statutory Auditor:**

Starting from Q1 2019, the function of the Bank's statutory auditor has been performed by Deloitte Audyt, selected in tender procedure conducted by the Bank in 2018, performing statutory audit tasks (within the meaning of Article 2 point 1 of the Act on Statutory Auditors, Audit Firms and Public Supervision), in auditing the annual solo report of the Bank and consolidated report of the Bank's Group, as well as auditing other financial reports of the Bank and the Bank's Group for periods within the year.

Deloitte's information on material financial reporting arrangements at the Bank, as a result of quarterly reviews conducted by the External Auditor, was discussed during four (quarterly) meetings of the Committee in 2023.

At the meeting of 14.02.2023, the Statutory Auditor presented the "Report for the Audit Committee on the audit of the 2022 financial report" prepared on the basis of the results of the audit of the financial report of Bank Millennium S.A. and the audit of the consolidated financial report of the Bank Millennium S.A. Capital Group for 2022, and then at the meeting on 26.04.2023, the Auditor supplemented the scope of the final reporting with a final "*Letter to the Management Board of Bank Millennium S.A.*".

The main topics of discussions between the Audit Committee and the Statutory Auditor during individual meetings in 2023 were issues related to: (a) creation of provisions for court cases related to CHF mortgage loans, (b) credit holidays under the Act on crowdfunding for business ventures and assistance to borrowers of 2022, (c) valuation of credit assets and creation of impairment losses in this respect, (d) the recovery plan, the capital protection plan, the capital adequacy and liquidity ratios and the macroeconomic situation and its impact on the Bank's operations, (e) the conclusion of a bancassurance transaction with TU Europa S.A., and (f) the process of replacing WIBOR with the new WIRON benchmark.

Ongoing and systematic communication of the Statutory Auditor with the Audit Committee serves to ensure proper independence and required standards, as well as proper quality of the financial review services.

In Q3 and Q4 2023, the Audit Committee received the following important information related to the legal situation of the audit firm Deloitte Audyt:

- On 25.08.2023, the Polish Audit Oversight Agency ("PANA") issued a decision in the second instance imposing a penalty on Deloitte Audyt of a temporary ban on the provision of services covered by the national standards of professional practice. The Agency also decided to suspend the enforceability of this decision until 30.11.2023,
- On 18.10.2023, as a result of a complaint filed by Deloitte, the administrative court decided to suspend the enforceability of the penalty imposed by the Agency until

the final conclusion of the administrative court proceedings. This decision meant that Deloitte Audyt could provide services without restrictions in accordance with the national standards of professional practice in Poland until the end of the court and administrative proceedings.

- PANA filed a complaint against the decision of the Voivodship Administrative Court in Warsaw (the "Court") of 18.10.2023 to suspend the enforceability of the penalty imposed by PANA,
- As of 30 November 2023, there was a change in the position of the key statutory auditor responsible for auditing the solo financial statements of Bank Millennium SA and the consolidated financial statements of the capital group, where Bank Millennium SA is the parent company, for the year ended 31.12.2023. The previous key statutory auditor, Ms. Dorota Snarska-Kuman, was replaced by Ms. Barbara Gryzsko.

Taking into account the fact that the agreement with Deloitte Audyt Sp. z o.o. sp.k. ends after the end of the annual audit for 2023 and the potential risk that the activities of the above-mentioned company have been or may be limited by the Polish Audit Oversight Agency (PANA), the Bank has taken steps to conclude a new agreement on the audit of financial statements for 2024-2025 and, if necessary, also for 2023 year.

**At the meeting on 04.10.2023** the Audit Committee accepted a motion of the Management Board to approve the procedure and manner of implementation of the process of selecting an audit firm for the auditing of the financial statements of Bank Millennium S.A. and the Bank Millennium Capital Group for the years 2023-2024 or 2024-2025 (including statutory audit).

**At the meeting on 07.12.2023** the Audit Committee familiarised itself with *Information on the annual assessment of the quality of services provided by Deloitte*. The annual assessment is carried out by the Task Force coordinated by the Head of the Finance and Reporting Department (DFS) (pursuant to § 7 point 5 of the Policy for Selection and Cooperation with Audit Firms). The analysed period included the auditor's work in relation to the periodic reports for 2022 and in the audit of the annual financial statements for 2022, which was finalised by the issuance of the audit report on 15.02.2023. The analysis took into account observations concerning the technical aspects of the audit service and professional issues.

Regardless of the positive assessment of the audit service provided with respect to the periodic reports for 2022 and the audit of the annual financial statements for 2022, the identified significant legal risks related to the continuation of cooperation with the audit firm Deloitte Audyt Sp. z o.o. sp.k and the uncertainty regarding the date of completion of the audit for 2023 required taking steps to ensure the continuity of the financial audit activities and entrusting it to a new entity and thus terminating the contract with the existing audit firm.

**At the meeting of 07.12.2023** the Audit Committee, after analysing the tender documentation, decided to recommend to the Supervisory Board to select a new audit firm from among two companies: (1) Deloitte Assurance Sp. z o.o., (2) Mazars Audyt Sp. z .o.o. The offers of both audit firms met the basic requirements of the tender procedure. The offer of Deloitte Assurance Sp. z o.o. received a higher score in a detailed analysis of the offers. An important factor influencing the profitability of Deloitte Assurance Sp. z o.o.'s offer was the audit schedule that met the Bank's expectations. In view of the above, the justified preference of the Audit Committee was to choose Deloitte Assurance as the proposed audit firm.

On 11.12.2023, the Bank's Supervisory Board approved the selection of Deloitte Assurance Sp. z o.o. as the audit firm to audit the financial statements of the Bank and the Bank's Capital Group for the years 2023-2024, including the statutory audit. The above information was provided to the market in Current Report No. 37/2023 of 12.12.2023.

Taking into account the requirements of reporting to the Audit Committee, at the meeting on 14.12.2023, the new Statutory Auditor Deloitte Assurance Sp. z o.o. presented the planned scope and dates of the audit of the annual financial report of the Bank and the Bank's Group. After review of the presented material, the Audit Committee did not make any comments and accepted the proposed dates and scope of the audit.

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

Compliance Department (DZZ) made an annual review of the "Policy on Selection and Cooperation with Audit Firms", including assessment with requirements of the document on relations with auditing firms valid in BCP Group (BCP Group Code GR0022 v.5 of 01.03.2023 "Selection and Designation of Statutory Auditors/Audit Firms and Contracting of Non-Audit Services"). On the basis of the comments submitted by individual Units, the document has been clarified regarding the assessment of the annual cooperation with the audit firm in the year in which the agreement is being extended for another period or the Bank selects the audit firm to perform the audit in the next period, and the current audit firm decides to submit its offer. In addition, minor ordinal changes have been made to the document. The update of the Policy was approved by the Audit Committee at its meeting on 21.07.2023.

In accordance with the requirements of the Bank's *Policy on Selection and Cooperation with Audit Firms*, the Audit Committee analysed the submitted proposals and approved the entrustment of services other than statutory audit to the audit firm.

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

At its first meeting in 2023, the Finance and Reporting Department submitted to the Audit Committee the information on monitoring of the financial reporting process, which covered the following aspects: (a) challenges completed in 2022, (b) ensuring compliance of the accounting standards applied by the Group with binding legal regulations, (c) the biggest challenges for 2023, including: Implementation of the new EBA 3.2 taxonomy; Preparation of the annual report in ESF format; Implementation of the new reporting obligation "Payment Statistics Database", (d) Confirmation of the timeliness of submitting in 2022 all the financial reports to the parent entity and Banking Supervision, as well as timeliness of publications on GPW, (e) information on preparations for the publication of annual financial statements for 2022 scheduled for 15.02.2023.

The Audit Committee meeting in February 2023 was mostly dedicated to the analysis of the Management Board information on the 2022 Bank and Group's Annual Report and audit conclusions of the Statutory Auditor, Deloitte Audyt from examination of these reports. On the basis of the audit, Deloitte issued an unqualified opinion on the consolidated financial statement of the Bank Millennium Capital Group and an unqualified opinion on the separate financial statement of Bank Millennium for the period ended on 31 December 2022. Taking into account the positive Opinion of the Statutory Auditor, the Audit Committee adopted a Resolution on recommending to the Supervisory Board a positive assessment of the Annual Reports for 2022.

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

At the July 2023 meeting, the Head of the Tax Department (DPD) presented to the Audit Committee the annual information on the implementation of the tax strategy for 2022 and a report on the risk of tax non-compliance. The presented information included a discussion of such aspects as the Bank's three main taxes (CIT, bank tax, VAT), the Bank's tax against the market peer group, the division of responsibilities in the tax area, self-assessment of tax risk, tax risk management, the 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 (SKW) was carried out in accordance with the requirements of Notice 3/2020 of the Bank of Portugal in Q4 2023, implementing the reporting formulas and obligations agreed with the BCP Group, which took into account the extended scope of participation in the review of the control function units (Risk, Compliance, Audit). Also a reporting scope that was uniform within the BCP Group was applied, referring to the process of classification and risk assessment of the implemented post-audit recommendations. The BCP Group decided to continue the support by the Deloitte Audit Auditor in attesting the SKW environment, while the approval of the provision of these services as non-audit services was subject to approval by the Audit Committee.

In view an appropriate implementation of supervisory requirements, a relevant team closely cooperating with BCP was set up at Bank Millennium, to properly prepare the reporting process according to uniform rules in force in the BCP Group. On the Bank's side, the activities were coordinated by the Compliance Department with support from the Internal Audit Department.

Based on the results of the work carried out by DAW, DZZ and DMR control function units and the results of the attestation review reported by Deloitte, the Audit Committee in the form of resolutions accepted at the meeting on 14.12.2023, the adoption of *the Self-Assessment Reports of the Audit Committee of the Supervisory Board on the adequacy and effectiveness of the Bank's organizational culture, its management and internal control systems, on an individual basis, taking into account the situation as at 30.11.2023, in accordance with the art. 55 letter (a) of Notice no. 3/2020 of Banco de Portugal.*

## **8. Supervision authorities:**

The Audit Committee devoted a lot of attention to the Bank's relations with supervisory authorities, in particular KNF. At each Audit Committee meeting, the Internal Audit Department presented and discussed the status of implementation of KNF recommendations issued as part of post-inspection activities. All recommendations issued by KNF were implemented in accordance with the schedules adopted by the Bank. In addition, a permanent component of the meetings of the Audit Committee was the analysis of correspondence addressed to the Bank on key issues by KNF and other supervisory authorities. In 2020, the scope of information about material interactions with supervisory authorities was structured in the form of a periodic report prepared and submitted by the Internal Audit Department to both the Audit Committee and the Supervisory Board. Important issues analysed in 2023 mainly concerned:

1. the SREP process and the grade obtained by the Bank,
2. preparations for the introduction of an alternative benchmark to WIBOR – WIRON,
3. reporting to KNF in the area of profitability,

4. launch and update of the Recovery Plan for Bank Millennium Capital Group,
5. reporting to KNF in the area of Combined Buffer requirements,
6. periodically informing KNF and BFG about the circumstances related to the Bank's financial standing, identified risks and financial objectives,
7. correspondence with BFG on MREL requirements,
8. regular information on inspections / external controls carried out at the Bank:
  - a. GIIF 2022 covering the AML area,
  - b. KNF 2023 Inspection in the area of the Operator of Essential Services,
  - c. Validation proceedings KNF IRB 2023 related to the Bank's request to obtain the approval of the competent supervisory authorities to introduce material changes to the IRB approach;
  - d. KNF 2023 Inspection in the area of asset quality, credit risk management, market risk management and general interest rate risk in the banking book, Bank management.
  - e. ECB Inspection 2023 in BCP and its subsidiaries related to market risk.

## **9. Reporting of the Compliance Department (DZZ) on compliance risk in 2023:**

As part of the regular DZZ reporting, the subject of analysis at the meetings of the Committee were the main aspects of functioning of the compliance process, including: key initiatives and projects executed with the participation of DZZ, monitoring changes in legal regulations and market standards, monitoring relations with regulators, monitoring the functioning of banking products, analysis of the Bank's exposure to the compliance risk along with the assessment of this risk and its profile, supervision over the compliance management process in the subsidiaries of the BM Group, the functioning of internal control in the Bank with the results of monitoring this process, and the implementation of the 2023 Action Plan. DZZ Action plan for a given year is subject to the opinion of the Audit Committee and approval by the Supervisory Board.

In accordance with "The Action Plan of the Compliance Department for 2022" as approved by the Management Board and the Supervisory Board of the Bank, in Q4 2022, the Compliance Department performed a periodical review of the document "Internal Control System in Bank Millennium S.A.". As a result of the work carried out, changes were made to the document, which were presented to the Audit Committee for approval **at its meeting on 26.01.2023**. The Committee reviewed the updated document and, after expressing a positive opinion, recommended to the Supervisory Board its approval.

In order to provide the Head of the Compliance Department with appropriate attributes of independence, similar to those assigned to the audit function, starting from 2021, as part of the report after Q3, the practice of direct meetings with the Head of DZZ during the closed part of the Meeting of the Committee was introduced, during which the staffing situation of the Department and the remuneration policy for its employees are discussed with the Head of the Department. A closed meeting of the Head of the DZZ with the Members of the Audit Committee took place during the meeting on 25.10.2023.

The Audit Committee welcomed the continued and consistently implemented, material changes to the operation of the Compliance Department, which contribute to the systematic strengthening of the competences and role of this unit, which is a key component of the stable and effective functioning of the second line of defence.

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

The Audit Committee carefully reviewed the information on the correctness of **the Bank's relations with clients, especially in the context of the complaints received**. At two

meetings in 2023, detailed Information on the complaints filed by the Bank's Clients, prepared by the Quality Department, was presented.

**Considering all the activities carried out by the Audit Committee in 2023, including materials submitted by the Internal Audit Department, the Compliance Department, the Statutory Auditor, the results of the 2023 Internal Control System Review carried out in the BCP Group and the supervisory and inspection activities of KNF, we state that the components of the internal control system (control function, DZZ - Compliance Department and DAW - Internal Audit Department) show proper capacity to identify potential irregularities and weaknesses in the banking processes, and ensure adequate effectiveness of management of the identified problems in terms of continuous and systematic improvement of the functioning control mechanisms. Based on reasonable grounds, including the improvement measures under way, in the opinion of the Audit Committee, the internal control system as a whole, as well as its individual components, effectively and appropriately meet the regulatory requirements and by being effectively managed are adequate for the Bank's size and exposure to the risks connected with the activity conducted by the Bank and the Bank Millennium S.A. Capital Group. Taking into account the criteria adopted for evaluation of the Internal Control System, the Audit Committee confirms the assessment of the adequacy and effectiveness of the functioning of this process at a satisfactory level.**

Bearing in mind the disclosure responsibilities of the Supervisory Board defined in 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 Audit Committee declares as follows:

- I. As regards selection of<sup>1</sup> the audit firm carrying out the audit of the annual financial statement of Bank Millennium and the Bank Group:
  - a) the audit firm and the members of the audit team fulfilled the conditions for drawing up an impartial and independent audit report on the annual financial statements in accordance with applicable laws, professional standards and rules of professional ethics,
  - b) the applicable regulations related to the rotation of the audit firm and the key statutory auditor and the mandatory grace periods are observed,
  - c) The Bank has a policy for selection of an audit firm and a policy for provision of additional non-audit services to the Bank by an audit firm, an entity linked to an audit firm, or a member of its network, including services conditionally exempt from the prohibition on provision by an audit firm.

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<sup>1</sup> § 70.1. 7) a) c) of the Regulation of the Minister of Finance of 29 March 2018 on current information ...

II. With regard to the appointment, composition and functioning of the Audit Committee<sup>2</sup>:

- a) The provisions concerning the appointment, composition and functioning of the Audit Committee of the Supervisory Board of Bank Millennium S.A. are observed, including those concerning the fulfilment by its members of the independence criteria and requirements regarding knowledge and skills in the field of financial industry and in the field of accounting or auditing financial statements.

The Audit Committee of the Supervisory Board of Bank Millennium S.A. performed the tasks of the audit committee provided for in the applicable regulations.

### **B. Activities of the of Personnel Committee during 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 resulting from education and professional experience. The independent members of the Committee are: Ms 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 By-Laws 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.

Three 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

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<sup>2</sup> § 70.1. 8) a) c) of the Regulation of the Minister of Finance of 29 March 2018 on current information ...

the reassessment of the adequacy of the management bodies, both the Management Board and the Supervisory Board.

### **26 January 2023**

- Establishment of the 2022 bonus pool for Risk Takers in the perspective of the Capital Protection Plan
- Establishment of the bonus pool for persons performing control functions (Risk, Compliance and Audit)
- Recommendation with respect to the financial instrument (phantom shares instead of own shares) for disbursement of 3rd tranche of deferred bonus awarded in 2020 (bonus for 2019 and project bonus)
- Approval of the Remuneration Policy Implementation Report for submission to the Supervisory Board
- Approval of the Report of the Personnel Committee of the Supervisory Board on its Activities in 2022
- Presentation of the Report of the Supervisory Board on Remuneration of the Management Board of the Bank and Supervisory Board in 2022

### **21 July 2023**

- Periodical suitability assessment of the Supervisory Board
- Periodical suitability assessment of the Management Board
- Approval of changes in document Employee Remuneration Policy in the Bank Millennium Group
- Presentation regarding remuneration management in H1 2023 in Bank Millennium
- Discussion of the context of granting variable remuneration for Risk Takers in Bank Millennium in 2023
- Discussion on the benchmark of remuneration of bank management boards in Poland

### **3 November 2023**

- Results of Risk Takers identification in Bank Millennium Group for 2024
- Information on the independent assessment of the functioning of the Remuneration Policy carried out by DAW (Audit Department)
- Risk management mechanisms in policies - conclusions from the discussion at the meeting of the Risk Committee
- Assessment of the Bank's Management Board for 2022
- Determination of the bonus pool for the Bank's Management Board, taking into account the bonus for 2022 in the context of meeting capital ratios, cost of capital, cost of the Bank's risk, liquidity risk, compliance risk, AML risk and ESG risk (§ 7 item 3 of the Policy)
- Recommendation regarding the financial instrument for the payment of the third tranche of the deferred bonus granted in 2020 (bonus for 2019) and the first tranche of the deferred bonus granted in 2022 (bonus for 2021) and possible bonus for 2022 for Members of the Management Board of Bank Millennium
- Decision on the acquisition of rights to the relevant tranches of the deferred bonus for 2019 and 2021
- Awarding an individual bonus to Management Board Members for 2022

For the purpose of proper performance of tasks, in 2023 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 Management Board, in particular with a view to comprehensive assessment of the Bank Management Board as a whole and of its particular Members, and also support for 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 2023, 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 the context of age, gender, professional experience, knowledge and skills, as well as the fact that it includes both a representative 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 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.

The Committee made a detailed assessment of the performance of the Bank's Management Board for 2022, taking into account risk management, financial results and assessment of non-financial elements.

The Personnel Committee noted that in 2022 the Bank was managed in a very challenging environment that put pressure on business decisions and performance. The main issues included: the COVID-19 pandemic, geopolitical risks related to the conflict in Ukraine, CHF risk and credit holidays. The Management Board has demonstrated a strong ability to implement the capital protection plan and the recovery plan, taking the necessary emergency measures, while not only preserving, but also developing the business and the Bank.

The Personnel Committee also emphasised a particularly appropriate approach to risk management and solvency. These abilities have been appreciated by the market, namely by the evolution of stock prices.

The results in 2022 and 2023 confirm the achievements in capital management, MREL bond issuance, risk management, sustainable business performance and proper implementation of ESG strategies.

The Committee also carried out a non-financial evaluation of the Management Board. It was based on an analysis of the elements of the Management Board's work that concerned leadership, quality of people management and cooperation between the Bank's areas. Also in this respect, the assessment of the Management Board's work was high. The Committee drew attention to the high level of leadership and very high level of people management, which resulted in a high evaluation of the Bank by customers, the quality of services offered and financial results, as well

as the Management Board's ability to introduce changes in processes and technologies that place Bank Millennium at the forefront of the most modern financial institutions in Poland.

Taking into account the above factors, the Committee decided to grant the Bank's Management Board variable remuneration for 2022 in the total amount of PLN 7.8 million, which will be paid in 50% in cash and 50% in equity instruments deferred for 5 years in accordance with the regulations.

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

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

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

The competences of the Committee, defined in the Articles of Association of Bank Millennium S.A. (§ 18 item 7) and in the Bylaws of the Supervisory Board of Bank Millennium S.A. (§ 6 item 8<sup>1</sup>), include in particular:

- study of macroeconomic trends,
- research of the new trends, events and new solutions in the banking sector,
- analysis of the Bank's competitive position and benchmarks,
- analysis and recommendation of the Bank's long-term strategy, goals and tasks.

In the discussed period, no formal meetings of the Strategic Committee were organized, and important topics related to the market situation were discussed on a working basis by the Committee Members with the Bank's Management Board and at meetings of the Supervisory Board. Formal meetings of the Strategic Committee are more frequent in the years when the strategy is being reviewed. The next review and approval of the strategy is expected in 2024.

In particular, the following topics were discussed:

1. implementation of the Bank's Strategy for 2022-2024,
2. the optimal way to manage the risk associated with the CHF portfolio.

Members of the Committee held a number of informal meetings and consultations, also with the Members of the Bank's Management Board, supporting the Bank's Management Board in issues related to 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.

In 2023, there were five meetings of the Committee for the Risk Matters, respectively: 26.01.2023; 26.04.2023; 21.07.2023; 25.10.2023; and 23.11.2023.

The information on risk management was subject to regular analysis during the meetings of the Committee. These included:

- 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;
- Report from activity of the Compliance Department in scope of counteracting money laundering and terrorist financing 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:

- Assessment of the Risk Management and on the assessment of the Validation Functions. Information on market risk limits;
- Assessment whether the incentives provided by remuneration policies in Bank Millennium take into account the bank's risk, capital and liquidity and the likelihood and timing of earnings;
- 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;
- Risk and regulations in the banking sector: KNF's concept of long-term financing for mortgages in Poland.

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

- Risk Management Function Assessment;
- Validation Function Assessment;
- AML yearly report for 2022;
- Approval of Capital Adequacy, Risk, Remuneration Policy Report of Bank Millennium Capital Group for 2022;
- Approval of changes in the document “Principles Relating to Stress Tests at Bank Millennium S.A.”;
- Approval of Recovery Plan update – cycle 2023 (according to a letter of the Polish Financial Supervision Authority dated 13 February 2023);
- Review and approval of changes in the document “The Policy on disclosure of information on risk, own funds, capital requirements, remuneration policy and other information required by law and KNF recommendations”;
- Approval of the “Risk management and control principles”;
- Approval of amendments to the normative act “Stress Tests Framework in Bank Millennium S.A.”;
- Approval of the amendments to the Capital Adequacy, Risk, Remuneration Policy Report of Bank Millennium Capital Group;
- Review of Outsourcing contracts portfolio;
- Information on evolution of AML process in the Bank;
- Information about the results of PwC’s Attestation Audit regarding WIRON and WIBOR.

Specifically on the 23.11.2023 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 Bank Millennium S.A. Capital Group.
- 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 answered 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.

### **Evaluation of the Activities of the Supervisory Board in 2023.**

When assessing its operations in 2023, the Supervisory Board followed the guidelines contained in the Best Practices and Principles.

In accordance with its competences stipulated in the Bank's internal regulations and in accordance with the general legal requirements relating to listed companies and banks in particular, the Supervisory Board exercised constant and ongoing supervision of the overall operations 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 – 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 attained 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 suitability assessment of the Supervisory Board Members made by the Personnel Committee of the Supervisory Board in cooperation with an independent external advisor - 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 in the meaning of 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 suitability 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 advisor, 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.

Considering the above and also positively evaluating the Bank's overall activity, including its performance, the Supervisory Board moves for discharging all members of the Bank governing bodies from performance of their activities in 2023.

**2. Information on the composition of the Board and its committees indicating, which 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 Code of Commercial Companies, 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 - 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 from among the 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, Ms. 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 the Chairman. The Supervisory Board in 2023, 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 2023.

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 S.A. The Supervisory Board at its meeting on the same day appointed the Personnel Committee in the following composition:

- 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 S.A. On the same day, the Supervisory Board decided to appoint the following members of the Strategic Committee of the Bank's Supervisory Board:

- 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 01.01.2023 to 31.12.2023, the composition of the Risk Committee of the Supervisory Board (the Committee) was as follows:

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

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

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

Bank Millennium has in place the following effective documents defining the framework for the remuneration policy:

“Employee Remuneration Policy in Bank Millennium Group” addressing all employees of the Bank,

Detailed principles of remuneration for employees having a material impact on the risk profile ("Risk Takers") are provided for in “Remuneration Policy for Risk Takers in the Bank Millennium S.A. Group”.

"Remuneration Policy for Members of the Management Board and Supervisory Board of Bank Millennium SA" in force since March 2021, which specifies solutions for remunerating members of the Bank's management bodies.

In 2023, the "Employee Remuneration Policy in Bank Millennium Group" was reviewed to take account of ESG risks. It was underscored that incentive mechanisms should be designed in such



a way as to avoid stimulating (encouraging) employees to take risks in terms of sustainability factors. No changes were made to the other policies mentioned above in 2023.

The above policy-making framework is also used in separate remuneration policies of subsidiaries: Millennium Bank Hipoteczny S.A. and Millennium TFI S.A., taking, at the same time, their business specificity into account.

The management of fixed and variable components of remuneration, the conditions for their formation, the total amount of remuneration and the payment scheme was assessed as prudent and adequately implementing the objectives of the Group's remuneration policy.

In particular, the following assumptions are implemented:

- care for the long-term development of the Bank,
- protection of the interests of investors, clients and other stakeholders of the Bank Millennium Group,
- risk management and risk exposure limitation.

The budgets allocated for the wage raise processes were appropriate to the macroeconomic conditions (in particular high inflation) and the labour market, as well as the challenges faced by the organisation, and the Bank's capital situation.

Bonus pools for variable components of remuneration for risk takers were determined after prior analysis of the compliance with the levels of capital, liquidity and risk ratios and adjusted in time to the effects of the Capital Conservation Plan implemented in Bank Millennium.

Steps were taken to comply with future regulatory requirements on pay transparency, and monitoring was carried out on the current so-called Gender Pay Gap.

The reduced level of employee turnover in 2023 should be assessed particularly positively, correlated with the improvement in the attractiveness of remuneration levels as a result of the salary increase reviews in 2022 and 2023, which gives the prospect of stabilisation of staff with the required competences to meet the challenges faced by the Bank in a difficult business environment.

### **Bank Millennium's activities in 2023 in the field of remuneration policy**

Bank Millennium's activities in 2023 in the field of remuneration policy focused primarily on maintaining the Bank's competitiveness on the labour market and stabilising salary offer to employees. The Bank pursued this objective through:

1. Stabilisation of the employee remuneration structure in a way that promotes fixed remuneration. Bonuses constitute an additional, but still important element of employees' remuneration from the perspective of total income.

2. Implementation of the "Positions, salaries, careers" project aimed at introducing remuneration structures allowing for transparent comparison of salary levels for the same positions. After the first stage carried out in 2022 in the retail network, a new model of remuneration and positions for employees of the Bank's Head Office was introduced at the end of 2023. The new solution was introduced in consultation with the trade unions operating in the Bank. The work also resulted in the introduction of new remuneration regulations, which no longer refer to external multipliers, i.e. the minimum wage in the Polish economy.

3. Two significant reviews of base salaries, the second of which was related to the "Positions, salaries, careers" project at the Bank's Head Office. Changes in employee salaries were preceded by an analysis of market benchmarks. As a result of the reviews, the average base salary increased by 17%.

### **Remuneration policy for employees holding managerial positions**

In the annual Risk Takers identification process carried out on the basis of the "Instructions for performing identification of employees whose professional activities have material impact on risk profile (Risk Takers) in Bank Millennium S.A. Capital Group" taking into account detailed qualitative and quantitative criteria specified in national and European regulations.

In 2023, 91 employees employed in various areas of the Bank's management, including Members of the Bank's Management Board and Supervisory Board, were identified as Risk Takers. In the identification process for 2024, which took place in the fourth quarter of 2023, 93 employees/positions were identified.

Identified employees are subject to separate performance appraisal rules and the method of determining and paying variable remuneration, if awarded. These principles are expected to motivate for applying special care relative to implementation of the adopted risk management strategy and taking decisions not going beyond the risk profile acceptable at the Bank Millennium Group, as approved by the Supervisory Board.

The basic remuneration of Risk Takers II is determined by the Personnel Committee of the Bank's Management Board ("Personnel Committee"), and in the case of Risk Takers - employees of subsidiaries by the Supervisory Board or the Management Board of the company, respectively. Periodic salary reviews are carried out in regular intervals, twice a year during meetings of the Personnel Committee.

The base salaries of Risk Takers are determined in particular on the basis of the valuation of the optimum qualifications required for good performance in the position, the range of management, the scope and type of tasks, in particular the scope of responsibilities and the impact on the risk profile of the institution.

### **Management of variable remuneration in the context of Recovery Plan and the Capital Conservation Plan**

In 2022, the Bank's Management Board decided to launch the Recovery Plan, and in addition, the Bank developed and submitted a Capital Protection Plan to the Polish Financial Supervision Authority, anticipating a negative impact on the Bank's financial situation, in particular on the Group's capital ratios in connection with the so-called credit holidays introduced by the Polish government in July 2022. Good implementation of both plans and fulfilment of the minimum MREL requirements in accordance with the decisions of the Bank Guarantee Fund ("BFG") constituted a condition for awarding bonus pools to Risk Takers of Bank Millennium SA. In September 2023, Bank Millennium issued bonds meeting the MREL requirements (4NC3) with a value of 500 mln EUR, which, combined with the improvement of capital ratios, more than contributed to eliminating the shortfall in relation to the transitional and final requirements of MREL + CBR. As a result, in October 2023, the Bank Guarantee Fund discontinued the administrative proceedings against the Bank concerning, *inter alia*, restrictions on the payment of variable remuneration to Risk Takers.

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

In the assessment of the functioning of the policy, it is also important for the policy to comply with the internal regulations and those of supervisory institutions. The Internal Audit Department performed the audit of variable remuneration policy in the Bank Millennium Group and performance of assessment of suitability of Supervisory Board Members, Bank Management Board Members and key function holders in the Group.

According to Internal Audit, the audited process operates in a proper manner. The Committee for Risk Matters of the Supervisory Board arrived at positive assessment of mechanisms provided for in the remuneration policy in Bank Millennium, as taking into account the Bank's risk, capital and liquidity and the likelihood and timing of earnings.

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

**The Supervisory Board believes that the remuneration policy at Bank Millennium S.A. is conducted in a stable manner, based on continuation of the adopted strategies, while adjusting 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 2021" and Recommendation "Z" of the PFSA.**

The Supervisory Board, after reading relevant reports, declares that in 2023 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 account of the objectives stated therein in combination with the needs for optimum organisation of the Bank's activity.

Likewise, with respect to Best Practices, 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.

The Supervisory Board believes that the Bank implemented the principles resulting from Recommendation "Z" of the Polish Financial Supervision Authority to a satisfactory extent, taking into account the changing internal situation and the Bank's environment.

#### **5. Report on 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.**

ESG activities, including activities for sustainable development, diversity, climate protection and community support, have been part of Bank Millennium's strategy for years. The Bank and the Bank Millennium Foundation, in cooperation with non-governmental and community

organisations and with participation of its employees run financial and environmental education programmes, charity initiatives and those promoting culture, supporting local communities and care for the natural environment.

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 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 three 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. The third is the United Nations Global Compact ("UNCG") – the world's largest UN initiative for sustainable business, which the Bank joined as a direct participant in July 2023. By joining the UNCG, the Bank has committed itself to adhering to and implementing principles covering four key areas: human rights, labour standards, environmental protection and counteracting corruption.

Sponsorship, charity and similar initiatives along with information on the funds allocated are presented in the company's annual ESG Report. The most important ones are described below.

## **1. Social programmes and campaigns**

### **Financial ABCs - education of preschool children**

In 2023 The Bank Millennium Foundation continued the „Financial ABCs” - a 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, 75% of parents believe that the age of 3 - 7 is the best moment to begin one's financial education.

In 2023, two editions of the program were held, as part of which 430 educational workshops for children were carried out in 120 kindergartens. Nearly 10,000 children took part in them. The young participants of the workshops got acquainted with the next edition of Mr. Sebastian's adventures, which in 2023 was enriched with issues related to the digital world and online payments.

In total more than 3157 workshops were held and nearly 73 thous. 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.

## **Christmas Charity Auction**

In 2023 the jubilee 10th Charity Auction was conducted With participation of the employees. This is an internal charity event during which employees can donate items for auction and actively bid. The money obtained from the auction is transferred to the beneficiaries of the campaign - employees, their children and other members of the immediate family who need support due to their health condition and remain under the care of the Foundation. In the final auction, a proprietary bidding tool is used – Millegro, created internally thanks to the involvement of the IT area, a tool where the auctioned items are placed. The amount of funds collected during the auction is doubled by the Management Board of Bank Millennium.

## **2. Cultural sponsorship**

### **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 18 years and is a founder of the festival's main prize.

In May 2023, the jubilee 20th edition of the Millennium Docs Against Gravity festival took place, once again in a hybrid formula. During the festival the best 190 documentaries from around the world, both short and full-length, were presented. Presentations were 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 and online on the festival platform. In 20th edition of the Millennium Docs Against Gravity festival as many as 144 thous. persons took part.

### **Music festival Inside Seaside**

Bank Millennium was a partner of the Inside Seaside festival, a new event on the Polish music scene. Inside Seaside Festival is a new, large cultural event, with a good, diverse music program and accompanying events, for music fans from all over Poland. The organisers opted for a new formula and an unusual date for music festivals, thus filling a gap on the Polish music market. The festival will take place in autumn, under the roof of the Amber Expo in Gdańsk.

### **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.

### **Cultural start-up**

The Bank has once again taken patronage over the "Cultural Start-up". It is a Gliwice-based initiative supporting innovative ideas, unique events and art at the highest level. It is an original program of the Victoria Cultural Centre in Gliwice, addressed to organisations, artists, animators, organisers of events and workshops - both professionals and amateurs, who have something unique to offer in the field of culture and art.

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

#### **The Bank continues cooperation with the Warsaw School of Economics**

In December, Bank Millennium and the Warsaw School of Economics extended their cooperation for another year. This will be the 7th year of cooperation since the implementation of the first project at the university, i.e. a coworking space for students and graduates, a place for the development of young entrepreneurship. As part of the signed agreement for 2024, part of the funds will be allocated to support the Warsaw School of Economics Library. This way the bank supports the university in its development, and due to its membership in the Partners Club, it gains space to promote its image as an employer – open to young people entering the labour market. The Bank shares knowledge and builds a professional community through direct meetings with students and substantive presentations attended by practitioners from the Bank.

#### **Bank Millennium and Kozminski University established a strategic partnership**

Bank Millennium and Kozminski University will jointly implement projects, important for the society and having impact upon future of education. The Kozminski University has been effectively, for the last 30 years, combining theory and practice in business. This attracts the best students and scientists in the area of i.a. management, economy, psychology and law. Careers of the University graduates provide the best evidence of the top quality of teaching and relations established by young people already at the time of their studies.

The strategic partnership is an exceptional form of cooperation, in which parties will provide mutual substantive support and implement joint initiatives – in communication and in education and one of the lecture halls will receive Bank Millennium branding to remind students about closeness of business. The Bank, at the same time, has joined the group of donors of the first in the Polish academic community endowment capital facilitating financing development of young generations, academic staff and scientific research.

#### **Bank Millennium among the leaders of the financial industry in the Economic Bridges project**

Once again, Bank Millennium participated in the prestigious "Economic Bridges" initiative. It is one of the most interesting and popular initiatives of students of the Warsaw School of Economics. Its aim is to integrate academic circles from economic universities in Warsaw, Kraków, Wrocław, Katowice and Poznań and to build partnership relations with business. The meeting with the students of the Warsaw School of Economics was moderated by Ernest Lachowski from the Electronic Banking Department. The topics included customer needs and

the use of personalisation in banking applications. By participating in this initiative, the Bank is shaping its image as an active, modern organisation, open to cooperation with young talents. Our presence underlined our commitment to advancing the future of economics.

### **Bank Millennium is a teaching partner at SWPS university**

Bank Millennium executed an agreement with SWPS University until January 2023, under which it acted as a teaching partner for the psychology and computer science programme. This programme responds to the demand of the labour market, where professionals combining analytical and IT competencies with social skills are in demand. Bank Millennium experts co-taught a class on advanced User Experience (UX) research. Students had an opportunity to work on specific projects, in workshops held both at SWPS University and at the Millennium Bank head office. As part of their diploma thesis, students were allowed to complete a UX-related project. Its scope was proposed by Bank Millennium. During the summer holidays, students were also provided with internship opportunities. Their first professional experience was gained in the Electronic Banking Department - the unit responsible for designing and developing the website, online banking service and mobile application.

### **Summer Internship Programme**

In 2023, Bank Millennium enabled 36 students and recent graduates to complete their internships during the summer holidays. The interns acquired skills in 14 different departments. The young generation brings with it not only a fresh approach but also an innovative outlook on business. Recognising their contribution and their belief that an investment in the development of young talent is an investment in the future, the Bank not only provided them with our experience and tools but also financial compensation for completed internships. Some of the interns continue their careers within the Bank's structures. The internship programme was preceded by carefully planned promotional campaigns to reinforce the Bank's position as an attractive employer.

### **Job fairs**

Bank Millennium does not forget young jobseekers and took part in a job fair in the spring of 2023. Recruitment specialists ensure that Bank Millennium never misses an opportunity to promote its brand to potential candidates for the banking industry. That is why it periodically participates in job fairs, which see robust attendance by students and university graduates. From March to May in Warsaw, Wrocław and Gdańsk, the Bank showed up at seven trade fairs, organised by, among others, Absolvent Talent Days, Pracuj.pl, Szkoła Główna Gospodarstwa Wiejskiego, Warsaw IT Days, the Faculty of Management at the University of Warsaw and the Gdańsk University of Technology. At these events, the Bank was presented as a modern and friendly place to work. Staff provided information on internships, presented a wide range of career opportunities in various areas, and analysed, on an ongoing basis, the current expectations and needs communicated by candidates during numerous talks and interviews.

### **Events and conferences**

In 2023, Millennium Bank participated in two conferences on Java software and the Microsoft Azure cloud. The meetings were aimed at architects, developers, devops, Cloud and Big Data specialists, as well as university students and young people with an interest in the IT industry. Bank Millennium experts, Łukasz Kaniewski and Konrad Sagala, acted as speakers at the

conference. The main aim of the presentation was to show participants modern Java programming techniques and cloud solutions in Microsoft Azure. Attendees had an opportunity to see how the bank uses modern technologies and good practices associated with contemporary programming.

### **Scholarships for the best Portuguese Studies students**

Bank Millennium, the University of Warsaw and the Camões Institute have extended their cooperation for three more academic years. As part of the agreement, each year the Bank will fund a scholarship for the best Portuguese Studies student at the University of Warsaw. The agreement aims to support the development and broadening of the intercultural experience of Polish students, to popularise the teaching of the Portuguese language and culture in Poland, and to award study grants to enable study in Portugal. The Bank has been funding scholarships for top students since 2013.

### **4. Support for paralympic athletes**

For the third time, as part of its support for female Paralympic athletes, Bank Millennium funded a scholarship for one of them. The Bank supported the fundraising program in partnership with Martyna Wojciechowska's Unaweza Foundation and the #CorinneRunsForGood campaign.

### **5. Pro-ecological activity**

Environmental action is an integral part of Bank Millennium's strategy, which undertakes many initiatives to reduce or eliminate negative environmental impacts. The Bank has set out its approach to these issues in the 'Bank Millennium Group Environmental Policy'. The document identifies three main areas of environmental activity: the company's pro-environmental measures to reduce the consumption of materials, energy, water and fuels and the environmental education of customers, contractors and employees, as well as its approach to investment financing. Since 2011, the Group has reported information on its environmental impact, including data on greenhouse gas emissions. For the next few years, the Bank has set targets for reducing its greenhouse gas emissions and achieving climate neutrality.

### **OUR PEOPLE'23 employee volunteering programme: SAVE THE PLANET**

In 2023, the Our People volunteering programme, run by the Bank and the Bank Millennium Foundation, was focused on protecting the planet. As every year, it consisted of a sports section, during which employees raised funds for environmental projects through sporting activities. A total of 1508 people were involved, covering a total of 311444 km, saving 71 tonnes of carbon dioxide. The campaign promoted ecological values but also encouraged a healthy and active lifestyle.

In the framework of eco-volunteering, 26 eco-initiatives were carried out by over 217 volunteers. Eco-initiatives required a personal commitment to the work, openness to the local community, planning for the long-term impact of the performed activities, using recycled materials and raw materials, and minimising purchases. The campaign created an ideal space for pro-environmental, creative and charitable ideas. As a result, each initiative was unique. The teams of volunteers approached the topic of the protection of our planet in different ways, which only confirmed how widely understood the concept is.



## **Cooperation with WWF**

As part of its partnership with WWF Polska, in 2023 Bank Millennium updated the WWF Millennium Mastercard credit card. Presented on International Earth Day in April, the card featured a new image of the lynx - the largest representative of the cat family in Europe, which has been under strict species protection in Poland since 1995. For each issued master card, the bank donates PLN 50 to WWF Poland. In 2023, activities focused on animal and climate protection issues. As part of the cooperation, Bank Millennium donated funds to WWF Poland for statutory activities supporting nature conservation. WWF experts have been involved with Bank Millennium employees in a number of initiatives including preparing a webinar on smart ways to save our planet. Building on this cooperation, a series of educational articles for employees was published in Millennium World. Bank Millennium has supported WWF Poland for over 10 years.

## **Millennium Eco-Index**

The Bank has released a new Millennium Eco-index report: the eco-innovation potential of regions. This is a Bank Millennium corporate summary report developed in collaboration with content partners: The Patent Office of the Republic of Poland, the AGH University of Science and Technology in Kraków and the Warsaw School of Economics. The report aims to continue the discussion initiated in 2022 on the scale and pace of the regions' involvement in Poland's green transformation. The report can also serve as a tool to support the implementation of the goals of the sustainable development strategy of the voivodeships by, among others, identifying and indicating their strengths and weaknesses in the area of green transformation, as well as supporting cooperation in this field. In this year's edition of the report, the authors pay particular attention to issues related to the closed-loop economy. Conceptual work has begun on including variables reflecting this area in future updates of the Millennium Eco Index. According to the authors, their inclusion in the range of variables may affect the results of the report.

## **6. Sustainable business**

In July 2023, Bank Millennium joined the United Nations Global Compact ("UNCG") as a direct participant. The UNCG is the world's largest UN initiative actively advocating sustainable business. Joining the UNCG signifies a commitment to adhere to and implement the Ten Principles of the United Nations Global Compact, covering four key areas, including human rights, labour standards, environment, and anti-corruption. The Bank's accession to the UNCG is another very important step towards achieving the UN Sustainable Development Goals to the fullest extent possible.

## **7. Reporting of ESG activities**

The information presented above, regarding the Bank's implementation of corporate social responsibility principles, is included in the ESG Report, which forms an integral part of the 2023 Bank Millennium Report.

The Supervisory Board assesses the Bank's social, sponsorship and educational campaigns as rational and socially useful, representing not only direct financial support for ongoing projects but also making a positive contribution to the development of culture, education, the economy

and environmental protection. The Supervisory Board is of the view that such an attitude creates a positive image and builds confidence in the Bank as a financial institution, implementing the principles of the sustainable development.

**6. Information on the extent to which the diversity policy has been implemented in relation to the Management and Supervisory Board, including the achievement of diversity objectives in areas such as gender, field of study, specialist knowledge, age and professional experience**

The composition of the Management Board was diverse in terms of, age, education and work experience. The professional CVs of the Supervisory Board members are posted on the Bank's website. The composition of the Management Board is not gender-differentiated; however, the selection of the Board Members was primarily guided by the high competence of the candidates, and their extensive knowledge and experience in banking.

In terms of diversity, the Bank will strive to ensure a higher proportion of women in the structure of the governing bodies of both the Supervisory Board and the Management Board, aiming to achieve a minimum of 30% underrepresented gender.

The Bank is introducing a rule that, for each new vacancy on the Management Board and Supervisory Board, it will ensure that at least 30% of the candidates on the final shortlist are women.

In the absence of an internal candidate for the Management Board, the Bank will seek an external candidate.

The composition of the Supervisory Board was diverse in terms of gender, age, education and work experience. The professional CVs of the Supervisory Board members are posted on the Bank's website.

Male and female members of the Supervisory Board receive the same monthly remuneration for their work on the Board regardless of the number of meetings. The chairperson's remuneration is higher than that of Supervisory Board members. In addition, participation in board committees is remunerated per meeting.

**7. Results of the evaluation of the combined Management Report on the activities of Bank Millennium S.A. and the Bank Millennium S.A. Capital Group, the combined ESG report of Bank Millennium S.A. and the Bank Millennium S.A. Capital Group and the financial reports of Bank Millennium S.A. and the Bank Millennium S.A. Capital Group for the financial year 2023**

Pursuant to art. 382 § 3 of the Code of Commercial Companies, § 17 sec. 3 of the Bank's Articles of Association and in connection with § 70 sec. 1 point 14) and § 71 sec. 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 as well as conditions to be met when recognising as equivalent the information required under laws of a state which is not a member state*, at its meeting on 28 February 2024 the Supervisory Board conducted an assessment of the following Management Board's submissions: (I) 2023 financial report of the Bank, (II) 2023 financial report of the Bank's Capital Group, (III) 2023 combined Management Board Report on activity of the Bank and the Bank's Capital Group as well as (IV) combined ESG Report of Bank Millennium S.A. and Bank Millennium S.A. Capital Group. The Supervisory Board also familiarised itself with the Deloitte

Assurance spółka z ograniczoną odpowiedzialnością auditor's opinion with respect to the 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 2023 Bank's financial report as well as the 2023 financial report of the Bank's Capital Group, and also the combined 2023 Management Board Report on activity of the Bank and the Bank's Capital Group and the combined 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's Capital Group in the financial year 2023.

The Supervisory Board recommends that the General Meeting of the Bank adopt the above-mentioned documents in the version submitted by the Management Board, together with the auditor's opinion and the comfort letter.

#### **8. The outcome of the evaluation of the Management Board's proposal for the distribution of profit for the financial year 2023**

Acting under Article 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 held on 28 February 2024, evaluated the proposal of the Bank's Management Board ("the Proposal") regarding the distribution of the Bank's profit of PLN 510 259 398,40 by allocating it to reserve capital.

Following the evaluation, the Supervisory Board concluded that the Management Board's proposal was well-grounded.

The Supervisory Board recommended that the General Meeting approve the Management Board's proposal in question.

#### **9. Assessment of the situation of Bank Millennium S.A. in 2023, including an assessment of the internal control system, risk management system, compliance assurance and internal audit function. This assessment includes an evaluation of the Bank's standing taking into account the adequacy and effectiveness of the Bank's systems of internal control, risk management, compliance with standards or applicable practices and internal audit under Article 382 § 3<sup>1</sup> point 2 of the Commercial Companies Code.**

This part of the Report constitutes the Supervisory Board's assessment of the Bank's standing concerning the requirements of Principle 3.1. of Good Practice. This assessment includes an evaluation of the Bank's standing taking into account the adequacy and effectiveness of the Bank's systems of internal control, risk management, compliance with standards or applicable practices and internal audit under Article 382 § 3<sup>1</sup> point 2 of the Commercial Companies Code.

Supervisory Board, also through the Board Committees including the Audit and Risk Committee monitors, on an ongoing basis, the quality of risk management, compliance, the internal control system and the due fulfilment of its functions by the Internal Audit Department, as well as the Bank's information policy by, inter alia, approving the relevant internal regulations, plans and strategies, thoroughly analysing the submitted reports and information and carrying out appropriate reviews and audits.

Taking into account the performed supervisory activities, including based on the opinions of the Audit Committee and the Risk Committee, provided for in, among others the Committees' Activity Reports, the Supervisory Board concludes that:

- the components of the Internal Control System (the Control Function, the Compliance Department and the Internal Audit Department) present an adequate capacity to identify possible irregularities and weaknesses in the banking processes and ensure that the identified problems are properly managed in terms of continuous and systematic improvement of the control mechanisms in place. Further, the evaluation criteria adopted for the Internal Control System confirm the assessment of the adequacy and effectiveness of this process at a satisfactory level;
- the system for managing all risks, both financial and non-financial, includes components such as risk identification, measurement, control and monitoring and reporting. The methods and frequency of tasks within the above components of the risk management process are adapted to the size and risk profile of the Bank and enable the Board to be adequately informed of changes in the size and risk profile. The Bank's risk measurement and estimation methods take into account both the Bank's current and planned activities. In the risk measurement process, the Bank uses, among others, stress tests and risk control is carried out based on a system of limits adapted to the size and profile of the risks present in the Bank. As part of risk control, the Bank defines the procedures to be followed when limits are exceeded as well as measures to eliminate overruns and corrective measures;
- The Bank pursues a transparent information policy towards all shareholders, investors, media, clients and other stakeholders, and the scope of information disclosed by the Bank meets the requirements of the Banking Law, the Commercial Companies and Partnerships Code, the Public Offering and Financial Instruments Trading Acts, the Market Abuse Regulation (MAR) of the European Parliament and of the Council and other specific regulations applicable to financial institutions and public companies listed on the WSE. In pursuing its information policy, the Bank, as a public company and a supervised institution, also complies with the law on confidentiality and protection of information; the Bank's information policy also complies 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 standing, taking into account the adequacy and effectiveness of the Bank's systems for internal control, risk management, compliance with standards or applicable practices and internal audit (under Article 382 § 3<sup>1</sup> point 2 of the Commercial Companies Code). The Supervisory Board concluded on the adequacy and effectiveness of the Bank's systems for internal control, risk management, compliance with standards and applicable practices and internal audit, positively assessing the Bank's standing taking into account the aforementioned conditions.

Notwithstanding the above, the Supervisory Board, to make a sound assessment of the Bank's situation in the reporting period covering the year 2023, familiarised itself with and subjected to a thorough analysis of, inter alia, the parameters and factors listed below, relating to the core areas of the Bank's and the Bank's Group's operations, while bearing in mind the extraordinary macroeconomic events affecting the entire banking sector in Poland.

2023 saw strong growth in core business, with many of the targets originally set for 2024 being achieved ahead of schedule (see the 2022-2024 strategy progress section for details). Of these, the number of active customers exceeding 3 million (an increase in the number of customers by 300 thousand or 11% since the end of 2021) and the share of active users of digital channels at over 90% (84% at the end of 2021) are particularly noteworthy.

The Bank/Group's capital position improved significantly in 2023. The Group's T1 capital ratio was 14.7% for 2023 (solo bank: 15.4%) 489 bps above the required minimum level (solo bank: 555 bps). The improvement of this ratio by 345 bps, i.e. 31%, during 2023 through organic capital generation was significant and probably unprecedented on the Polish market.

In addition, the Bank met the MREL requirements at the end of 2023 and expects its MREL requirements to decrease in the future, reflecting the previously communicated reduction in the P2R buffer. According to the letter received in December 2023 from the Bank Guarantee Fund ("BFG"), taking into account the updated level of the Additional Capital Requirement (P2R), the target updated MREL-TREA for the Bank would be 18.03% of the TREA, respectively, subject to the minimum subordination requirement, while the target MREL-TEM would be 5.91% respectively with the minimum subordination requirement. In accordance with the above-mentioned letter, the BFG will propose the above-mentioned MREL levels as part of the joint decision-making process in the 2023/24 planning cycle.

**Key financial indicators/operating results in 2023 were as follows:**

- **NII adjusted for the final adjustment of the cost of credit holidays in 4Q2023 increased 13% y/y** benefitting from a combination of larger pool of interest earning assets (IEA) which grew 19% y/y and higher interest rates (average 3M WIBOR at 6.53% vs. 6.03% in 2022), though the impact of the latter started to fade in 4Q23 with 3M WIBOR falling 74bps; in contrast, costs of MREL bonds and securitisation transactions were weighing down on NII in the period;
- **NIM widened to 460bp from 443bp in 2022** benefitting chiefly from a combination of the abovementioned higher market interest rates with changes in loan mix; after reaching an all-time quarterly high of 485bp in 3Q2023, the improvement started to dissipate with NIM contraction particularly visible in 4Q2023;
- **inflationary pressures on costs remained high** with 2023 opex w/o BFG and IPS up 13% y/y; nonetheless 2023 reported C/I ratio without credit holidays impact dropped to 30% vs. 39% in 2022 overall; legal costs related to FX-mortgage book were a higher-than-usual burden on the results more than doubling to PLN286 million; the continued digitalisation of our business (digital customers: over 2.7mn, up 7% y/y, number of active mobile customers: 2.5mn, up 10% y/y) was complemented by the ongoing optimisation of the physical distribution network (own branches down by 32 units or 8% during the year; employment remained stable with the number of active employees down 5 since YE22);
- **loan portfolio shrunk 4% y/y** (both net and gross) with trends in FX-mortgage portfolio (down 56% y/y q on a reported basis) remaining the key decisive factor; net/gross loan book w/o FX-mortgages marginally increased (+1% y/y); FX-mortgages (reported basis) continued to shrink fast on a combination of FX movements, repayments, provisioning (in line with IFRS9 most of legal risk provisions are booked against gross value of loans under court proceedings), write-downs and amicable settlements; as a result, the share of all FX-mortgages in total gross loans decreased to 4.1% (BM originated only: 3.6%) at YE23 from 8.9% (8.1%) in the same period last year;
- **non-mortgage net retail portfolio was up 7% y/y** (origination of cash loans reached PLN6.3bn, up 16% y/y, in 2023 overall); BM's market share in origination of cash loans at 10.5% in 2023 overall, slightly above the 10.4% in 2022;

- **origination (disbursements) of PLN mortgages in 2023 totalled PLN4.8bn** and remained significantly (26%) below the level in the preceding year; however **4Q2023 brought a significant improvement** (up 32% q/q to nearly PLN1.7bn, the highest level since 3Q2022); BM's market share in originations stood at 8.2% in 2023 vs. 12.8% in 2022 respectively;
- **FX-mortgage and non-recurrent items adjusted 2023 net profit nearing PLN3bn**  
Excluding all FX-mortgage related costs (PLN3,540 million pre-tax / PLN3,338 million after tax), adjusting for gains on the bancassurance agreement (PLN652 million pre-tax, PLN528 million after tax) and adding hypothetical bank tax (PLN400 million), the BM Group would post 2023 net profit of PLN2,993 million vs. adjusted 2022 net profit of PLN2,239 million.
- **customer deposits increased by 9% y/y with retail deposits growing by 11% y/y** and corporate deposits by 5% y/y, in line with market trends; the share of term deposits increased to 36% at the end of 2023 from 33% at the end of the previous year; the Bank's liquidity remained at a very comfortable level with the Loans/Deposits ratio further decreasing to below 69%;
- Assets managed by both Millennium TFI and external funds grew significantly; at the level of over PLN 8.1 billion, they increased +26% y/y;

The FX mortgage loan portfolio and related costs continued to weigh heavily on the results of core operations

#### **FX-mortgage and non-recurrent items adjusted 2023 net profit nearing PLN3bn**

Excluding all FX-mortgage related costs (PLN3,540 million pre-tax / PLN3,338 million after tax), adjusting for gains on the bancassurance agreement (PLN652 million pre-tax, PLN528 million after tax) and adding hypothetical bank tax (PLN400 million), the BM Group would post 2023 net profit of PLN2,993 million vs. adjusted 2022 net profit of PLN 2,239 million.

In September 2023, the Bank complied with the interim and final requirements of MREL, in particular as a result of the issue of 500 mln EUR senior non-preferred bonds under the EMTN Programme and the execution of a leasing securitisation transaction in July 2023. In addition, in December 2023, the Bank carried out a cash loan securitisation transaction.

Bank Millennium was named the best bank in Poland. In the Best Bank Awards 2023 organised by the renowned Global Finance magazine, Bank Millennium was hailed Best Bank in Poland. The winners of this year's Global Finance Awards are banks that have listened carefully to the needs of their clients in difficult markets and have performed well, laying the foundations for future success. The winning organisations prudently managed their assets and liabilities, taking into account scenarios of rapidly changing interest rates.

- Winning the Golden Banker 2023, the Bank's activities for sustainable development and making them an integral part of its business strategy have once again been appreciated with the CSR Golden Leaf Award from Polityka Weekly. According to the organisers of the ranking, Bank Millennium is a bank at the absolute top, and the award was given for its persistent and systematic work on the continuous improvement of the service. Bank Millennium was on the podium in all categories making up the main prize and was best in two.
- 2nd place in the ranking of the best employers in the category of banking and financial services by Forbes and Statista Poland's Best Employers 2023.
- Service Quality Star.

- Bank Millennium's mobile app has been named the best in Poland. 1st place of the team of economists in the Refinitiv ranking.
- Millennium as the best digital bank in Poland and the winner in 8 other categories according to Global Finance. The bank was awarded the Best Consumer Digital Bank in Poland for 2023 in a competition organised by Global Finance. Bank Millennium was hailed as the best bank for SMEs in Poland, as well as the bank with the best User Experience (The Best Consumer User Experience (UX) Design) and the Best Integrated Corporate Banking Platform in Central and Eastern Europe.
- Bank Millennium employees triumphed in the prestigious Polish Contact Centre Awards. We won as many as 6 awards in the Customer Communication section of the competition organised by the Polish Marketing Association SMB. Bank Millennium was the winner of this year's edition of 'Newsweek's' Friendly Bank ranking, winning in both ranking categories - 'Bank for Mr. Kowalski' and 'Remote Banking'.
- Bank Millennium has been included in this year's Financial Times Diversity Leaders Ranking. Bank Millennium was ranked 262nd on the list with an index of 73.36 points. Bank Millennium is ranked sixth among Polish companies, but against the backdrop of the domestic banking sector, we are the best. Banco Comercial Portugues has entered the international Bloomberg Gender-Equality Index for the fourth time in a row. In 2023, it achieved its best result to date.
- Bank Millennium is in the top ten of the 17th edition of the Responsible Companies Ranking.
- Bank Millennium awarded the title of European Climate Leader 2023.
- Bank Millennium came second in the Forbes "Company Friendly Bank" ranking, moving up a further two positions compared to last year.
- Bank Millennium has been hailed as the best bank for digital solutions in Poland. The distinction was awarded in this year's ranking developed by the editors of Euromoney magazine.
- Bank Millennium was ranked 25th among all banks included in the World's Most Trustworthy Companies 2023 ranking.
- The UN Global Compact Network Poland (UN GCNP) has honoured Bank Millennium for its sustainability efforts. Bank Millennium received a distinction from the UN GCNP in recognition of its commitment to climate protection efforts and promoting sustainable development for the benefit of future generations.
- In this year's edition of the SRP European Awards 2023 - the prestigious international competition for the structured products industry, we won 1st place in the Best Distributor in Poland category and 1st place in the Best Distributor Eastern Europe 2022 category.

At end of 2023, Bank Millennium ranked 7th among top commercial banks in Poland by total assets and deposits. The Bank's market share in total deposits was 5.6% (5.6% at end of 2022) and 5.7% (5.9%) in total loans. Bank Millennium Group had a relatively stronger position in the household segment (loans at 8.1% vs. 8.2% at YE22, deposits unchanged at 6.8%), in particular in PLN mortgage loans segment (9.1% vs. 8.6%), non-mortgage loans (9.1% vs. 8.8%) or transactions made with cards (8.1% in September '23 vs. 8.0% in 2022). In the companies' segment, where the Group has a lower share than in the retail segment (3.9% in deposits and 3.7% in loans), the Group maintains a traditionally above-average position in factoring products (c.5.7% in September'23). The Group continues to distribute its products and services via a network of 612 outlets (own branches and franchise ones), as well as through electronic channels, including cash machines, the Internet, phone and mobile apps.

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 Council's opinion, the Bank's situation is stable and the above-mentioned positive factors give rise to positive forecasts for the Bank's situation in 2024.

In view of the above, the Supervisory Board concludes that in 2023 The Bank carried out activities aimed at maintaining the continuous development of Bank m.in. by undertaking a number of initiatives aimed at minimizing the impact of negative factors that dominated economic life, including through 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 continuation of the Bank's involvement in cultural, educational and social projects also deserves recognition.

After a thorough review of the financial statements for 2023 and the results of Bank Millennium S.A. and the Bank Millennium S.A. Group, achieved in complicated socio-economic conditions, the Supervisory Board assesses the financial situation of the Bank and the Group as positive, providing good prospects for further operations while maintaining high cost awareness.

**10. Evaluation of the implementation by the Bank's Management Board of the obligations referred to in Article 380<sup>1</sup> of the Commercial Companies Code (under Article 382 § 3<sup>1</sup> point 3 of the Commercial Companies Code).**

Under Article 382 § 3<sup>1</sup> point 3 of the Commercial Companies Code, the Supervisory Board also assessed the implementation by the Bank's Management Board of the obligations referred to in Article 380<sup>1</sup> of the Commercial Companies Code ("Code"), i.e. the obligations introduced as of 13 October 2022 (by an amendment to the Code) to provide the Supervisory Board with information on the activities of the Bank and the Bank's subsidiaries and related companies, including information on resolutions adopted by the Management Board and their subject matter. The supervisory Board positively assesses the fulfilment of the Management Board's duties in this regard, stating that information was submitted to the Supervisory Board in a timely and appropriate manner.

**11. Evaluation of the manner in which the Management Board prepares or forwards to the Supervisory Board the information, documents, reports or explanations requested under the procedure set out in Article 382 § 4 of the Commercial Companies Code (under Article 382 § 3<sup>1</sup> item 4 of the Commercial Companies Code).**

Under Article 382 § 3<sup>1</sup> item 4 of the Commercial Companies Code, the Supervisory Board assessed the manner in which the Management Board prepared and provided to the Supervisory Board the information, documents, reports or explanations requested under Article 382 § 4 of the Commercial Companies Code (under which, in order to perform its duties, the Supervisory Board may review all documents of the company, review the state of the company's assets and request from the Management Board, commercial proxies and persons employed in the company under a contract of employment or performing certain activities for the company on a regular basis under a contract for specific work, contract of employment, contract of mandate or any other contract of similar nature to prepare or submit any information, documents, reports or explanations concerning the company, in particular its activities or assets, and the subject of the



request may also be the information, reports or explanations in the possession of the authority or obliged person regarding subsidiaries and related companies). The Supervisory Board concludes that the responsibilities in the above regard have been properly fulfilled by the Management Board. All information, explanations and documents were provided to the Supervisory Board promptly and in the expected scope and presentation.

**12. Information on the total remuneration payable by the Bank for all examinations requested by the Supervisory Board during the 2023 financial year under the procedure set out in Article 382<sup>1</sup> of the Commercial Companies Code (under Article 382 § 3<sup>1</sup> point 5 of the Commercial Companies Code).**

Under Article 382 § 3<sup>1</sup> point 5 of the Commercial Companies Code, with regard to the information on the total remuneration payable by the Bank for all examinations requested by the Supervisory Board during the 2023 financial year in accordance with the procedure set out in Article 382<sup>1</sup> of the Commercial Companies Code (i.e. under a resolution adopted by the Supervisory Board to examine, at the Bank's expense, a specific matter relating to the Bank's business or its assets by a selected adviser who is an adviser to the Supervisory Board within the meaning of the new legislation applicable since 13.10.2022), the Supervisory Board finds that during the reporting period, resolutions on the examination of specific matters by the Supervisory Board's adviser were not adopted by the Bank's Supervisory Board and therefore no remuneration due from the Bank for such examinations was paid by the Bank.

**13. Information on the number of meetings and attendance at Supervisory Board meetings in 2023.**

In 2023, the members of the Bank's Supervisory Board allotted an appropriate amount of time to the performance of their duties. In the past year, the Bank's Supervisory Board held nine meetings and adopted 60 Resolutions. The average attendance of Supervisory Board Members at meetings was 98,15 %.

## **Summary**

Evaluating, on a reasonable basis, including taking into account the implemented improvement measures, in the Supervisory Board's opinion, the internal control system as a whole, including its components, including the risk management system and the information and communication system, effectively and appropriately respond to regulatory requirements and, being efficiently managed, are adequate to the size of the Bank and the risk exposures related to the activities carried out by the Bank and the Bank Millennium S.A. Capital Group.

The Supervisory Board, expressing its hope for the Bank's continued successful development, notes with admiration the Bank's proactive attitude, its readiness for new challenges, manifested, inter alia, in its rapid response to the changing socio-economic environment, the search for new opportunities for interaction with clients, new areas of interest for financial products and new products in response to market expectations, which testifies, inter alia, to its innovative and creative approach to possible development paths. The responsible attitude and commitment of the entire staff team and the very good cooperation with the Management Board, based on an effective and transparent flow of information, also deserve to be emphasised. The Supervisory Board hereby pays

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

Signatures of the members of the Bank's Supervisory Board.