

This report is an integral part of the Management Board Report on the activity of Bank Millennium for the 12 month period ended 31 December 2012 and Management Board Report on the activity of the Bank Millennium Capital Group for the 12 month period ended 31 December 2012.

# REPORT CONCERNING THE PRINCIPLES OF CORPORATE GOVERNANCE IN BANK MILLENNIUM IN 2012



## I. STATEMENT REGARDING PRINCIPLES OF CORPORATE GOVERNANCE APPLIED IN 2012

„Good Practices in Public Companies on WSE” adopted by the Supervisory Board of the Warsaw Stock Exchange constitute a set of Corporate Governance principles observed by Bank Millennium in 2012. Fundamental standard provided for by the above mentioned Good Practices is a principle established by the rule „comply or explain” i.e. the duty to publish information, in the form of a report, in case any of the principles described in Good Practices’ guidelines is not followed. The full wording of the Good Practice document is available at the WSE Web site [www.corp-gov.gpw.pl](http://www.corp-gov.gpw.pl) and on the Bank’s internet site.

During the reporting period of the year 2012 Bank Millennium complied with principles contained in Good Practices in full.

Maintaining high corporate governance standards is confirmed by the fact that in 2012 the Bank continued to be listed in the RESPECT Index - the first in CEE index of socially responsible companies. As on 23 January 2013, the Index included 20 companies listed on WSE and operating on the basis of the best standards in corporate governance, information policies, investor relations and standards in the area of labour and social relations as well as environment protection.

## II. AUTHORITIES OF THE BANK.

### II.1. General Meeting of Shareholders

The General Meeting of Shareholders (“GMS”) is the supreme governing body of the Bank. The General Meeting acts in accordance with generally applicable effective laws including, in particular: The Code of Commercial Companies and the Banking Law. Internal regulations providing for rules of procedure of the General Meeting of Shareholders provided for in the form of the Articles of Association and Bylaws are available at the Bank’s web site under the bookmark “About the Bank > Corporate Bodies & Governance”. These documents describe, in particular, procedures applicable to General Meeting activities and the meeting’s competence and powers and, also, indicate specific powers of shareholders to be exercised in the course of the General Meeting deliberations.

The competencies of the General Meeting include, *inter alia*, amending the Articles of Association including increasing and reduction of share capital.

As on 31 December 2012 share capital of the Bank was composed of 1.213.116.777 shares (of the nominal value of 1 PLN each). Presented below is information about shareholders in direct or indirect possession of significant blocks of shares with number of shares held by these entities, their share in the share capital and the total number of votes at the General Shareholders Meeting of the Bank. Since the Bank is a public company, the shares of which are traded on the Warsaw Stock Exchange, it does not possess detailed data concerning the composition of shareholders as at 31 December 2012.

Table 1. Composition of the shareholders of the Bank as on 31 December 2012.

Shareholder	Number of shares	% share in share capital	Number of votes	% share in votes at GMS
Banco Comercial Portugues S.A.	794 751 136	65.51	794 751 136	65.51
ING OFE	112 824 664	9.30	112 824 664	9.30

Table 2. Composition of the shareholders of the Bank as on 31 December 2011.

Shareholder	Number of shares	% share in share capital	Number of votes	% share in votes at GMS
Banco Comercial Portugues S.A.	794 751 136	65,51	794 751 136	65,51
ING OFE	61 645 799	5.08	61 645 799	5.08

Data provided in the above tables 1 and 2 were calculated in accordance with the following principles. With respect to Banco Comercial Portugues S.A the data were collected in connection with registration of shareholders eligible to take part in the General Meeting of Shareholders convened for 31 March 2011 and 20 April 2012. With respect to ING OFE the number of shares and their participation in the Bank's share capital were calculated on the basis of annual ING OFE asset structure, published as on 30 December 2011 and 31 December 2012. For the purpose of the above calculation, the average Bank's share price as at the above dates was assumed to amount to 3,71 PLN for 2011 and 4,41 PLN for 2012.

As a majority shareholder, Banco Comercial Portugues S.A. („BCP”) exercises its shareholder's rights stipulated in the Code of Commercial Companies and the Articles of Association. BCP has a corporate control over the Bank. Thanks to holding majority of vote at the General Shareholders Meeting, BCP may exert decisive impact upon the decisions about the most important corporate issues, such as amendments to the Articles of Association, issue of new shares of the Bank, reduction of the share capital of the Bank, issue of convertible bonds, payment of dividends and other actions that pursuant to the Code of Commercial Companies require simple or qualified majority at the General Shareholders Meeting. BCP has also a sufficient number of votes to appoint all the Members of the Supervisory Board, which in turn appoints Members of the Management Board. Due to the above corporate rights, BCP is able to exercise significant control over the operations of the Bank.

The Bank is not aware of any agreements concluded between shareholders regarding their mutual cooperation and the Bank is not aware of any agreements that, in future, might cause changes in proportions of shares held by existing shareholders.

The Bank's shareholders exercise their rights in the way and within the boundaries defined by effective laws, the Articles of Association of the Bank as well as the Bylaws of the General Meeting of Shareholders. Each share of the Bank entitles to one vote, however registered founding shares in the outstanding number of 62,200 are preferential in that one share entitles to two votes at GMS. Registered founding shares in total accounted for 0,0051% of the Bank's share capital and 0,0102% of the total number of votes at the General Meeting, as on 31 December 2012.

Founding shares are subject to disposal restriction i.e. their disposal subject to consent of, at least, three fourths of founders, to other founders does not result in their loss of preferential status. Disposal of registered founding shares in all other cases causes loss of their preferential status. There are no restrictions on exercising voting rights under the Bank's shares and none of the holders of securities issued by the Bank has any special controlling rights with respect to the Bank.

## II.2. Supervisory Board

The Supervisory Board exercises permanent supervision over activity of the Bank. The Supervisory Board operates under legal regulations, the Articles of Association of the Bank, resolutions of the General Meeting of Shareholders as well as the Bylaws available on the Bank's website. The competences of the Supervisory Board comprise, in particular, election and recall of the members of Management Board (with an ordinary majority of votes) and determination of their remuneration rules. The term-of-office of the Supervisory Board is 3 years. The meetings of the Supervisory Board are held at least once every quarter. The Supervisory Board adopts resolutions by a simple majority of votes with at least half of the Supervisory Board Members present. In case of a tie, the Chairman of the Supervisory Board has the deciding vote.

The Supervisory Board of the Bank is composed of at least five Members elected by the General Meeting of Shareholders, of whom at least half, including the Chairman, are of Polish nationality.

In the period from 1 January until 20 April 2012 the following persons comprised the Supervisory Board of the Bank:

1. Maciej Bednarkiewicz - Chairman,
2. Ryszard Pospieszynski - Deputy Chairman,
3. Carlos Jorge Ramalho dos Santos Ferreira - Deputy Chairman,
4. Marek Furtek - Secretary,
5. Luis Maria Franca de Castro Pereira Coutinho,
6. Vitor Manuel Lopes Fernandes,
7. Andrzej Koźmiński,
8. Nelson Ricardo Bessa Machado,
9. Antonio Manuel Palma Ramalho,
10. Marek Rocki,
11. Dariusz Rosati.

On 20 April 2012, the General Meeting of Shareholders elected the Bank Supervisory Board of the new term-of-office. The membership of the Supervisory Board was established to be composed of, at least, 11 persons. Among the Supervisory Board members, there is also Mr. Bogusław Kott subject to submission of resignation from the position of the Chairman of the Bank Management Board but not before 1 July 2013.

In addition, on the election date, Mr. Krzysztof Kwiatkowski submitted the statement to the effect that he would not draw remuneration for performance of the Bank Millennium Supervisory Board member.

In view of the above, the composition of the Supervisory Board as since 20 April 2012 was, as follows:

1. Maciej Bednarkiewicz - Chairman,
2. Nuno Manuel da Silva Amado - Deputy Chairman,
3. Marek Furtek - Secretary,
4. Miguel de Campos Pereira de Bragança,
5. Luís Maria França de Castro Pereira Coutinho,
6. Andrzej Koźmiński,
7. Krzysztof Kwiatkowski,
8. Maria da Conceição Mota Soares de Oliveira Callé Lucas,
9. Marek Rocki,
10. Dariusz Rosati,
11. Rui Manuel da Silva Teixeira.

On 12 December, Mr. Krzysztof Kwiatkowski submitted his registration from Supervisory Board membership.

The term of office of the current Supervisory Board ends on the day of General Meeting of Shareholders approving the Bank's financial report for the accounting year 2014.

Pursuant to the Bank's Articles of Association, the Bank's Supervisory Board has the right to establish standing or ad hoc committees for purpose of performing specific activities. The Standing Committees of the Supervisory Board are: (i) the Audit Committee and (ii) the Personnel Committee.

### **Audit Committee**

The Audit Committee as a standing committee of the Supervisory Board was established in 2000 year in compliance with the Act on auditors and their self-government, entities entitled to audit financial reports and on public supervision (Act on Certified Auditors). The Audit Committee must consist of at least three Members and at least one of the Members of the Audit Committee must satisfy the independence requirements and have qualifications in accounting or financial auditing. The Audit Committee meets on a regular basis (once every quarter) and in extraordinary events. It is convened by the Chairman of the Supervisory Board on his own initiative or at the request of a Member of the Supervisory Board or a Member of the Management Board. The duties of the Audit Committee include, specifically: (i) constant monitoring of the activities of the Bank's auditor and issuing opinions regarding independence of the auditor and any other relations between the auditor and the Bank; (ii) constant monitoring of the systems and processes of financial reporting and risk management of the Bank; and (iii) evaluation and monitoring of internal procedures for accounting and auditing as well as other control systems, including acceptance and handling complaints.

Within the period from 1 January until 20 April 2012 the Audit Committee was composed of the following members:

1. Dariusz Rosati,
2. Maciej Bednarkiewicz,
3. Luis Maria Pereira Coutinho,
4. Vitor Manuel Lopes Fernandes.

From 20 April 2012, the composition of the Audit Committee was, as follows:

1. Dariusz Rosati,
2. Maciej Bednarkiewicz,
3. Luis Maria Pereira Coutinho,
4. Miguel de Campos Pereira de Bragança

Within the reporting period Mr Dariusz Rosati was the Chairman of the Audit Committee. He satisfied the independence requirements and had qualifications in accounting or financial review in accordance with Art. 86, section 4 of the Act on Certified Auditors.

### **Personnel Committee**

The Personnel Committee as a standing committee of the Supervisory Board was established in 2000 year. The duties of the Personnel Committee include in particular: (i) evaluation of the candidates for Members of the Management Board; (ii) establishment of the terms of employment of the newly appointed Members of the Management Board; (iii) negotiation of changes to the terms of employment of the Members of the Management Board; (iv) determination of evaluation criteria for the Members of the Management Board and establishment of their annual bonuses; and (v) establishment of the terms of employment of the Members of the Management Board.

Within the period from 1 January until 20 April 2012 the Personnel Committee was composed of the following members:

1. Maciej Bednarkiewicz,
2. Carlos Jorge Ramalho dos Santos Ferreira,
3. Luis Maria Pereira Coutinho,
4. Marek Furtek.

From 20 April 2012 the composition of the Personnel Committee was, as follows:

1. Maciej Bednarkiewicz,
2. Nuno Manuel da Silva Amado
3. Luis Maria Pereira Coutinho,
4. Marek Furtek.

In execution of the effective Resolution of the General Meeting of Shareholders in the matter of determination of remuneration for Members of the Supervisory Board, the Personnel Committee of the Supervisory Board defined the levels of remuneration for participation in the work of the Supervisory Board on the basis of a percentage of the average monthly salary in the enterprise sector (base rate). The amount shall be paid for each meeting of the Supervisory Board at the end of the month.

For participation in the work of Standing Committees of the Supervisory Board (Personnel Committee and Audit Committee) their Members shall receive remuneration in the month, in which the Committee meeting was held. This remuneration shall also be defined as a percentage of the monthly salary in the enterprise sector.

Furthermore, the Chairman of the Supervisory Board, with respect to performance of individual supervision of legal aspects of the Bank's operation, the Secretary of the Supervisory Board, with respect of performance of individual supervision of execution of the Supervisory Board resolutions and recommendations and the Chairman of the Audit Committee with respect of performance of individual supervision in the area of Internal Audit are also entitled to receive specific monthly amounts linked with the base rate.

#### Remuneration paid out to the members of the Supervisory Board in 2012 (in thous. PLN)

Name and Surname	Remunerations for 2012	Benefits	Total
Bednarkiewicz Maciej	475.8	0.0	475.8
Carlos Jorge Ramalho dos Santos Ferreira*	20.9	0.0	20.9
Pospieszynski Ryszard*	220.9	0.0	220.9
Furtek Marek	338.0	0.0	338.0
Luis Maria Pereira Coutinho	150.7	0.0	150.7
Vitor Manuel Lopes Fernandes*	27.8	0.0	27.8
Kozmiński Andrzej	69.8	0.0	69.8
Krzysztof Kwiatkowski***	0.0	0.0	0.0
Nelson Ricardo Bessa Machado*	18.6	0.0	18.6
Antonio Manuel Palma Ramalho*	18.6	0.0	18.6
Rocki Marek	69.8	0.0	69.8
Rosati Dariusz	282.6	0.0	282.6
Nuno Manuel Da Silva Amado**	92.2	0.0	92.2
Miguel De Campos Pereira De Braganca**	92.2	0.0	92.2
Maria Da Conceicao Mota Da Soares Oliveira Calle Lucas**	51.2	0.0	51.2

Rui Manuel Da Silva Teixeira**	51.2	0.0	51.2
<b>Total:</b>	<b>1 980.1</b>	<b>0.0</b>	<b>1 980.1</b>

\* till 20.04.2012 \*\* from 20.04.2012

\*\*\* On 12 December 2012, Mr. Krzysztof Kwiatkowski submitted his resignation from position of a member of the Supervisory Board due to his additional professional plans.

In 2012 Supervisory Board Members did not receive any remunerations or additional benefits from the Bank's subsidiaries.

#### Bank shares held by members of the Supervisory Board (performing their functions on 31 December 2012)

Name and Surname	Function	No. of shares, as on 31.12.2012	No. of shares, as on 31.12.2011
Maciej Bednarkiewicz	Chairman of the Supervisory Board	134	134
Nuno Manuel da Silva Amado	Deputy Chairman of the Supervisory Board	0	0
Marek Furtek	Secretary of the Supervisory Board	1	1
Miguel de Campos Pereira de Bragança	Supervisory Board Member	0	-
Luís Maria França de Castro Pereira Coutinho	Supervisory Board Member	0	0
Andrzej Koźmiński	Supervisory Board Member	0	0
Maria da Conceição Mota Soares de Oliveira Callé Lucas	Supervisory Board Member	0	-
Marek Rocki	Supervisory Board Member	0	0
Dariusz Rosati	Supervisory Board Member	0	0
Rui Manuel da Silva Teixeira	Supervisory Board Member	0	-

### II.3. Bank Management Board

The Management Board is the executive authority of the Bank and manages the entirety of the Bank's operations. The Management Board operates pursuant to the Code of Commercial Companies as well as effective laws, the Bank's Articles of Association, resolutions of the General Meeting and the Supervisory Board as well as provisions of the Bylaws of Management Board operations adopted by the Supervisory Board, as available on the Bank's website. The competences of the Management Board include all matters that are not restricted to other authorities of the Bank.

The Management Board takes decisions in the form of resolutions. Resolutions of the Management Board are adopted by an absolute majority of votes present at the Management Board meeting, except for resolutions on the appointment of a registered proxy, which require the unanimous consent of the Members of the Management Board. In case of a tie, the Chairman of the Management Board has the casting vote. Resolutions of the Management Board may be adopted if at least half of the Management Board Members are present.

Representations of will on behalf of the Bank are made by: (i) the Chairman of the Management Board individually; (ii) two Members of the Management Board acting jointly or one Member of the Management Board acting jointly with a registered proxy or two registered proxies acting jointly; or (iii) attorneys-in-fact acting individually or jointly within the scope of the power of attorney granted thereto. Mr Jerzy Andrzejewicz holds powers of joint proxy. Attorneys-in-fact operating independently within the limits of their authorisation may be appointed to perform actions of a specified type.

The Management Board is composed of a minimum of three Members, of whom at least half have Polish nationality. The Management Board is appointed by the Supervisory Board. The term-of-office of the Management Board is 3 years. A Member of the Bank's Management Board may be recalled by the Supervisory Board at any time.

The Bank Management Board, during the period from 1 January until 20 April 2012, was composed of the following persons:

1. Bogusław Kott - Chairman of the Management Board,
2. Joao Nuno Lima Bras Jorge - Deputy Chairman of the Management Board,
3. Fernando Maria Cardoso Rodrigues Bicho - Member of the Management Board,
4. Julianna Boniuk-Gorzelańczyk - Member of the Management Board,
5. Maria Jose Henriques Barreto De Matos De Campos - Member of the Management Board,
6. Andrzej Gliński - Member of the Management Board,
7. Wojciech Haase - Member of the Management Board,
8. Artur Klimczak - Member of the Management Board.

On 20 April 2012, the Supervisory Board elected the Management Board for the new term of office and, therefore, since 20 April 2012 the Management Board is composed of the following members:

1. Bogusław Kott - Chairman of the Management Board,
2. Joao Nuno Lima Bras Jorge - First Deputy Chairman of the Management Board,
3. Fernando Maria Cardoso Rodrigues Bicho - Deputy Chairman of the Management Board,
4. Artur Klimczak - Deputy Chairman of the Management Board,
5. Julianna Boniuk-Gorzelańczyk - Member of the Management Board,
6. Wojciech Haase - Member of the Management Board,
7. Andrzej Gliński - Member of the Management Board,
8. Maria Jose Henriques Barreto De Matos De Campos - Member of the Management Board.

Determination of the terms and conditions of contracts and remuneration of the Management Board Members falls under powers of the Supervisory Board. The Personnel Committee of the Supervisory Board considers cases relative to principles of compensation and levels of remuneration for the Management Board Members.

The remuneration of the Members of the Management Board consists of a fixed and a variable part. The fixed part is the base salary defined as a fixed amount for each Member of the Management Board. The variable part may comprise an annual bonus, which depends on the Bank's performance compared to the yearly budget and to the performance of peer banks and an individual evaluation of a Member of the Management Board by the Personnel Committee.

The total remuneration of all Members of the Management Board paid in 2012 was PLN 16 622,4 thous. The said amount includes remuneration, annual bonus for 2010 and 2011 in the amount of PLN 4 875,0 thous. and additional benefits. A provision of PLN 11 533,1 thous. was established for payment of the 2012 bonus. In 2012, the Management Board Members did not receive any remuneration or any additional benefits for performance of their functions in subsidiaries.



## Remuneration, bonuses or benefits paid out to Members of the Management Board in 2012 (in thous. PLN)

Name and Surname	Remuneration for 2012 and annual bonus for 2010 and 2011	Benefits	Total
Bogusław Kott	2 709.3	3.8	2 713.2
Joao Bras Jorge	2 228.7	1 148.5	3 377.2
Fernando Bicho	1 780.5	40.1	1 820.6
Artur Klimczak	2 118.5	0.3	2 118.8
Julianna Boniuk-Gorzelańczyk	1 659.3	3.8	1 663.2
Wojciech Haase	1 659.3	3.8	1 663.2
Andrzej Gliński	1 559.3	3.8	1 563.2
Maria Jose Campos	1 309.3	393.8	1 703.1
<b>Total:</b>	<b>15 024.3</b>	<b>1 598.1</b>	<b>16 622.4</b>

## Bank shares held by Members of the Management Board (performing their functions on 31 December 2012)

Name and Surname	Function	No. of shares, as on 31.12.2012	No. of shares, as on 31.12.2011
Bogusław Kott	Chairman of the Management Board	4 465 791	4 465 791
Joao Bras Jorge	First Deputy Chairman of the Management Board	0	0
Fernando Bicho	Deputy Chairman of the Management Board	0	0
Artur Klimczak	Deputy Chairman of the Management Board	0	0
Julianna Boniuk-Gorzelańczyk	Management Board Member	492 248	492 248
Wojciech Haase	Management Board Member	7 494	7 494
Andrzej Gliński	Management Board Member	0	0
Maria Jose Campos	Management Board Member	0	0
Jerzy Andrzejewicz	Proxy	6 260	6 260

### III. FEATURES OF THE INTERNAL CONTROL SYSTEM RELATIVE TO FINANCIAL REPORT PREPARATION PROCESS.

The internal control system, introduced by the Bank Management Board and incorporating the financial report preparation process, was designed to facilitate controlling of process risk while maintaining appropriate supervision of correctness of gathering, processing and presentation of data necessary for preparation of financial reports in keeping with effective laws.

According to effective laws, the Bank's reports (non-consolidated) and those of the Bank Capital Group (consolidated) are subject to, respectively: review (semi-annual statements) or audit (annual statements), performed by an independent entity authorised to audit financial statements - i.e. an external Auditor. The External Auditor is selected by the Supervisory Board on the basis of recommendation issued by the Audit Committee of the Supervisory Board. In addition, considering quality of financial data presented in remaining, published, quarterly reports, the Bank, jointly with the External Auditor implemented cooperation procedures ensuring consultation of important issues connected with recognition of economic events in the Bank accounts and financial reports, on the current basis. At the meetings of the Audit Committee of the Supervisory Board, the External Auditor presents key findings relative to financial reporting. Furthermore, an external auditing firm and advisor selected, independently, by the Management Board i.e. company Deloitte Audyt Spółka z o.o. also performed, last year, review of adequacy and effectiveness of a part of the Bank's internal control system supporting the financial information preparation and publication process (financial reporting) and issued relevant opinions. In 2012, the Bank's External Auditor was KPMG Audyt Spółka z ograniczoną odpowiedzialnością Spółka Komandytowa (in previous years: KPMG Audyt Sp. z o.o.). The Supervisory Board decided, in January 2012, for the KPMG Audyt Spółka z ograniczoną odpowiedzialnością Spółka Komandytowa to remain the Bank's External Auditor in 2012 and 2013.

The Bank is subject to the consolidated financial statement of the Bank Millennium BCP Group. Therefore, the accepted rule is that a change of the entity authorized to audit financial statements shall be made taking into account the corporate recommendations to maintain the same external auditor at the level of the whole Group, while fulfilling the necessary requirements of appropriate selection of an entity authorized to audit financial reports in accordance with Article. 89 of the Act of 7 May 2009 on statutory auditors and their self-government, entities authorized to audit financial statements and public supervision (J. L. of 2009, No. 77, item 649).

The Bank's internal control system is adjusted to the Bank's organisational structure and incorporates Head Office units, Bank branches and subsidiaries. Within the system, functional control mechanisms (preventive, detection and corrective mechanisms), as described in the Bank's internal regulations, were implemented. In the area of functional control, a specialist unit was specified - the Internal Audit Department - to perform independent and objective evaluation of adequacy, correctness and effectiveness of the systems in place i.e. internal control and management including risk management. Solutions described above to significant extent protect the Bank against financial reporting errors and provide the Bank Management with information ensuring evaluation of correctness, efficiency and security of preparation of financial reports also in order to ensure the highest possible effectiveness in managing identified risks accompanying the process.

Results of review of the internal control system are regularly presented and reviewed by the Audit Committee of the Supervisory Board of the Bank.

**SIGNATURES:**

<b>Date</b>	<b>Name and Surname</b>	<b>Position/function</b>	<b>Signature</b>
27.02.2013	Bogusław Kott	Chairman of the Management Board	.....
27.02.2013	Joao Bras Jorge	First Deputy Chairman of the Management Board	.....
27.02.2013	Fernando Bicho	Deputy Chairman of the Management Board	.....
27.02.2013	Artur Klimczak	Deputy Chairman of the Management Board	.....
27.02.2013	Julianna Boniuk-Gorzelańczyk	Member of the Management Board	.....
27.02.2013	Wojciech Haase	Member of the Management Board	.....□.....
27.02.2013	Andrzej Gliński	Member of the Management Board	.....□.....
27.02.2013	Maria Jose Campos	Member of the Management Board	.....