

Attachment to the Current Report No 15/2020

Draft of resolutions of the Ordinary General Meeting of 4 June 2020

Draft Resolution to Item 2 of the Agenda of the Ordinary General Meeting held on 4 June 2020

**Resolution No 1/2020
of the Ordinary General Meeting
of the Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020**

concerning election of Chairman the Ordinary General Meeting

Ordinary General Meeting appoints to be a Chairman of the Ordinary General Meeting.

Draft Resolution to Item 4 of the Agenda of the Ordinary General Meeting held on 4 June 2020

**Resolution No 2/2020
of the Ordinary General Meeting
of the Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020**

concerning approval of the Agenda

The Ordinary General Meeting approves the Agenda of the Ordinary General Meeting.

Draft Resolution to Item 5 Sub-point 1) of the Agenda of the Ordinary General Meeting held on 4 June 2020

**RESOLUTION No. 3/2020
of the Ordinary General Meeting
of the Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020**

concerning consideration and approval of the annual financial statements of Bank for the financial year ended 31 December 2019

Pursuant to Article 395 § 2 Item 1) of the Commercial Companies Code and § 9 Section 1 Item 1 of the Bank's Articles of Association, the Ordinary General Meeting of Bank Handlowy w Warszawie S.A., having considered the annual financial statements of Bank Handlowy w Warszawie S.A. for the financial year ended 31 December 2019, has resolved to approve the annual financial statements of Bank Handlowy w Warszawie S.A. for the financial year ended 31 December 2019 comprising:

- a) statement of financial position prepared as at 31 December 2019 showing a balance sheet total of PLN 51,897,712 thousand;
- b) income statement for the year 2019 showing a net profit of PLN 478,802 thousand;
- c) statement of comprehensive income for the year 2019 showing a total comprehensive income of PLN 505,318 thousand;
- d) statement of changes in equity for the year 2019 showing an equity balance of PLN 7,023,703 thousand;
- e) cash flow statement for the year 2019 showing a net cash balance of PLN 3,796,804 thousand;
- f) additional information and explanatory notes together with the independent auditor's report on the audit of the financial statements.

*Draft Resolution to Item 5, Sub-point 2) of the
Agenda of the Ordinary General Meeting held on 4
June 2020*

**RESOLUTION No. 4/2020
of the Ordinary Meeting
of Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020**

**concerning consideration and approval of the annual consolidated financial statements of the
Capital Group of Bank for the financial year ended 31 December 2019**

Pursuant to Article 395 § 5 of the Commercial Companies Code in conjunction with Article 55 Paragraph 5 and Article 53 Paragraph 1 of the Accounting Act of 29 September 1994, the Ordinary General Meeting of Bank Handlowy w Warszawie S.A., having considered the annual consolidated financial statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the financial year ended 31 December 2019, has resolved to approve the annual consolidated financial statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the financial year ended 31 December 2019, comprising:

- a) consolidated statement of financial position prepared as at 31 December 2019 showing a balance sheet total of PLN 51,978,543 thousand;
- b) consolidated income statement for the year 2019 showing a net profit of PLN 480,124 thousand;
- c) consolidated statement of comprehensive income for the year 2019 showing a total comprehensive income of PLN 506,572 thousand;

- d) consolidated statement of changes in equity for the year 2019 showing an equity balance of PLN 7,074,655 thousand;
- e) consolidated cash flow statement for the year 2019 showing a net cash balance of PLN 3,796,861 thousand;
- f) additional information and explanatory notes together with the independent auditor's report on the audit of the financial statements.

*Draft Resolution to Item 5, Sub-point 3) of the
Agenda of the Ordinary General Meeting held on 4
June 2020*

**RESOLUTION No. 5/2020
of the Ordinary Meeting
of Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020**

concerning consideration and approval of the report on the activity of Bank and Capital Group of Bank

Pursuant to Article 395 § 2 Item 1) and § 5 of the Commercial Companies Code and § 9 Section 1 Item 1 of the Bank's Articles of Association, the Ordinary General Meeting of Bank Handlowy w Warszawie S.A., after consideration has resolved to approve the Report on activities of the Capital Group of Bank Handlowy w Warszawie S.A. in the year 2019 including the Report on activities of Bank Handlowy w Warszawie S.A. and together with the Report on non-financial information of Bank Handlowy w Warszawie S.A. and the Capital Group of Bank Handlowy w Warszawie S.A. for the financial year ended 31 December 2019.

*Draft Resolution to Item 5, Sub-point 4) of the
Agenda of the Ordinary General Meeting held on 4
June 2020*

**Resolution No 6/2020
of the Ordinary General Meeting
of the Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020**

on granting of approval of the performance by the member of the Bank's Management Board of duties in 2019

Pursuant to Art. 395 § 2 point 3) of the Commercial Companies Code and § 9, Section 1, Item 3 of the Bank's Articles of Association, the Ordinary General Meeting resolved to grant the approval of the performance of duties in 2019 by the President of the Management Board of the Bank Handlowy w Warszawie S.A. - Sławomir Stefan Sikora.

**Resolution No 7/2020
of the Ordinary General Meeting
of the Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020**

**on granting of approval of the performance by the member of the Bank's Management Board
of duties in 2019**

Pursuant to Art. 395 § 2 point 3) of the Commercial Companies Code and § 9, Section 1, Item 3 of the Bank's Articles of Association, the Ordinary General Meeting resolved to grant the approval of the performance of duties in 2019 by the Vice President of the Management Board of the Bank Handlowy w Warszawie S.A. – Barbara Sobala.

**Resolution No 8/2020
of the Ordinary General Meeting
of the Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020**

**on granting of approval of the performance by the member of the Bank's Management Board
of duties in 2019**

Pursuant to Art. 395 § 2 point 3) of the Commercial Companies Code and § 9, Section 1, Item 3 of the Bank's Articles of Association, the Ordinary General Meeting resolved to grant the approval of the performance of duties in 2019 by the Vice President of the Management Board of the Bank Handlowy w Warszawie S.A. – Natalia Bożek.

**Resolution No 9/2020
of the Ordinary General Meeting
of the Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020**

**on granting of approval of the performance by the member of the Bank's Management Board
of duties in 2019**

Pursuant to Art. 395 § 2 point 3) of the Commercial Companies Code and § 9, Section 1, Item 3 of the Bank's Articles of Association, the Ordinary General Meeting resolved to grant the approval of the performance of duties in 2019 by the Vice President of the Management Board of the Bank Handlowy w Warszawie S.A. – Maciej Kropidłowski.

**Resolution No 10/2020
of the Ordinary General Meeting
of the Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020**

**on granting of approval of the performance by the member of the Bank's Management Board
of duties in 2019**

Pursuant to Art. 395 § 2 point 3) of the Commercial Companies Code and § 9, Section 1, Item 3 of the Bank's Articles of Association, the Ordinary General Meeting resolved to grant the approval of the performance of duties in 2019 by the Vice President of the Management Board of the Bank Handlowy w Warszawie S.A. – David Mouillé.

**Resolution No 11/2020
of the Ordinary General Meeting
of the Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020**

**on granting of approval of the performance by the member of the Bank's Management Board
of duties in 2019**

Pursuant to Art. 395 § 2 point 3) of the Commercial Companies Code and § 9, Section 1, Item 3 of the Bank's Articles of Association, the Ordinary General Meeting resolved to grant the approval of the performance of duties in 2019 by the Vice President of the Management Board of the Bank Handlowy w Warszawie S.A. – Katarzyna Majewska.

**Resolution No 12/2020
of the Ordinary General Meeting
of the Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020**

**on granting of approval of the performance by the member of the Bank's Management Board
of duties in 2019**

Pursuant to Art. 395 § 2 point 3) of the Commercial Companies Code and § 9, Section 1, Item 3 of the Bank's Articles of Association, the Ordinary General Meeting resolved to grant the approval of the performance of duties in 2019 by the Member of the Management Board of the Bank Handlowy w Warszawie S.A. – James Foley.

*Draft Resolution to Item 5, Sub-point 5) of the
Agenda of the Ordinary General Meeting held on 4
June 2020*

**Resolution No 13/2020
of the Ordinary General Meeting
of the Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020**

on consideration and approval of the Bank Supervisory Board's report on its activity for the period of time from the date of the Bank's Ordinary General Meeting in 2019 to the date of the Bank's Ordinary General Meeting in 2020 containing: assessment of reports on activities and financial statements of the Bank and its Capital Group in year 2019, assessment of the Management Board's motion on distribution of the net profit for year 2019, reports and assessments as defined in approved for use by the Bank the Principles of Corporate

Governance for Supervised Institutions and the Best Practice for GPW Listed Companies 2016 and assessment of the functioning of the remuneration policy in the Bank

The Ordinary General Meeting:

- 1) resolved to approve the Bank Handlowy w Warszawie S.A. Supervisory Board's report on its activity for the period of time from the date of the Bank's Ordinary General Meeting in 2019 to the date of the Bank's Ordinary General Meeting in 2020 containing: assessment of reports on activities and financial statements of the Bank and its Capital Group in year 2019, assessment of the Management Board's motion on distribution of the net profit for year 2019, reports and assessments as defined in approved for use by the Bank the Principles of Corporate Governance for Supervised Institutions and the Best Practice for GPW Listed Companies 2016 and assessment of the functioning of the remuneration policy in the Bank
- 2) based on an assessment as contained in the report of the Supervisory Board states that the established remuneration policy contributes to the development and security of the operations of the Bank.

REPORT

on the activities of the Supervisory Board of Bank Handlowy w Warszawie S.A.

for the period from the date of the Annual General Meeting of Shareholders in 2019
to the date of the Annual General Meeting of Shareholders in 2020

1. Members of the Supervisory Board

1.1. In the reporting period, the Supervisory Board was composed of:

Mr. Andrzej Olechowski	Chairman of the Board	entire reporting period
Mr. Frank Mannion	Vice Chairman of the Board	entire reporting period
Mr. Shirish Apte	Member of the Board	entire reporting period
Mr. Igor Chalupiec	Member of the Board	entire reporting period
Ms. Jenny Grey	Member of the Board	entire reporting period
Mr. Marek Kapuściński	Member of the Board	entire reporting period
Mr. Marc Luet	Member of the Board	until 27 June 2019
Ms. Anna Rulkiewicz	Member of the Board	entire reporting period
Mr. Anand Selvakesari	Member of the Board	until 23 September 2019
Ms. Barbara Smalska	Member of the Board	entire reporting period
Mr. Stanisław Sołtysiński	Member of the Board	entire reporting period
Mr. Zdenek Turek	Member of the Board	from 24 September 2019
Mr. Stephen R. Volk	Member of the Board	entire reporting period

1.2. Independent Members of the Supervisory Board

In the opinion of the Supervisory Board, the Independent Members of the Supervisory Board within the meaning of the Articles of Association of the Bank are as follows:

Mr. Igor Chalupiec	Member of the Board
Mr. Marek Kapuściński	Member of the Board
Ms. Anna Rulkiewicz	Member of the Board
Ms. Barbara Smalska	Member of the Board

1.3. Evaluation of the composition of the Supervisory Board

The Supervisory Board wants to emphasize that, during the entire reporting period, it was composed of persons demonstrating the extensive knowledge of law, economics, banking, management and finance. Members of the Supervisory Board have adequate knowledge, skills and experience and their qualifications ensure due performance of its tasks resulting from applicable laws and regulations. Therefore, the composition of the Bank's Supervisory Board accommodates a broad range of competencies required to govern all material areas of the Bank's activity.

The structure of the Board, including its committees, is designed so that the Board and its committees could make the most of the expertise of its Members contributing to the accomplishment of goals and objectives assigned to the Supervisory Board.

1.4. During the reporting period, the Committees of the Supervisory Board were composed of:

1.4.1. Audit Committee

Ms. Barbara Smalska	Chairperson of the Committee	from 25 September 2019
Mr. Frank Mannion	Vice Chairman of the Committee	entire reporting period
Mr. Shirish Apte	Member of the Committee	entire reporting period
Mr. Igor Chalupiec	Member of the Committee	entire reporting period
Mr. Marek Kapuściński	Member of the Committee	entire reporting period

Ms. Anna Rulkiewicz Member of the Committee from 25 September 2019

The Supervisory Board considers the following persons to be members of the Audit Committee of the Supervisory Board of Bank Handlowy w Warszawie S.A. having knowledge and skills in accounting and audit of financial accounts:

- 1) Ms Barbara Smalska due to her professional experience: Ms Smalska was a Vice President of the Management Board of Alior Bank S.A., held various managerial positions in PZU Group and was also on supervisory boards of various insurance companies.
- 2) Mr. Shirish Apte due to the following: (i) education – he earned a diploma of Chartered Accountant from the Institute of Chartered Accountants in England and Wales and a bachelor's degree in commerce. Mr. Shirish Apte also has an MBA from London Business School; (ii) professional experience;
- 3) Mr. Frank Mannion due to the following: (i) education – he graduated from the National University of Ireland in Galway, earning a degree in commerce. He has also earned the title of Chartered Accountant; (ii) professional experience;
- 4) Mr. Igor Chalupec due to the following: (i) education – he is a graduate of the Foreign Trade Department of the Warsaw School of Economics (SGH) and of Faculty of Law and Administration of the University of Warsaw; (ii) professional experience.
- 5) Ms. Anna Rulkiewicz due to the following: (i) education – completed the Stanford Executive Program at the Stanford University's Graduate School of Business; (ii) professional experience.

The following members of the Audit Committee are independent within the meaning of Article 129(3) of the Act of 11 May 2017 on auditors, audit firms and public supervision: Mr. Igor Chalupec, Mr. Marek Kapuściński, Ms. Anna Rulkiewicz and Ms. Barbara Smalska.

1.4.2. Nomination and Remuneration Committee

Mr. Andrzej Olechowski	Chairman of the Committee	entire reporting period
Ms. Jenny Grey	Vice Chairperson of the Committee	entire reporting period
Mr. Marc Luet	Member of the Committee	until 27 June 2019
Mr. Stanisław Sołtysiński	Member of the Committee	entire reporting period
Mr. Zdenek Turek	Member of the Committee	from 25 September 2019

1.4.3. Strategy and Management Committee

Mr. Zdenek Turek	Chairman	from 25 September 2019
Mr. Stanisław Sołtysiński	Vice Chairman of the Committee	entire reporting period
Mr. Shirish Apte	Member of the Committee	entire reporting period
Mr. Igor Chalupec	Member of the Committee	entire reporting period
Ms. Jenny Grey	Member of the Committee	entire reporting period
Mr. Marek Kapuściński	Member of the Committee	entire reporting period
Mr. Gonzalo Luchetti	Member of the Committee	from 25 September 2019
Mr. Frank Mannion	Member of the Committee	entire reporting period
Mr. Marc Luet	Member of the Committee	until 27 June 2019
Mr. Andrzej Olechowski	Member of the Committee	entire reporting period
Ms. Anna Rulkiewicz	Member of the Committee	from 25 September 2019
Mr. Anand Selvakesari	Member of the Committee	until 23 September 2019
Ms. Barbara Smalska	Member of the Committee	from 25 September 2019
Mr. Stephen R. Volk	Member of the Committee	entire reporting period

1.4.4. Risk and Capital Committee

Mr. Frank Mannion	Chairman of the Committee	entire reporting period
Mr. Igor Chalupec	Vice Chairman of the Committee	entire reporting period
Mr. Marek Kapuściński	Member of the Committee	entire reporting period
Mr. Gonzalo Luchetti	Member of the Committee	from 25 September 2019
Mr. Marc Luet	Member of the Committee	until 27 June 2019
Mr. Andrzej Olechowski	Member of the Committee	entire reporting period
Mr. Anand Selvakesari	Member of the Committee	until 23 September 2019
Ms. Barbara Smalska	Member of the Committee	from 25 September 2019
Zdenek Turek	Member of the Committee	from 25 September 2019
Mr. Stephen R. Volk	Member of the Committee	entire reporting period

1.5. Meetings of the Supervisory Board and its Committees

In the reporting period, the Supervisory Board held five meetings, and its Committees: Audit Committee – 3, Risk and Capital Committee – 3, Nomination and Remuneration Committee – 5, Strategy and Management Committee – 2.

2. ASSESSMENT OF THE FINANCIAL RESULTS AND GENERAL CONDITION OF THE COMPANY

The economic growth rate in Poland decreased from 5.1% in 2018 to approximately 4.0% in 2019. The main growth contributor in 2019 was still domestic demand, however its pace declined from 5.3% in 2018 to 3.8% in 2019. Private consumption was fuelled by good labor market conditions (unemployment rate decreased from 5.8% to 5.2%) and increased transfers to households.

On the other hand, the growth of consumer goods and services prices was surprisingly disappointing. They rose 2.3% in 2019, as compared to an increase of 1.7% in 2018, with inflation visibly accelerating during the year from 0.7% in January to 3.4% in December.

Poland's good macroeconomic results translated into positive performance of the banking sector. In 2019, the net profit of the banking sector significantly improved from prior year, i.e. by 12.5%. The key driver of that growth of its net profit was an improvement in interest income, supported by rising volumes of consumer loans. On the other hand, the banking sector was exposed to increasing operating expenses in the wake of higher fees to the Bank Guarantee Fund and higher bank levy, as well as higher net impairment charges and provisions.

Operating revenues of the Bank amounted to PLN 2,190 million in 2019 and were higher by PLN 41 million (or 1.9%) as compared to 2018. This increase occurred for both net interest income and net fee and commission income, reflecting higher transactional volumes realized by clients of the Bank. Higher client activity was observed in segments in which the Bank is the leader: transactional & custody services and credit cards.

In 2019, general administrative expenses and depreciation & amortization amounted to PLN 1.19 billion and increased by PLN 34 million (i.e. 3%) from 2018. Excluding the fees to the resolution fund of the Bank Guarantee Fund, operating expenses declined by 1% year over year. With respect to its cost management strategy, the Bank was focused, on one hand, on the digitization and automation of processes, including by commercialization of the electronic platform for document exchange with clients. On the other hand, the Bank continued its investments in areas where the prospective growth of its client business is most promising. In 2019, as the first bank in Poland, Citi Handlowy launched an entirely remote and automated credit process for new retail clients based on biometric solutions.

In 2019, net credit losses increased by PLN 174 million from 2018, as a result of extraordinary events in the Commercial Banking segment. On the other hand, the risk indicators of the Bank were still better

than in the entire banking sector. The non-performing loan (NPL) ratio of the Bank was 3.3% as at the end of 2019, as compared to 5.9% in the banking sector.

For the Bank, it was another year of sustainable growth of lending. In the institutional client area, the growth rate was 10%, considerably above the market, which confirms the Bank's position as the leader of corporate banking in Poland. The key driver was securitization transactions, where the Bank's share was 80% and where the Bank is an unchallenged leader in that prospective market segment. In Consumer Bank, volumes rose by 3%. As far as the acquisition of new retail volumes is concerned, those efforts were mainly conducted via electronic channels, e.g. in the acquisition of new cash loans.

In the year 2019, the Bank earned a net profit of PLN 485.1 million, i.e. 26% lower versus prior year. An important factor behind the decline was extraordinary items connected with higher net impairment write-offs in the Commercial Bank segment and higher contributions to the resolution fund of the Bank Guarantee Fund.

The total capital ratio (TCR) of the Bank was 17.0%, i.e. significantly above the regulatory levels. The Supervisory Board believes that the level of capitals maintained by the Bank is sufficient to ensure its financial security, as well as the security of deposits entrusted to it, and to stimulate its further growth.

Since in 2020 both global and Polish economy may be affected by various risks, such as international trade restrictions, sluggish global economic growth and higher volatility in financial markets, the Supervisory Board will continue its close cooperation with the Management Board to monitor the impact of those risk factors on the situation of the Bank. Simultaneously, the Supervisory Board will monitor developments in the area of FX-denominated mortgage loans and its effect on Poland's banking sector.

Taking into consideration the financial results achieved, the safe position of the Bank, the stable capital and liquidity ratios and the consistent and coherent strategy of the Bank, the Supervisory Board's assessment of the activities of the Bank in 2019 is positive. Simultaneously, the Supervisory Board is convinced that both already started and planned initiatives will contribute to an increase in shareholder value by allowing the Bank to achieve optimal financial results and market position despite a challenging market environment.

3. ASSESSMENT OF RATIONALITY OF THE BANK'S POLICY IN THE AREA OF CORPORATE SOCIAL RESPONSIBILITY AND SPONSORING

3.1. Corporate social responsibility of the Bank

The Bank is an institution which, since the beginning of its 150-year history, has considered social and environmental aspects in its decisions and specified direction of its activity. The Bank lends its attentive ear to expectations of its business and social partners. In 1877, just a few years after it was established, Bank Handlowy vigorously opposed speculations, considering them ethically dubious. Thus, it changed the banking market at that time. Such an approach is embedded in the DNA of the Bank and is applied consistently.

The bank has identified areas of activities that are of crucial importance from the perspective of the social and natural environment and which make the foundation of the corporate social responsibility strategy for its activities. They include activities related to investments and products, safe and accessible banking services, limitation of negative environmental impacts, concern for people creating the institution, development of communities, and responsible management.

The Bank's ambition is to remain, in the long term, the leader in social responsibility among banking institutions in Poland. This commitment is appreciated by continuously placing the Bank in the Respect Index ranking organized by Giełda Papierów Wartościowych w Warszawie S.A. Since 2018 the Bank has been included in the Super Ethical Companies index of the *Puls Biznesu* daily. For many years, to a significant extent in reliance on the activity of the established corporate foundation (The Kronenberg Foundation at Citi Handlowy), the Bank has been an undisputed leader in social involvement and employee volunteering.

The Foundation's strategic objective is to create a positive social and economic change and to inspire activities in the following areas:

- Financial education and Poles' digital competencies – to increase Poles' financial security and to protect their data on the net.
- Entrepreneurship and leadership – to increase the so-called disfavored groups' or underrepresented groups', such as women, migrants, persons with disabilities, share in business.
- Employee volunteering – to evoke positive changes in local communities and to develop the sense of social responsibility among the Founder's employees as well as its business partners and clients.
- Heritage – to inspire business to create changes by telling the story of Leopold Kronenberg and of Bank Handlowy, and to promote best practices regarding the protection of the Polish cultural heritage.

In 2019, among many other initiatives, the Foundation carried out, together with the THINK! Foundation, the 11th edition of the "Poles' Attitudes towards Finance" survey. The Foundation also conducted, jointly with the SoDA Organization of IT Employers, a survey of Polish software houses, as the first such project in Poland, focused on the rapidly growing IT sector. Also in 2019, the Foundation took part in the IT for SHE program, run by the "Prospects" ("Perspektywy") Educational Foundation. IT for SHE is a coalition of international companies present on the Polish market and having a clear technological component in their activity.

The Foundation has joined programs financed by Citi Foundation: Business in Women's Hands (Network of Entrepreneurial Women), which supports women in business; Hello Entrepreneurship (Ashoka), which helps migrants develop their business competences; "Savings Week" (Think) educational program; and Shesnnovation, dedicated to female researchers from technical universities (Perspektywy).

The Foundation also followed up activities in the scope of protection of cultural heritage, the most important of which is the annual Professor Aleksander Gieysztor Award. The competition was held under the honorable patronage of Mr. Andrzej Duda, the President of the Republic of Poland. The winner of the 21st edition of the Professor Aleksander Gieysztor Award was Professor Jerzy Limon, for the initiation and creation of the Shakespeare Theatre in Gdańsk.

Within the framework of the Employee Volunteering Program, volunteers completed over 200 social projects for nearly 46,000 beneficiaries. Thus, since its kickoff, Citi employees in Poland have been involved in the program as many as 29,500 times, working more than 160,000 hours. They managed to help over 369,000 people across the whole country. In 2019, the Foundation was also vigorously developing volunteering activities to promote competence build-up via the "Citi Volunteers for Development" mentoring program for entrepreneurs, start-ups and students.

Full description of its activities is available in the Bank's Annual Report and on the website www.kronenberg.org.pl

3.2. Sponsoring

In 2019, the Bank and the Foundation supported numerous nation-wide and international conferences and events. One of them was the 9th edition of the European Forum for New Ideas (EFNI) in Sopot – a leading conference in Central and Eastern Europe, attended by more than 1,200 representatives of the world of science, business and politics. During the conference, the laureates of the 6th edition of the Emerging Market Champions Competition were honored. Citi Handlowy was also a partner of the 9th European Financial Congress in Sopot, an annual meeting of representatives of the European financial sector, the world of politics and economic experts. The main topic of the 9th edition of the Congress was the slogan "How to Live in Uncertain Times".

As part of its cooperation with the American Chamber of Commerce, Citi Handlowy was a partner of the AmCham Diner organized during the European Economic Congress in Katowice, the Economic Forum in Krynica and the Congress 590 in Rzeszów. Representatives of Citi Handlowy participated in all those events and in numerous discussion panels.

In May 2019, Citi Handlowy announced cooperation with the Polish Paralympic Committee. The cooperation is an element of Citi's global initiative to support the paralympic movement and efforts to change the social perception of disabilities. In Poland, Citi also supports, as part of the global Team Citi project, two outstanding sportspersons – Natalia Partyka, a four-time Paralympic female champion in table tennis, and Maciej Lepiato, a two-time Paralympic champion and a four-time World Champion for the disabled in high jump.

Acting as an organization supporting the paralympic movement in Poland, Citi Handlowy was the Main Sponsor of the Final Gala of the 1st. Athlete of the Year 2019 Competition of the Polish Paralympic Committee. The event during which the winner of the Competition was announced and the statuette named after Sir Ludwig Guttmann was awarded for the first time in history, was held in December at the headquarters of the Polish Olympic Committee in Warsaw.

One of many activities through which Citi Handlowy supported persons with disabilities and was involved in building a society that accepts diversity, was Citi Handlowy's participation in the largest charity business run in Poland Poland Business Run. Relay races are organized in 9 cities all over Poland to support young people after amputations, to give them a chance for a better life. Citi Handlowy was the sponsor of the Warsaw edition of that event – Warsaw Business Run.

In 2019, the Bank also supported the development of sports in Poland under the Live Well at Citi program, combining such elements as: volunteering, assistance to local communities and promoting a healthy lifestyle. It was also a partner of the Polish Golf Union, and a sponsor of the Ironman Poland Tour – triathlon races in Warsaw and Gdynia.

For the third consecutive year, Citi Handlowy continued cooperation with the international city bike operator Nextbike. As part of that cooperation, from March to November 2019, bikers could rent over 6 thousand city bikes available in Warsaw, Łódź, Wrocław, Poznań, Katowice, including Górnośląski Okręg Przemysłowy (Upper Silesian Industrial Region) and – for the first time – in Trójmieście (Tricity). The bikes were used as a carrier for a campaign promoting the Bank's products and services. In 2019, the bikes with Citi Handlowy branding were rented almost 12.5 million times. The Warsaw bikers could use an extended functionality of Citi Handlowy Bikes, a banking and biking application for bike renting, with which they can also find out how biking improves the quality of air in the city. The Citi Handlowy Bikes application was downloaded almost 50 thousand times. In 2019, the bikers could for the first time – thanks to cooperation between Citi Handlowy and jakdojade.pl – find and mark a route by bike in Warsaw.

The year 2019 was another year of joint activities of Citi Handlowy and Live Nation, a leader in the field of concerts and "live" events organization. The Bank offered holders of Citi Handlowy cards access to exclusive pre-sales of tickets for concerts organized throughout Poland. Clients of the Bank were the first in line to buy tickets for concerts of Madonna, Sting, Bon Jovi, Pink, Rod Stewart, Ariana Grande or Guns'n'Roses. The strategic cooperation with Live Nation will be continued in 2020.

The Supervisory Board positively assesses the involvement of the Bank in the area of corporate social responsibility and sponsorship of important economic events.

4. THE ASSESSMENT OF FUNCTIONING OF REMUNERATION POLICY AT BANK HANDLOWY W WARSZAWIE S.A.

The Supervisory Board is required to assess the functioning of the remuneration policy at Bank Handlowy w Warszawie S.A based on § 28 point 3 of the Principles of Corporate Governance for Supervised Institutions of the Polish Financial Supervisory Authority, dated 22 July 2014 and effective from 1 January 2015.

In 2019, all remuneration-related issues in Bank Handlowy w Warszawie S.A. (the "Bank") were governed by the *Remuneration policy for employees of Bank Handlowy w Warszawie S.A.* ("Remuneration Policy") of 22 December 2017, as subsequently amended. The Remuneration Policy covers various remuneration procedures and rules applicable in the Bank and sets out the principles for remunerating all employees of the

Bank, including, in particular, Key Persons, persons whose professional activities have a material impact on the risk profile of the Bank, employees involved in sales of the Bank's products and services and persons employed in control functions. The Remuneration Policy implements requirements regarding the structuring of the remuneration principles in banks provided for in the provisions of law, the Rules of Corporate Governance for Supervised Institutions adopted by the Polish Financial Supervision Authority ("Rules of Corporate Governance"), the Code of Best Practice for WSE Listed Companies 2016 and recommendations of the Polish Financial Supervision Authority applicable to the banking sector, and takes into account the Guidelines of the European Banking Authority on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013, the Guidelines of the European Banking Authority on remuneration policies and practices related to the sale and provision of retail banking products and services and the Guidelines of European Securities and Markets Authority on remuneration policies and practices (MiFID).

The assessment of functioning of the Remuneration Policy is as follows:

- 1) According to the requirements, the Remuneration Policy covers all employees of the Bank and defines the population of Key Persons indicated in the Rules of Corporate Governance.
- 2) The Remuneration Policy properly sets out general principles for employees of the Bank, including Key Persons, in terms of the form, structure and manner of determination of their remuneration. Detailed rules of remunerating Members of the Supervisory Board are regulated by resolutions adopted by the General Meeting of Shareholders of the Bank.
- 3) The implementation of the Remuneration Policy by the Bank and the governance of the Remuneration Policy ensure that the structure of remuneration of all employees, including Key Persons, helps ensure a long-term stability of the Bank and is aligned with the Bank's strategy, objectives, values and long-term interests, such as the sustainable growth of the Bank, and is also aimed at eliminating the potential negative impact of the remuneration systems on risk management.
- 4) The Bank properly implemented all the guidelines relating to the construction of fixed remuneration that are provided in the Remuneration Policy. In particular, the Bank differentiates the level of fixed remuneration of employees, including Key Persons, primarily based on professional experience, required competences and the role in the management process in the Bank.
- 5) The Bank ensures the appropriate level of remuneration of employees of internal audit and compliance units in order to ensure that highly qualified and experienced specialists are hired and retained at those organizational units. The compensation level of Internal Audit and Compliance employees was examined and positively assessed during a review conducted by the Audit Committee.
- 6) Through the Remuneration Policy, the Bank promotes sound and effective risk management and does not encourage risk-taking in excess of the tolerable risk level. To this effect, remuneration schemes that are based on financial and non-financial results do not reward excessive risk in decision making. In particular, the remuneration of members of the Management Board is determined in a way that promotes the prudent management of the Bank, is based on financial and non-financial results and does not reward failure.
- 7) In the process of setting and approving the budget for annual awards and awards from the incentive fund for 2019 for the Bank's employees, including the Key Persons, the Bank properly verified whether the Bank has a sound and strong capital base that justifies the grant of variable remuneration at the proposed level and if it does not reduce the Bank's ability to increase its capital base, and if it is sustainable according to the financial standing of the Bank.
- 8) The detailed rules applicable to variable remuneration awarded to employees whose professional activities have a material impact on the risk profile of the Bank ("Identified Staff"), including the Key Persons, are set out in the *Remuneration policy for persons whose professional activities have a material impact on the risk profile of Bank Handlowy w Warszawie S.A.* ("Remuneration Policy for Identified Staff"). Those rules were properly applied when variable remuneration was granted to the Identified Staff, including the Key Persons, in January 2020 (awards for 2019 Performance Year).

- a) The Bank has a Nomination and Remuneration Committee of the Supervisory Board, the role of which is to provide recommendations and opinions on the levels and conditions of variable remuneration of employees covered by the Remuneration Policy for Identified Staff. It gives its opinion on the changes to the Remuneration Policy for Identified Staff, including the amounts and components of remuneration, taking into account a cautious and stable risk, capital and liquidity management, and paying special attention to long-term interests of the Bank and the interests of the Bank's shareholders and investors. The Nomination and Remuneration Committee of the Supervisory Board held six meetings during 2019.
 - b) The level of the variable remuneration for 2019 was based on the assessment of both financial and non-financial criteria, including the cost of the Bank's risk, the cost of capital, and liquidity risk in the long-term perspective. The variable remuneration set out that way was granted to Key Persons on 14 January 2020. Immediate cash award is paid out no later than in the month directly following the month in which it has been granted. Short-term phantom share awards are subject to 6 or 12 months retention period and are paid out after the retention period ends. Deferred variable remuneration is divided into three or five tranches, which may vest respectively over the years 2021-2023 or 2021-2025. Tranches of a deferred cash award and a long-term phantom award (provided they are vested) are paid out 6 or 12 months after the retention period ends.
 - c) In 2019, the Management Board of the Bank, based on a positive opinion of the Nomination and Remuneration Committee of the Supervisory Board, decided that five Identified Staff had lost the right to deferred variable remuneration, which was granted conditionally to those Identified Staff in the course of their employment relationships and which was unvested before the date of termination of their employment contracts. This decision was made in accordance with the provisions of the Remuneration Policy for Identified Staff regarding the termination of employment contracts under the conditions for acquisition of rights to deferred variable remuneration. Such an adjustment of deferred variable remuneration was connected neither with the Bank's nor with the individual's results.
- 9) The Remuneration Policy adopted by the Bank sets out the proper remuneration rules for employees involved in sales of the Bank's products and services that encourage them to act honestly, fairly, transparently and professionally, taking account of the rights and interests of all of the Bank's clients, in the short, mid and long term.
 - 10) In 2019, the Bank properly analyzed the roles and responsibilities of its employees in relation to key manageable risks in the Bank, as well as quantitative and qualitative criteria described in Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile, and on that basis prepared the list of employees who has a material impact on the risk profile of the Bank and, therefore, should be the subject to the provisions of the Remuneration Policy for Identified Staff. In 2019, the list of employees covered by the Remuneration Policy for Identified Staff included 90 persons.

The Supervisory Board's assessment of the functioning of the Remuneration Policy applied in the Bank is positive.

5. SUPERVISORY BOARD'S ASSESSMENT OF CONFORMITY WITH DISCLOSURE REQUIREMENTS CONCERNING THE APPLICATION OF THE CORPORATE GOVERNANCE PRINCIPLES, SET OUT IN THE WARSAW STOCK EXCHANGE RULES AND IN THE REGULATIONS CONCERNING CURRENT AND PERIODIC DISCLOSURES PROVIDED BY ISSUERS OF SECURITIES

- 5.1. The Supervisory Board's assessment of conformity with disclosure requirements concerning the application of the Corporate Governance Principles set out in the rules of the Warsaw Stock Exchange.

The required statement of compliance with the principles of corporate governance prescribed by the "Best Practice for GPW Listed Companies 2016" is reported by publishing the "Statement of Bank Handlowy w Warszawie S.A. on its application of corporate governance rules" within the

frames of the “Report on the operations of Bank Handlowy w Warszawie S.A. in 2018”. In this way, the bank fulfills the obligation resulting from the Rules of Giełda Papierów Wartościowych w Warszawie S.A. (The Warsaw Stock Exchange Rules) which involves submitting annual report on application of the corporate governance principles in a company. Bank’s statement includes, among others, information which principles and recommendations of the “Best Practice for GPW Listed Companies 2016” were not applied by the Bank in 2018 along with explanations.

In connection with the Bank’s accepting the corporate governance principles prescribed in the “Best Practice of GPW Listed Companies 2016”, on 11 March 2016, the Bank submitted to Giełda Papierów Wartościowych w Warszawie S.A. a report (EBI Report no. 1/2016) concerning refusal to apply certain specific principles included in the set “Best Practice of GPW Listed Companies 2016” along with explanations, fulfilling the obligation resulting from § 29(3) of the Rules of Giełda Papierów Wartościowych w Warszawie S.A.

Taking the foregoing into account, in the opinion of the Supervisory Board in the period covered by the evaluation the Bank correctly met its information obligations related to application of the corporate governance principles prescribed in the Rules of Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange).

5.2. Assessment of fulfilment by the Bank of its information obligations related to current and periodic information provided by issuers of securities

The Supervisory Board states that the information obligations resulting from the Regulation of the Minister of Finance of 29 March 2018 on the Current and Periodic Information Provided by Issuers of Securities and the Conditions for Recognizing the Information Required by Legal Regulations of a Non-Member State as Equivalent (Journal of Laws of 2018, item 757) were correctly performed by the Bank in the reporting period.

6. ASSESSMENT OF THE INTERNAL CONTROL SYSTEM AND THE RISK MANAGEMENT SYSTEM THAT COVERS RISKS SIGNIFICANT TO THE BANK

The primary objective of the internal control system is to support the decision-making processes that are to ensure the effectiveness and efficiency of the Bank’s operations, the reliability of its financial reporting and the compliance of the Bank’s activities with applicable laws and internal regulations and the compliance with risk management rules in the Bank. The internal control system consists of a control function, a compliance unit and an internal audit unit.

The internal control system and the risk management system in place at the Bank are organized in three independent levels:

- Level 1 – organizational units responsible for the activity which results in taking risks and for risk management in the Bank’s operational activity, as well as for risk identification and reporting to the second-line units,
- Level 2 – risk management at organizational units, regardless of the first-line risk management, and the activity of the compliance unit; units or persons responsible for setting risk management standards in identifying, measuring or assessing, limiting, controlling, monitoring, reporting and supervising control mechanisms applied by other organizational units of the Bank to mitigate risk – organizational units of the Risk Management Sector, Compliance Department, Finance Management Sector, Legal Division, Human Resources Division,
- Level 3 – internal audit unit, responsible for an independent assessment of the risk management and internal control systems – Audit Department.

The Audit Department is supervised by the Supervisory Board via the Audit Committee composed of its Members. Organizationally, the Audit Department reports to the President of the Bank’s Management Board.

The Audit Department submits, on a regular basis, but at least annually, to the Supervisory Board and Management Board, its reports on any identified irregularities and deficiencies, as well as recommendations formulated after internal audits, and activities initiated to rectify such irregularities and

to implement such recommendations. The head of the Audit Department is invited to participate in all meetings of the Management Board and Supervisory Board.

The Audit Committee's powers and duties include oversight over financial reporting, internal control, risk management and internal & external audits. The Committee submits annual reports on its activities to the Supervisory Board.

The Supervisory Board has established a permanent Risk and Capital Committee. The tasks of the Committee include supervising the risk management system used by the Bank and recommending an assessment of its effectiveness, which is ultimately given by the Supervisory Board. The Committee submits annual reports on its activities to the Supervisory Board. The powers of the Committee in the scope of supervision over the risk management system include, without limitation, verifications of compliance of the Bank's policy in the scope of assumed risks with the strategy and financial plan of the Bank, verifications and recommendations to the Supervisory Board in respect of risk management system assessment, the overall risk level of the Bank, and reviews of periodic reports on the types and amounts of risks connected with the Bank's activities.

The Supervisory Board monitored any identified irregularities, including those identified by units responsible for vertical monitoring and for coordination of the control function matrix.

In accordance with the "Internal Control Rules of Bank Handlowy w Warszawie S.A.," the Supervisory Board conducted an annual assessment of adequacy and effectiveness of the internal control system, including adequacy and effectiveness of the control function, the compliance unit and the internal audit unit. The Supervisory Board assessed the internal control system as adequate and effective. The assessment was made taking into account management information, reports from the self-assessment process, reports on the control environment submitted by Internal Audit in the Audit Department Report submitted to the Audit Committee of Bank Handlowy w Warszawie S.A., in the information confirming that – as at the end of 2019 – the comprehensive MCA assessment was at the Tier 4 level, and the Audit assessment was "needs improvement," as well as recommendations of the Audit Committee.

Simultaneously, taking into consideration recommendations of the Risk and Capital Committee, the Supervisory Board assessed the risk management system as effective and adequate to the scale and complexity of activities of the Bank. That assessment was made taking into account management information that covered quantitative and qualitative criteria of management of particular risk categories. The Supervisory Board reviewed and raised no objections to the assessment of effectiveness of the risk management policies implemented by the Bank, and covered by management information reports.

The Bank has implemented procedures of anonymous notification by employees of infringements of law and policies and ethical standards applied at the Bank. The Bank introduced the process of reporting infringements to the Supervisory Board (Chairman of the Supervisory Board) when they concern a member of the Management Board, and of presenting information on significant ethical matters to the Supervisory Board. The Supervisory Board assesses, at least annually, the adequacy and effectiveness of the procedure for anonymous reporting of irregularities by employees. At the meeting held on 25 March 2020, on the basis of the information provided by the Member of the Management Board appointed to accept anonymous notifications, on the basis of the Report of the Compliance Department concerning the operation of the Procedure of Anonymous Notification by Employees of Infringements of Law in 2019, and on the basis of a positive recommendation of the Audit Committee of the Supervisory Board, the Supervisory Board assessed positively the adequacy and effectiveness of the procedure of anonymous notification of infringements of law in 2019.

7. ASSESSMENT OF ACTIVITIES OF THE SUPERVISORY BOARD

7.1. Corporate Governance

As part of the implementation for application, in 2014 by the Management Board and Supervisory Board of the Bank and, next, in 2015 by the General Meeting of Shareholders, of the document Principles of Corporate Governance for Supervised Institutions, issued by the Polish Financial Supervision Authority (KNF), the Supervisory Board read, at its meeting on 25 March 2020 the "2019 Report – Assessment of Application of the Principles of Corporate Governance for Supervised Institutions issued by the Polish Financial Supervision Authority at Bank Handlowy w

Warszawie S.A.”, prepared by the Compliance Department and including an independent assessment of application of the “Principles of Corporate Governance for Supervised Institutions”.

On the basis of the above Report of the Compliance Department containing an independent assessment of the application of the “Principles of Corporate Governance for Supervised Institutions” and taking into consideration a positive recommendation issued by the Audit Committee of the Supervisory Board, the Supervisory Board assessed independently and confirmed that in 2019 the Bank applied the rules resulting from the Principles of Corporate Governance for Supervised Institutions, with the exception of those principles that the Bank decided not to apply.

The Bank sustained its decision not to apply three principles:

- 1) Article 11.2 (transactions with related parties) – this principle shall not be used with respect to contracts tied to day-to-day operations, in particular to contracts tied to liquidity, due to the nature of transactions and the number of contracts being concluded.
- 2) Article 8.4 (electronic General Meeting) – currently available IT solutions do not guarantee a secure and efficient electronic form of holding a General Meeting. However, the Management Board does see the importance of such form of shareholders’ participation in the Bank’s General Meeting, and therefore a decision on that matter shall be made before each General Meeting;
- 3) Article 16.1 (meetings of the Management Board of the Bank held in the Polish language) – meetings of the Management Board attended by foreigners, and especially foreigners who are members of the Management Board and do not speak Polish, are held in the English language. Simultaneously, motions submitted to the Management Board of the Bank, all materials and minutes of meetings of the Board are drafted and kept in Polish.

7.2. Settlements between the Bank and Citigroup

In the reporting period, the Supervisory Board’s business included issues related to the outsourcing of actual operation in the area of banking outsourcing. Such supervision covered payments resulting from agreements for the provision of operational support, production support and IT application development services to the Bank. Furthermore, at the meeting held on 14 December 2019, the Supervisory Board approved the fee resulting from the contract for consulting and advisory services provided by Citi to the Bank.

7.3. Amendments to the Articles of Association and the Regulations of the Bank

On 9 May 2019, the Supervisory Board, by Resolution No. 2/VI/O/2019, positively assessed draft Resolution No. 28/2019 of the Annual General Meeting of the Bank concerning an amendment to the Articles of Association by modifying its § 40 related to the rules of functioning of the internal control system of the Bank. This amendment was made to adjust the Articles of Association to the requirements stemming from the Regulation of the Minister of Development and Finance of 6 March 2017 on the risk management system and internal control system, remuneration policy and detailed manner for estimation of internal capital at banks and in connection with the implementation at the Bank of the recommendations contained in Recommendation H of the Polish Financial Supervision Authority (KNF) dated 25 April 2017 concerning the internal control systems of banks.

On 26 August 2019, by Resolution No. 1/II/O/2019, the Supervisory Board positively assessed the matters and draft resolutions that would be covered by resolutions of the Extraordinary General Meeting of Shareholders of the Bank to be held on 24 September 2019, including draft Resolution No. 6 on amendments to the Articles of Association by adding points 24) and 25) in § 5 item 4 in order to ensure that the business objects of the Bank are in accordance with the Act of 19 August 2011 on payment services, amended by the Act of 10 May 2018 on amendments to the Act on payment services and certain other Acts.

On 20 March 2019, by Resolution No. 5/V/O/2019, the Supervisory Board amended the Rules of the Audit Committee in order to adapt that document to Regulation L for banks concerning the role of statutory auditors in the process of supervision over banks and credit & savings unions (SKOKs) after Regulation L was amended in December 2018.

7.4. Miscellaneous

As part of its authority, the Supervisory Board considered reports from the Supervision Officer concerning the operation of the Bank's system for the supervision of custody business compliance. Furthermore, in the reporting period, the Supervisory Board handled issues concerning the acquisition of the right to Deferred Variable Remuneration by members of the Bank's Management Board. The Supervisory Board analyzed cyclical reports from the Bank's Management Board on the implementation of the bancassurance policy.

By resolution No. 1/II/O/2019 of 29 July 2019, the Supervisory Board approved the "Recovery Plan for Bank Handlowy w Warszawie S.A. Group".

On 26 August 2019, the Supervisory Board adopted Resolution No. 1/II/O/2019 on calling an Extraordinary General Meeting of Shareholders of Bank Handlowy w Warszawie S.A. to be held on 24 September 2019.

At its meeting on 25 September 2019, the Supervisory Board approved the "Internal Audit Report for the period between 1 April 2019 and 30 June 2019," the "Rules of Control of the Internal Audit Department" and amendments to the "Internal Control Rules". Furthermore, the Supervisory Board was presented a report on the progress of implementation of the "Risk management policy for (unsecured and mortgage secured) retail credit exposures." After that, the Supervisory Board approved a report on the "Condensed consolidated interim financial statements of Bank Handlowy w Warszawie S.A. Group for the period of 6 month ended 30 June 2019," the "Condensed stand-alone interim financial statements of Bank Handlowy w Warszawie S.A. for the period of 6 months ended 30 June 2019," the "Report on activities of Bank Handlowy w Warszawie S.A. Group in the first half of 2019," and the "Information on the capital adequacy of Bank Handlowy w Warszawie S.A. Group as at 30 June 2019."

On 9 October 2019, the Supervisory Board acknowledged the information that no material notifications of breaches regarding ethical standards had been made between January and June 2019.

At the meeting held on 04 December 2019, the Supervisory Board approved a package of amendments to the "Policy of remuneration of employees of Bank Handlowy w Warszawie S.A." and related regulations. In addition, the Supervisory Board approved the "Internal Audit Report for the period between 1 July 2019 and 30 September 2019" and the "Plan of audits at Bank Handlowy w Warszawie S.A. for 2020". After that, the Supervisory Board accepted changes in the "Internal Control Rules" and acknowledged the information on the quarterly report on the level of risk incurred by the Bank in connection with (unsecured and mortgage backed) retail credit exposures.

By Resolution No. 2/V/O/2020 of 27 February 2020, the Supervisory Board approved the annual "Report on performance of compliance activities and on management of non-compliance risk at Bank Handlowy w Warszawie S.A. in 2019."

By resolution No. 3/V/O/2020 of 26 February 2020, the Supervisory Board approved the "Annual Plan of the Bank's Operations Compliance in 2020".

On 26 February 2020, the Supervisory Board acknowledged a report on the process of sales of OTC derivative instruments by the Financial Markets and Corporate Banking Sector and the issuance and distribution of financial instruments and forward transactions treated as a payment method.

At the meeting held on 25 March 2020, the Supervisory Board acknowledged the information concerning assessment of effectiveness and adequacy of the risk management system, taking into account the implementation of selected risk management policies. After that, the Supervisory Board accepted the overall acceptable risk level (overall risk appetite) for 2020 and changes in the document "Rules of prudent and stable management of risk at Bank Handlowy w Warszawie S.A. Group". In addition, the Supervisory Board accepted the "Internal Audit Report for 2019" and the

report on the implementation of the "Internal Audit Strategy in 2019". The Supervisory Board also adopted a resolution concerning the assessment of application by the Bank of the rules set out in the document "Principles of Corporate Governance for Supervised Institutions" issued by the Polish Financial Supervision Authority and was presented information on the final Financial Plan for the Bank's Group on a consolidated basis for 2020.

8. ASSESSMENT OF THE FINANCIAL STATEMENTS OF THE BANK

At the meeting held on 25 March 2020, the Bank's Supervisory Board, acting in accordance with the provisions of Article 382.3 of the Code of Commercial Companies and in accordance with the provisions of Article 70.1(14) and Article 71.1(12) of the Regulation of the Finance Minister of 29 March 2018 regarding current and periodic information provided by issuers of securities and the conditions for recognizing the information required by legal regulations of a non-member state as equivalent, assessed positively:

- 1) annual consolidated financial statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the financial year ending 31 December 2019,
- 2) annual stand-alone financial statements of Bank Handlowy w Warszawie S.A. for the financial year ending 31 December 2019,
- 3) report of the Management Board of Bank Handlowy w Warszawie S.A. on the activity of the Capital Group of Bank Handlowy w Warszawie S.A. in 2019 prepared together with the report of the Management Board of Bank Handlowy w Warszawie S.A. on the activity of Bank Handlowy w Warszawie S.A. together with the Non-Financial Report of Bank Handlowy w Warszawie S.A. and the Capital Group of Bank Handlowy w Warszawie S.A. for the financial year ending 31 December 2019

with respect to their compliance with accounting records, documents and the actual status.

The assessment of the Supervisory Board was made on the basis of contents of financial accounts presented by the Management Board of Bank Handlowy w Warszawie S.A., statutory auditor's reports from the audit of stand-alone financial statements and consolidated financial statements, and recommendations of the Audit Committee of the Supervisory Board.

The financial statements were audited by an audit firm KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Warsaw. In the statutory auditor's opinion, both stand-alone financial statements and consolidated financial statements of Bank Handlowy w Warszawie S.A. and of Bank Handlowy w Warszawie S.A. Capital Group, present a fair and clear view of the economic and financial situation as of 31 December 2019, financial performance, and cash flows for the financial year ended that day and they were prepared in accordance with International Financial Reporting Standards adopted by the European Union and in accordance with the adopted accounting principles (policy). In addition, stand-alone financial statements and consolidated financial statements comply, in all material aspects, as to their form and content, with applicable legal provisions and with the Articles of Association of Bank Handlowy w Warszawie S.A.

In the statutory auditor's opinion, also the Report of the Management Board of Bank Handlowy w Warszawie S.A. on the Activity of Bank Handlowy w Warszawie S.A. Capital Group in 2019 prepared together with the Report of the Management Board of Bank Handlowy w Warszawie S.A. on the Activity of Bank Handlowy w Warszawie S.A., was prepared in all material aspects in accordance with legal provisions and it complies with the information contained in the consolidated financial statements.

The Supervisory Board positively assessed the recommendation concerning the distribution of profits for the financial year 2019, submitted by the Management Board.

Taking the above into consideration, the Supervisory Board finds that in the reporting period it accomplished its goals, assigned to it under applicable laws and regulations.

This report was examined and accepted by way of resolution on 30 April 2020 in order to submit it to the Annual General Meeting of Shareholders of the Bank.

*Draft Resolutions to Item 5, Sub-point 6) of the
Agenda of the Ordinary General Meeting held on 4
June 2020*

**Resolution No 14/2020
of the Ordinary General Meeting
of the Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020**

**on granting of approval of the performance by the member of the Bank's Supervisory Board
of duties in 2019**

Pursuant to Art. 395 § 2 point 3) of the Commercial Companies Code and § 9, Section 1, Item 3 of the Bank's Articles of Association, the Ordinary General Meeting resolved to grant the approval of the performance of duties in 2019 by the Chairman of the Supervisory Board of the Bank Handlowy w Warszawie S.A. - Andrzej Olechowski.

**Resolution No 15/2020
of the Ordinary General Meeting
of the Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020**

**on granting of approval of the performance by the member of the Bank's Supervisory Board
of duties in 2019**

Pursuant to Art. 395 § 2 point 3) of the Commercial Companies Code and § 9, Section 1, Item 3 of the Bank's Articles of Association, the Ordinary General Meeting resolved to grant the approval of the performance of duties in 2019 by the Vice Chairman of the Supervisory Board of the Bank Handlowy w Warszawie S.A. - Frank Mannion.

**Resolution No 16/2020
of the Ordinary General Meeting
of the Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020**

**on granting of approval of the performance by the member of the Bank's Supervisory Board
of duties in 2019**

Pursuant to Art. 395 § 2 point 3) of the Commercial Companies Code and § 9, Section 1, Item 3 of the Bank's Articles of Association, the Ordinary General Meeting resolved to grant the approval of the performance of duties in 2019 by the Member of the Supervisory Board of the Bank Handlowy w Warszawie S.A. - Shirish Apte.

**Resolution No 17/2020
of the Ordinary General Meeting
of the Bank Handlowy w Warszawie Spółka Akcyjna**

of 4 June 2020

**on granting of approval of the performance by the member of the Bank's Supervisory Board
of duties in 2019**

Pursuant to Art. 395 § 2 point 3) of the Commercial Companies Code and § 9, Section 1, Item 3 of the Bank's Articles of Association, the Ordinary General Meeting resolved to grant the approval of the performance of duties in 2019 by the Member of the Supervisory Board of the Bank Handlowy w Warszawie S.A. – Marek Belka.

**Resolution No 18/2020
of the Ordinary General Meeting
of the Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020**

**on granting of approval of the performance by the member of the Bank's Supervisory Board
of duties in 2019**

Pursuant to Art. 395 § 2 point 3) of the Commercial Companies Code and § 9, Section 1, Item 3 of the Bank's Articles of Association, the Ordinary General Meeting resolved to grant the approval of the performance of duties in 2019 by the Member of the Supervisory Board of the Bank Handlowy w Warszawie S.A. – Grzegorz Bielicki.

**Resolution No 19/2020
of the Ordinary General Meeting
of the Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020**

**on granting of approval of the performance by the member of the Bank's Supervisory Board
of duties in 2019**

Pursuant to Art. 395 § 2 point 3) of the Commercial Companies Code and § 9, Section 1, Item 3 of the Bank's Articles of Association, the Ordinary General Meeting resolved to grant the approval of the performance of duties in 2019 by the Member of the Supervisory Board of the Bank Handlowy w Warszawie S.A. – Igor Chalupec.

**Resolution No 20/2020
of the Ordinary General Meeting
of the Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020**

**on granting of approval of the performance by the member of the Bank's Supervisory Board
of duties in 2019**

Pursuant to Art. 395 § 2 point 3) of the Commercial Companies Code and § 9, Section 1, Item 3 of the Bank's Articles of Association, the Ordinary General Meeting resolved to grant the approval of the performance of duties in 2019 by the Member of the Supervisory Board of the Bank Handlowy w Warszawie S.A. – Jenny Grey.

**Resolution No 21/2020
of the Ordinary General Meeting
of the Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020**

**on granting of approval of the performance by the member of the Bank's Supervisory Board
of duties in 2019**

Pursuant to Art. 395 § 2 point 3) of the Commercial Companies Code and § 9, Section 1, Item 3 of the Bank's Articles of Association, the Ordinary General Meeting resolved to grant the approval of the performance of duties in 2019 by the Member of the Supervisory Board of the Bank Handlowy w Warszawie S.A. – Marek Kapuściński.

**Resolution No 22/2020
of the Ordinary General Meeting
of the Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020**

**on granting of approval of the performance by the member of the Bank's Supervisory Board
of duties in 2019**

Pursuant to Art. 395 § 2 point 3) of the Commercial Companies Code and § 9, Section 1, Item 3 of the Bank's Articles of Association, the Ordinary General Meeting resolved to grant the approval of the performance of duties in 2019 by the Member of the Supervisory Board of the Bank Handlowy w Warszawie S.A. – Gonzalo Luchetti.

**Resolution No 23/2020
of the Ordinary General Meeting
of the Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020**

**on granting of approval of the performance by the member of the Bank's Supervisory Board
of duties in 2019**

Pursuant to Art. 395 § 2 point 3) of the Commercial Companies Code and § 9, Section 1, Item 3 of the Bank's Articles of Association, the Ordinary General Meeting resolved to grant the approval of the performance of duties in 2019 by the Member of the Supervisory Board of the Bank Handlowy w Warszawie S.A. - Marc Luet.

**Resolution No 24/2020
of the Ordinary General Meeting
of the Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020**

**on granting of approval of the performance by the member of the Bank's Supervisory Board
of duties in 2019**

Pursuant to Art. 395 § 2 point 3) of the Commercial Companies Code and § 9, Section 1, Item 3 of the Bank's Articles of Association, the Ordinary General Meeting resolved to grant the approval of the performance of duties in 2019 by the Member of the Supervisory Board of the Bank Handlowy w Warszawie S.A. – Anna Rulkiewicz.

**Resolution No 25/2020
of the Ordinary General Meeting
of the Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020**

**on granting of approval of the performance by the member of the Bank's Supervisory Board
of duties in 2019**

Pursuant to Art. 395 § 2 point 3) of the Commercial Companies Code and § 9, Section 1, Item 3 of the Bank's Articles of Association, the Ordinary General Meeting resolved to grant the approval of the performance of duties in 2019 by the Member of the Supervisory Board of the Bank Handlowy w Warszawie S.A. – Barbara Smalska.

**Resolution No 26/2020
of the Ordinary General Meeting
of the Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020**

**on granting of approval of the performance by the member of the Bank's Supervisory Board
of duties in 2019**

Pursuant to Art. 395 § 2 point 3) of the Commercial Companies Code and § 9, Section 1, Item 3 of the Bank's Articles of Association, the Ordinary General Meeting resolved to grant the approval of the performance of duties in 2019 by the Member of the Supervisory Board of the Bank Handlowy w Warszawie S.A. – Stanisław Sołtysiński.

**Resolution No 27/2020
of the Ordinary General Meeting
of the Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020**

**on granting of approval of the performance by the member of the Bank's Supervisory Board
of duties in 2019**

Pursuant to Art. 395 § 2 point 3) of the Commercial Companies Code and § 9, Section 1, Item 3 of the Bank's Articles of Association, the Ordinary General Meeting resolved to grant the approval of the performance of duties in 2019 by the Member of the Supervisory Board of the Bank Handlowy w Warszawie S.A. - Anand Selvakesari.

Resolution No 28/2020

**of the Ordinary General Meeting
of the Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020**

**on granting of approval of the performance by the member of the Bank's Supervisory Board
of duties in 2019**

Pursuant to Art. 395 § 2 point 3) of the Commercial Companies Code and § 9, Section 1, Item 3 of the Bank's Articles of Association, the Ordinary General Meeting resolved to grant the approval of the performance of duties in 2019 by the Member of the Supervisory Board of the Bank Handlowy w Warszawie S.A. - Zdenek Turek.

**Resolution No 29/2020
of the Ordinary General Meeting
of the Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020**

**on granting of approval of the performance by the member of the Bank's Supervisory Board
of duties in 2019**

Pursuant to Art. 395 § 2 point 3) of the Commercial Companies Code and § 9, Section 1, Item 3 of the Bank's Articles of Association, the Ordinary General Meeting resolved to grant the approval of the performance of duties in 2019 by the Member of the Supervisory Board of the Bank Handlowy w Warszawie S.A. - Stephen R. Volk.

*Draft Resolution to Item 5, Sub-point 7) of the
Agenda of the Ordinary General Meeting held on 4
June 2020*

**Resolution No. 30/2020
of the Ordinary General Meeting
of the Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020**

**concerning distribution of the net profit for year 2019 and the coverage of undivided loss from
previous years, which has arisen as a result of change in accounting principles in relation to
the application of the International Financial Reporting Standard no. 9 for the first time**

Pursuant to Article 395 § 2 Item 2) of the Commercial Companies Code, § 9 Section 1 Item 2 and § 30 Section 1 of the Bank's Articles of Association, the Ordinary General Meeting of Bank Handlowy w Warszawie S.A. has resolved as follows:

§ 1

To cover the balance sheet loss of the Bank from the previous years in amount of PLN 74,783,863.12 with the reserve capital of the Bank. The loss results from the changes in accounting policies due to the first time adoption of International Financial Reporting Standard No. 9 ("Financial Instruments").

§ 2

To leave the entire net profit of the Bank for the year 2019 in the amount of PLN 478,802,436.53 undivided.

Draft Resolution to Item 5, Sub-point 8) of the Agenda of the Ordinary General Meeting held on 4 June 2020

**Resolution No. 31/2020
of the Ordinary General Meeting
of the Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020**

concerning division of the undivided profits from previous years

Pursuant to Article 395 § 2 Item 2) of the Commercial Companies Code, § 9 Section 1 Item 2 of the Bank's Articles of Association, the Ordinary General Meeting of Bank Handlowy w Warszawie S.A. resolved to leave the entire undivided net profit of the Bank from the previous years in the amount of PLN 163 279 653,78 undivided.

Draft Resolution to Item 5, Sub-point 9) of the Agenda of the Ordinary General Meeting held on 4 June 2020

**Resolution No. 32/2020
of the Ordinary General Meeting
of the Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020**

concerning adoption of the "Remuneration Policy for Members of the Management Board and Members of the Supervisory Board of Bank Handlowy w Warszawie S.A."

§ 1

On the basis of art. 90d.1 of the Act of July 29, 2005 on public offering, conditions governing the introduction of financial instruments to organized trading, and on public companies the Ordinary General Meeting of Bank Handlowy w Warszawie S.A. has resolved to adopt of the "Remuneration Policy for Members of the Management Board and Members of the Supervisory Board of Bank Handlowy w Warszawie S.A." with the wording as enclosed in attachment 1 herewith.

§ 2

On the basis of art. 90e.4 of the Act of July 29, 2005 on public offering, conditions governing the introduction of financial instruments to organized trading, and on public companies the Ordinary General Meeting of Bank Handlowy w Warszawie S.A. has resolved that material changes to the

“Remuneration Policy for Members of the Management Board and Members of the Supervisory Board of Bank Handlowy w Warszawie S.A.” requiring their adoption by the General Meeting by means of a resolution are set out in attachment 2 herewith. Any other changes to the “Remuneration Policy for Members of the Management Board and of the Supervisory Board of Bank Handlowy w Warszawie S.A.” are treated as changes that do not require adoption by the General Meeting by resolution. They are adopted by way of resolution by the Supervisory Board.

§ 3

The Policy referred to in §1 shall take effect as of the adoption date hereof.

Attachment 1 to the Resolution No. 32/2020
of the Ordinary General Meeting
of the Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020

REMUNERATION POLICY FOR MEMBERS OF THE MANAGEMENT BOARD AND MEMBERS OF THE SUPERVISORY BOARD OF BANK HANDLOWY W WARSZAWIE S.A.

Chapter I. Introduction

1. This Policy sets out the principles for remunerating Members of the Management Board and Members of the Supervisory Board of Bank Handlowy w Warszawie S.A.
2. It implements provisions regarding shaping of the rules of remuneration set forth in the provisions of Act of 29 July 2005 on public offering, conditions governing the introduction of financial instruments to organised trading, and on public companies.
3. The General Meeting of Shareholders authorises the Supervisory Board to provide detailed remuneration solutions for the Management Board Members, within the limits set out by the General Meeting of Shareholders in this Policy and the laws applicable to the Bank, in particular to determine:
 - a) financial and non-financial criteria concerning the award of variable remuneration components, upon considering the provisions of the point 27 and the point 36;
 - b) deferral periods and vesting conditions;
 - c) vesting periods in case of remuneration in the form of financial instruments, the rules of disposal of those financial instruments.

Chapter II. Definitions

4. For the purposes of this Policy the below listed terms mean:
 - 1) **the Act** – the Act of 29 July 2005 on public offering, conditions governing the introduction of financial instruments to organised trading, and on public companies;
 - 2) **the Bank** – Bank Handlowy w Warszawie S.A.;
 - 3) **the Bank's Shares** – ordinary shares of Bank Handlowy w Warszawie S.A. quoted on the Warsaw Stock Exchange, under the symbol BHW;
 - 4) **the Leadership Standards** – list of measurable skills, abilities and knowledge that employees should demonstrate to succeed at the Bank;
 - 5) **the Members of the Management Board or the Management Board Members** – jointly the President of the Management Board and other Members of the Management Board of Bank Handlowy w Warszawie S.A.;

- 6) **the Members of the Supervisory Board or the Supervisory Board Members** – jointly the Chairman of the Supervisory Board and other Members of the Supervisory Board of Bank Handlowy w Warszawie S.A.;
- 7) **the Phantom shares** – financial instruments value of which is linked to the value of the Bank's Shares; they are not actual shares of the Bank, are not redeemable for actual shares of the Bank, and are not entitled to vote or to receive dividends or other distributions from the Bank to which holders of actual shares of the Bank may be entitled to receive; they do not represent an ownership interest of any kind in the Bank or any other entity nor in any assets; they have no independent value, they only stand as a measure of the cash value of Variable Remuneration by reference to the market price of the Bank's Shares;
- 8) **the Policy** – this Remuneration Policy for Members of the Management Board and Members of the Supervisory Board of Bank Handlowy w Warszawie S.A.

Chapter III. Governance of the Policy

5. The Management Board of the Bank is responsible for drafting and implementing the Policy.
6. The Policy is subject to approval by the Supervisory Board of the Bank following recommendation of the Remuneration and Nomination Committee.
7. The Policy is adopted by way of resolution of the General Meeting of Shareholders. The resolution of the General Meeting of Shareholders regarding the Policy is adopted at least every 4 years. Material change of the Policy requires resolution of the General Meeting of Shareholders.
8. Implementation of the Policy is subject to review by the Supervisory Board of the Bank at least once a year. Assessment of the functioning of the Policy is presented to the General Meeting of Shareholders.
9. Variable remuneration of the Management Board Members is monitored by the Nomination and Remuneration Committee of the Supervisory Board.

Chapter IV. General remuneration rules

10. The Policy contributes to implementation of the strategy of the Bank, effective risk management, its long-term interest and stability. The objectives of the Policy and remuneration practices adopted by the Bank are to:
 - a) Align compensation practices, structures and decisions with shareholder interest,
 - b) Reinforce a culture based on the high ethical standards,
 - c) Effectively manage risk by encouraging prudent decision-making,
 - d) Reflect regulatory guidance,

- e) Attract and retain talent to support Bank's development and lead the Bank to success.
11. The Bank promotes its stakeholders' understanding of the Bank's design and implementation of incentive compensation by public disclosures of description of compensation policies, procedures and practices. Therefore, the Bank publishes, on its website, the Policy and the resolution of the General Meeting of Shareholders on its approval, along with the date of resolution adoption and voting results.
 12. Within the Policy, the Bank makes a distinction between fixed remuneration and variable remuneration. Both monetary and non-monetary benefits are taken into account when making the above distinction.
 13. For the avoidance of doubt, cost of benefits related to improving professional skills related to the duties on the job (in particular tuition fees) covered by the Bank does not constitute remuneration.
 14. Remuneration is fixed where the conditions for its award and its amount:
 - a) are not discretionary, i.e. reflect in particular the relevant professional experience and responsibility of an individual as set out in an individual's job description as part of the terms of employment and is set according to competences, place in the organizational structure and role in the management process;
 - b) are permanent, i.e. maintained over a period tied to the specific role and organisational responsibilities of an individual;
 - c) cannot be reduced, suspended or cancelled by the Bank;
 - d) do not provide incentives for an employee for risk-taking;
 - e) do not depend on individual's performance.
 15. Where the allocation of a component to the fixed remuneration is not possible based on the criteria mentioned in point 14, it is considered variable remuneration component.
 16. Variable remuneration may be granted in the form of cash, non-cash awards or financial instruments and be subject to partial deferral.
 17. Remuneration rules encourage to act honestly, fairly, transparently and professionally, taking account of rights and interests of the Bank's shareholders and clients, in the short, mid and long term. Therefore, remuneration is designed in such a way so as not to create incentives that may lead to favour individual's own interest or the Bank's interests, to the potential detriment of shareholders or clients.
 18. General remuneration rules provided for in this Policy are consistent with the remuneration rules for employees who are neither Management Board nor Supervisory Board Members. In particular, employees of the Bank should be treated equally in terms of entering into and terminating an employment relationship, employment conditions, promotion and access to training in order to improve professional qualifications, in particular regardless of gender,

age, disability, race, religion, nationality, political beliefs, belonging to trade union, ethnic origin, religion, sexual orientation, and regardless of employment for a definite or indefinite period or for full-time or part-time work.

Chapter V. Rules for the Supervisory Board Members

Fixed and variable remuneration

19. The rules of remunerating and the amounts of remuneration of the Members of the Supervisory Board of the Bank are regulated by the resolutions adopted by the General Meeting of Shareholders.
20. Supervisory Board Members may be awarded the following, fixed remuneration components:
 - a) Monthly remuneration for the Chairman of the Supervisory Board and for other Members of the Supervisory Board,
 - b) Remuneration for participation in each of the committees of the Supervisory Board, either as a chairman or as a member of the committee,
 - c) reimbursement of expenses related to participation in the work of the Supervisory Board, including travel and accommodation costs.
21. For the avoidance of conflict of interest, no variable compensation (subject to performance) should be granted to the Supervisory Board Members.

Pension plans

22. The Supervisory Board Members are not entitled to participate in any additional pension plans.

Other terms of employment

23. The Supervisory Board Members may hold their functions based on appointment by the General Meeting of Shareholders.
24. Members of the Supervisory Board may be elected for a common term of office of three years. A Supervisory Board member may be recalled from his/ her function at any time by way of a resolution of the General Meeting of Shareholders. Furthermore, the Supervisory Board member mandate expires in other cases set out in the Commercial Companies Code and in the Bank's Articles of Association.

Chapter VI. Rules for Management Board Members

Key remuneration principles

25. Recognising that lasting growth is what builds shareholder value, the Bank believes that the Management Board Members should be compensated based i.a. on their competencies, contributions and performance over a period of time exceeding one financial year.
26. Amount of remuneration of the Members of the Management Board of the Bank should be sufficient to attract, retain and appropriately motivate the persons necessary for the proper management of the Bank.
27. The Bank's compensation philosophy is also to differentiate individual compensation based on quantitative and qualitative criteria, such as risk and compliance behaviour, to reflect individuals' contributions and support effective risk management controls by reducing incentives to create imprudent risks for the Bank and its activities, and by rewarding a thoughtful balance of risk and return.
28. Structure of remuneration of the Management Board Members supports long-term stability of the Bank and is aligned with the Bank's strategy, objectives, values and long-term interests, such as, in particular, sustainable growth of the Bank, and is also aimed at eliminating the potential negative impact of the remunerations systems on the proper risk management.
29. The Management Board Members may be granted both fixed and variable remuneration. Remuneration structure of a given Management Board Member is determined individually by the Supervisory Board and it depends i.a. on the position held by the Management Board Member and a scope of responsibility and duties entrusted to him/her as well as the level of experience of that person as well as individual's performance.
30. The Bank sets out the appropriate balance of fixed remuneration and variable remuneration to allow the operation of a fully flexible remuneration policy, including the possibility not to grant the variable remuneration.
31. The ratio of variable to fixed remuneration components for the Management Board Members is set at the maximum level of 2:1.

Fixed remuneration

32. Bearing in mind points 14 and 15, in case of the Members of the Management Board of the Bank, in particular the following components are considered fixed remuneration:
 - a) base salary,
 - b) benefits that are required by law,
 - c) benefits that are not subject to performance, in particular the ones to which other employees of the Bank are entitled,
 - d) severance pay which is not subject to performance,
 - e) benefits connected with participation in the pension plan,

- f) benefits connected with the relocation package indicated in the employment contract or in the letter of intent,
- g) compensation payable on the basis of non-compete agreements.

Variable remuneration

- 33. The Bank promotes sound and effective risk management and does not encourage risk-taking that exceeds level of risk tolerated by the Bank. To this effect, remuneration which is performance-driven does not reward excessive risk in decision-making. In particular, the variable remuneration of the Management Board Members should be determined in such a way that it rewards prudent management of the Bank, reflects performance and does not reward failure.
- 34. Variable remuneration should reflect sustainable and risk-adjusted performance. Therefore it is granted and paid out where the Bank has a sound and strong capital base, it does not limit the Bank's ability to increase its capital base and it is sustainable according to the financial standing of the Bank. In particular, the pool allocated for annual awards for the Management Board Members (together with the pool allocated for annual discretionally awards for other employees) for a given year depends i.a. on:
 - a) assessment if risks identified as significant are covered with the allocated internal capital; capital limits for significant types of risk and organisational units set for a given year are utilized as expected, providing the opportunity for business growth; the risk taken, defined within the Bank's risk profile, is not excessive in relation to the capital and liquidity, i.e. is maintained at a level determined by the overall risk appetite, and monitoring of thresholds for risk measures defined within risk appetite shows no excesses, confirming effective risk management;
 - b) risk-adjusted financial results of the Bank;
 - c) assessment if it does not have a negative impact on the liquidity of the Bank.
- 35. In case of Members of the Management Board of the Bank variable remuneration means in particular an annual discretionary bonus granted by way of an individual decision of the Supervisory Board. Annual discretionary bonus may be granted subject to demonstrated the Leadership Standards and realization of objectives set for an individual. The process of setting performance objectives starts at the beginning of a calendar year and takes into account i.a. business strategy adopted by the Bank.
- 36. For the purpose of defining the amount of the variable remuneration, in particular the following is taken into account:
 - a) Bank's performance in the area of an individual's liability, where the performance of the Bank is adjusted for current and future risks;
 - b) Performance of an organisational unit in which an individual is employed;

- c) Performance of an individual, where in the assessment of individual performance the financial and non-financial criteria in particular such as, demonstrated competencies and the way the performance goals are achieved measured with the level of fulfilment of the Leadership Standards, are taken into account. In particular, at least one of them should be connected to risk management.
37. The assessment made for the purpose of determining the amount of variable remuneration takes into account the current and future risks associated with that performance.
38. Subject to the proportionality principle, the Bank awards portion of variable remuneration (if granted):
- a) in the form of equity or equity linked instruments in order to foster partnership behaviour and to align Management Board Members interests with those of shareholders,
 - b) on a deferred basis.

Variable remuneration in the form of financial instrument

39. For annual awards exceeding a threshold approved by the Supervisory Board of the Bank at least 50% of the variable remuneration should be awarded in the form of non-cash instruments value of which depends on the financial results of the Bank. This condition is fulfilled by the Bank's shares or phantom shares, value of which fluctuates depending on the market value of the Bank's shares.
40. Financial instrument may be granted in the form of:
- a) Short-Term Award which is granted unconditionally and is paid out no sooner than after retention period defined by the Supervisory Board,
 - b) Long-Term Award vesting of which depends on meeting certain conditions (referred to in the point 43), deferred over period no shorter than 3 years and paid out after retention period on each tranche defined by the Supervisory Board.
41. During the deferral period and retention period, Management Board Members may be entitled to dividend equivalent payments in respect of any dividends that are declared and paid to ordinary holders of Bank's shares.

Deferred variable remuneration

42. For annual awards exceeding a threshold approved by the Supervisory Board of the Bank part of the variable remuneration, both in the form of cash and financial instrument, is subject to deferral over period no shorter than 3 years and may be subject to retention period defined by the Supervisory Board.
43. Deferred variable remuneration may be subject to ex-post risk adjustment in order to align variable remuneration to additional risks that have been identified or materialised after the award has been conditionally granted and before it vested. Therefore, the amount of deferred portion of the award to be paid out may be decreased or completely reduced based on

decision of the Supervisory Board of the Bank made with application of criteria previously defined by the Supervisory Board.

44. Guaranteed variable remuneration is exceptional. With the consideration of conditions provided for in the point 34, it may only occur when hiring new staff, and is limited to the first year of employment of performing a function.

Pension plans

45. Management Board Members are entitled to participate in pension plan on the same terms and conditions as any other employee of the Bank.
46. Within the remuneration framework, the Bank does not grant the discretionary pension benefits referred to in Art. 4 sec. 1 point 73 of the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

Other terms of employment

47. A Management Board Member may be employed based on employment contract or other contract allowed by the law, for a definite or indefinite period of time.
48. Notice period is set up by the Supervisory Board and cannot be shorter than the one required by the law. It should not exceed 6 months. In justified cases Supervisory Board may decide on other period of time. Terms of terminating an employment contract concluded with a Management Board Member are consistent with those provided for in the Labour Code.

Chapter VII. Final provisions

49. With respect to Members of the Management Board and Members of the Supervisory Board of the Bank, any amendments made to the remuneration documents and the introduction of any new remuneration regulations at the Bank must be compliant with the rules provided for in this Policy.

Attachment 2 to the Resolution No. 32/2020
of the Ordinary General Meeting
of the Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020

Material changes to the “Remuneration Policy for Members of the Management Board and of the Supervisory Board of Bank Handlowy w Warszawie S.A.” (“Policy”) which require adoption by the General Meeting by way of resolution:

1. Change of corporate bodies responsible for the governance of the Policy; for the avoidance of doubt:
 - a. Change of the name of a corporate body does not constitute a material change,
 - b. taking over the tasks of the Nomination and Remuneration Committee of the Supervisory Board by the Supervisory Board of the Bank does not constitute a material change;
2. Elimination of a criterion of allocation of a remuneration component to the fixed remuneration;
3. Introduction of the possibility of granting Members of the Supervisory Board performance-driven remuneration or fixed remuneration components other than those specified in the Policy;
4. Introduction of the individual term of office for the Members of the Supervisory Board or change of the length of the term of office to other than the one provided for in the Policy;
5. Resignation from the possibility of granting variable remuneration to the Members of the Management Board;
6. Increase of the maximum level of ratio of variable to fixed remuneration components for the Management Board Members;
7. Granting variable remuneration in the form of financial instrument other than the ones provided for in the Policy;
8. Resignation from financial instrument as a form of remunerating Members of the Management Board or decrease of its portion within the variable remuneration of Members of the Management Board below the percentage provided for in the Policy;
9. Resignation from or decrease of the minimal required deferral period provided for in the Policy;
10. Resignation from possibility to completely reduce or decrease the amount of deferred portion of variable remuneration;
11. Introduction of discretionary pension benefits;
12. Changes in the scope of authorization given to the Supervisory Board to provide detailed remuneration solutions for the Management Board Members.

*Draft Resolution to Item 5, Sub-point 10) of the
Agenda of the Ordinary General Meeting held on 4
June 2020*

**Resolution No. 33/2020
of the Ordinary General Meeting
of the Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020**

**concerning adoption of the revised “Policy for the Assessment of the Supervisory Board
Members in Bank Handlowy w Warszawie S.A.”**

§ 1

The Ordinary General Meeting of the Bank has resolved to adopt of the revised “Policy for the Assessment of the Supervisory Board Members in Bank Handlowy w Warszawie S.A.” as attached to the present resolution.

§ 2

The revised “Policy for the Assessment of the Supervisory Board Members in Bank Handlowy w Warszawie S.A.” shall apply to the appointment of the members of the Supervisory Board of the Bank starting from the next General Meeting of the Bank.

Attachment to the Resolution No. 33/2020
of the Ordinary General Meeting
of the Bank Handlowy w Warszawie Spółka Akcyjna
of 4 June 2020

**POLICY FOR THE ASSESSMENT OF SUPERVISORY BOARD
MEMBERS AT BANK HANDLOWY W WARSZAWIE S.A.**

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1. INTRODUCTION

1.1 Definitions

The following terms as used in the Policy shall have the following meanings:

Bank means Bank Handlowy w Warszawie Spółka Akcyjna;

Supervisory Board Member means a candidate to the Supervisory Board or a person already sitting on the Supervisory Board;

PFSA means the Polish Financial Supervision Authority;

Policy means this Policy for the assessment of the Supervisory Board Members;

Banking Law means Act as of 29 August 1997 – Banking law (consolidated text: Dz.U. [Journal of Laws] of 2018, Item 2187, with amendments);

GDPR means Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation);

1.2 The scope of the Policy

This Policy constitutes the policy for assessing the suitability of Supervisory Board Members, which is referred to in Article 22aa.1 of the Banking Law.

1.3 Adopting Procedure

This Policy shall be adopted by the resolution of the Bank's General Meeting.

1.4 Applicability

1.4.1 This Policy shall apply to appointments, revocations and assessments of the Supervisory Board Members.

1.4.2 The detailed procedure for appointment of the Supervisory Board Members by the Bank's General Meeting is set out in the Rules of Procedure of the Bank's General Meeting.

1.5 Assessment of qualifications – general rules

1.5.1 Qualifications of any Supervisory Board Member are assessed by the Bank's General Meeting. The process of assessment of the Supervisory Board Member includes the Committee of the Supervisory Board for Appointments and Remuneration (hereinafter the "**Committee**") according to the rules set forth in this Policy.

1.5.2 Taking into account the preliminary assessment of qualifications of the Supervisory Board Member together with the recommendations referred to in par. 4.2 of this Policy, the General Meeting shall perform an individual assessment of each Supervisory Board Member and a collective assessment of the Supervisory Board as a body of the Bank according to the criteria set out in this Policy, recording the fact of the assessment and its results in the contents of the undertaken resolution. The General Meeting should assess the qualifications of each candidate for the Supervisory Board Member prior to their appointment.

1.5.3 Taking into account the preliminary assessment of qualifications of the Supervisory Board Member together with the recommendations referred to in par. 5.4 of this Policy, with respect to par. 5 of this Policy, the General Meeting shall perform a re-assessment of the qualifications of the Bank's Supervisory Board Members when there is a justified doubt as to whether they have adequate qualifications, especially when a particular event or situation requires such a re-assessment, as a way to verify the person's qualifications. The re-assessment may only involve verifying whether the person concerned continues to hold the required qualifications after the event or situation.

- 1.5.4 The Bank shall, immediately after a new Supervisory Board is appointed or the composition of the existing Supervisory Board is changed, notify the PFSA of the composition or new composition of the Supervisory Board, along with the information, based on its assessment, that the Supervisory Board Members meet the requirements for knowledge, skills, experience, and proper performance guarantee and comply the requirements with the applicable restrictions on the holding, by Supervisory Board Members, of positions on the governing bodies of other entities.
- 1.5.5 The documentation for the purposes of the assessment performed by the General Meeting shall be gathered and kept by the Bank's Corporate Services Office in accordance with the provisions of GDPR. Personal data shall be stored for the maximum period of 25 years.

2. GENERAL ASSESSMENT CRITERIA

- 2.1 The General Meeting shall assess the qualifications of Supervisory Board Members, taking into account the nature, scale and complexity of the Bank's business, as well as the preliminary assessment of qualifications of the Supervisory Board Member and recommendations on his/her appointment, issued by the Committee.
- 2.2 The assessment of the Supervisory Board Members includes:
- a) determining, whether the assessed person has the knowledge, skills and experience suitable to the function this person shall be performing in the Bank, as well as the scope of duties assigned to this function;
 - b) determining, whether the assessed person gives guarantee of proper performance of the duties assigned to the function this person shall be performing in the Bank. The guarantee of proper performance of duties primarily refers to the reputation, honesty and integrity of a person concerned and his/her ability to handle the Bank's affairs in a prudent and steady manner.
- 2.3 Whenever this Policy mentions the "qualifications", they shall be deemed as knowledge, skills, experience and guarantee of proper performance of the duties.
- 2.4 The level and type of experience expected of Supervisory Board Members may vary.
- 2.5 The Supervisory Board Members should guarantee in each and every case the proper performance of the duties they are entrusted with.
- 2.6 If the Bank learns about circumstances where the knowledge, skills, experience and/or guarantee of proper performance of the duties of a Supervisory Board Member may be questioned, the future or potential impact of such circumstances on the qualifications of the person concerned must be assessed. The assessment required in the preceding sentence must include all material circumstances known at the time of the assessment, regardless of place or time of their occurrence.
- 2.7 When assessing Supervisory Board Members, the General Meeting shall assess whether each person individually has the qualifications. The General Meeting shall assess whether the Supervisory Board as a whole has the qualifications when appointing the new Supervisory Board Member.
- 2.8 Supervisory Board Members should be able to devote sufficient time and effort to perform their duties effectively.
- 2.9 Supervisory Board Members may hold simultaneously only a number of functions, on the terms specified in the Banking law, and engage in any other time-consuming activities only to a limited extent.
- 2.10 It has been postulated that the General Meeting should incorporate the diversity principles during appointments to the Supervisory Board, namely such processes should provide for equal opportunities for women and men irrespective of their declared sex or age, who have varying individual knowledge, skills and experience and, at the same time, are adequate for the office to which a Supervisory Board Member is appointed, and, further, they complement each other so as to provide for the sufficient standard of collective supervision over the Bank's governance to be

verified by means of collective assessment of the entire Supervisory Board's skills set. In pursuance of the diversity objective, efforts should be made to adhere to such standards as equal treatment, prevention of discrimination and non-ethical conduct. The reflection of the need for diversity on the Supervisory Board cannot prejudice the proper supervision over the Bank's governance.

3. DETAILED ASSESSMENT CRITERIA

3.1 The description of the detailed assessment criteria of the Supervisory Board Members is contained in Appendix 1 to this Procedure.

4. DETAILED ASSESSMENT PROCESS, THE DOCUMENTS AND INFORMATION REQUIRED FOR THE FIRST APPOINTMENT OF A SUPERVISORY BOARD MEMBER

4.1 By first appointment to the Supervisory Board, a candidate himself/herself or via the nominating shareholder shall submit the information and documents necessary to perform the candidate's assessment based on the criteria stated in this Policy, listed below:

- a) Documents or statements regarding:
 - i) Given name(s) and surname, citizenship;
 - ii) Change of given name(s) or surname or citizenship;
 - iii) Financial standing and wealth;
- b) Information necessary for assessment of the candidate's qualifications as regards:
 - i) Address of usual or temporary residence;
 - ii) Education, profession, skills and professional experience, including the work history, completed training courses, place of work and position held, offices held in governing bodies of financial sector entities;
 - iii) Criminal or fiscal criminal proceedings conducted against the candidate;
 - iv) Administrative sanctions imposed on him/her;
 - v) Administrative sanctions imposed on other entities within the realm of the candidate's responsibility;
 - vi) Court proceedings that might adversely affect the candidate's reputation and administrative, disciplinary or debt enforcement proceedings in which he/she is or was involved as a party;
 - vii) Fluency in Polish and foreign languages; and
 - viii) How he/she conducts themselves in private life, business environment and contacts, and how he/she handles any person injured by his/her actions.

Specimens of documents enabling the submission of the above information and statements to the Bank, for the purpose of individual assessment of a Member of the Supervisory Board and collective assessment regarding the Supervisory Board as the Bank's body will be determined by the Director of the Corporate Services Office in consultation with the Chairman of the Supervisory Board and in cooperation with the Legal Division, Compliance Department and Data Protection Office. The Bank may also request submission of other information, statements and documents.

4.2 The Committee shall verify the received documents and information indicated in par. 4.1 of this Policy and based on the possessed material, performs the preliminary individual assessment of the Supervisory Board Member and the collective assessment of the Supervisory Board as the Bank's body, and then prepares the recommendation on appointment of the candidate. The Chairman of the Committee or other designated person shall submit to the General Meeting the Committee's preliminary assessment of qualifications and the recommendation on appointment of the candidate in order for the General Meeting of the Bank to perform the assessment of qualifications.

4.3 With the provision of information about himself/herself, the Supervisory Board Member should be asked to submit to the Bank a written consent for processing by the Bank and the entities involved in the process of evaluating his / her personal data (the “Consent”), including personal data from the respective categories of information provided under the GDPR for the selection and evaluation process in accordance with this Policy, as far as the legal basis for processing such data is not set out in the law or entails any transmission of data to any members of the Citi Group. Detailed information about the method and scope of processing of personal data of the Supervisory Board Member together with the Consent for their processing shall be provided by the Bank to the candidates in separate information on the processing of personal data. Failure to provide the relevant data to the Bank may constitute an obstacle to the assessment of the candidate and consequently to the appointment or performance of a member of the Supervisory Board of the Bank.

5. DETAILED RE-ASSESSMENT PROCESS AND MEASURES TAKEN IF THE CANDIDATE LACKS THE REQUIRED QUALIFICATIONS

- 5.1 The General Meeting shall perform an individual re-assessment of a Supervisory Board Member if:
- a) the Supervisory Board Member is to be appointed for another term of office; and
 - b) the General Meeting receives information questioning the qualifications possessed by the Supervisory Board Member which are required to further performance of the function, described in this Policy.
- 5.2 Each individual re-assessment of a Supervisory Board Member involves:
- a) determining whether the person being re-assessed maintains necessary knowledge, skills and experience suitable to the function this person shall be performing in the Bank, as well as the scope of duties assigned to this function; and
 - b) determining whether anything has happened that may significantly affect the guarantee of proper performance of the duties by the person being re-assessed.
- 5.3 The Supervisory Board Member notifies the Committee immediately after a significant change occurs, that may affect the Supervisory Board Member’s qualifications necessary for performing their functions, as referred to in this Policy. The Director of the Bank’s Corporate Services Office, once a year, is obligated to collect from every Supervisory Board Member information about the possible changes concerning the statements, information and documents submitted before the appointment to the Supervisory Board, and is obliged to submit the collected information to the Committee. Specimens of documents enabling submission of amended information and statements to the Bank will be determined by the Director of the Corporate Services Office in consultation with the Chairman of the Supervisory Board and in cooperation with the Legal Division, Compliance Department and Data Protection Office. If there are no changes, the Supervisory Board Member shall make the statement that such statements, information and documents as held by the Bank do not require update. This statement may be submitted electronically. The Committee verifies the received information and performs the annual assessment of the Supervisory Board Member’s qualifications in the scope described in par. 5.2 of this Policy. Within the same scope, the Committee verifies the information described in par. 5.1.b) of this Policy.
- 5.4 If the preliminary assessment of the Supervisory Board Member’s qualifications performed by the Committee is negative, the Committee submits the assessment to the General Meeting together with recommendation on steps aiming at revocation of this Supervisory Board Member or, respectively, at individual training of the Supervisory Board Member or collective training of the whole Supervisory Board of the Bank in order to ensure that both individual and collective qualifications and experience of the Supervisory Board are sufficient. The nearest General Meeting of the Bank performs the assessment process and decides in this area.
- 5.5 In case described in par. 5.1.a) of this Policy, the Director of the Bank’s Corporate Services Office is obligated to collect from every Supervisory Board Member information about the possible changes concerning the statements and information submitted before first appointment to the Supervisory Board. Specimens of documents enabling submission of amended information and statements to the

Bank will be determined by the Director of the Corporate Services Office in consultation with the Chairman of the Supervisory Board and in cooperation with the Legal Division, Compliance Department and Data Protection Office. If there aren't any changes, the Supervisory Board Member shall make the statement that the statements, information and documents possessed by the Bank do not require update. The Director of the Bank's Corporate Services Office submits the collected statements, information and documents to the Committee. The Committee verifies the received information, performs the preliminary assessment of the Supervisory Board Member's qualifications and submits the assessment together with the recommendation on re-appointment to the General Meeting of the Bank. The provisions of par. 4.2 shall apply respectively.

6. EFFECTIVE DATE

This Policy is subject to adoption in accordance with par. 1.3 above and shall become effective when adopted by the Bank's General Meeting.

APPENDIX 1
THE ASSESSMENT CRITERIA

1. CRITERIA REGARDING THE REPUTATION, HONESTY AND INTEGRITY, AND THE ABILITY TO HANDLE THE BANK'S AFFAIRS IN A PRUDENT AND STEADY MANNER (GUARANTEE OF PROPER PERFORMANCE OF DUTIES)

- 1.1 Pursuant to Article 22aa.1 of the Banking Law, members of the bank's supervisory board must guarantee the proper performance of their duties. The guarantee referred to in the preceding sentence primarily refers to the reputation, honesty and integrity of a person concerned and his/her ability to handle the Bank's affairs in a prudent and steady manner.
- 1.2 A Supervisory Board Member should be considered as guaranteeing the proper performance of duties if there is no evidence to suggest otherwise and no reason to have reasonable doubt about his or her good reputation, honesty, integrity and the ability to handle the Bank's affairs in a prudent and steady manner. A Supervisory Board Member should not be considered as guaranteeing the proper performance of duties if his or her personal or business conduct gives rise to any material doubt about his or her ability to ensure the sound and prudent supervision over the management of the Bank.
- 1.3 All of the following information should be taken into account:
 - a) Criminal or fiscal criminal proceedings conducted against the Supervisory Board Member;
 - b) Administrative sanctions imposed on him/her;
 - c) Administrative sanctions imposed on other entities within the realm of the Supervisory Board Member's responsibility;
 - d) Court proceedings that might adversely affect the Supervisory Board Member's reputation and administrative, disciplinary or debt enforcement proceedings in which he/she is or was involved as a party.

The surrounding, including mitigating, circumstances and the seriousness of any relevant offence or administrative or supervisory action, the time period and the Supervisory Board Member's conduct since the offence and the relevance of the offence or administrative or supervisory action to the proposed role should be considered.

- 1.4 The cumulative effects of more minor incidents, which individually do not impinge on a Supervisory Board Member's reputation but may in sum have a material impact, should be considered.
- 1.5 Attention should be paid to the following factors regarding the propriety of the Supervisory Board Member in past business dealings:
 - a) any evidence that the Supervisory Board Member has not been transparent, open, and cooperative in its dealings with supervisory or regulatory authorities;
 - b) refusal of any economic registration, authorization, membership, or license to carry out a trade, business, or profession; or revocation, withdrawal, or termination of such registration, authorization, membership, or license; or expulsion by a regulatory or government body;
 - c) the reasons for any dismissal from employment or any position of trust, fiduciary relationship, or similar situation, or having been asked to resign from employment in such a position; and
 - d) disqualification by competent authority from acting as a person who directs the business.

1.6 It should be considered how they conduct themselves in private life, business environment and contacts, and how he/she handles any person injured by his/her action.

2. KNOWLEDGE, SKILLS AND EXPERIENCE CRITERIA

2.1 Pursuant to Article 22aa.1 of the Banking Law, members of the bank's supervisory board must have knowledge, skills and experience as adequate for offices held by them and duties assigned to them.

2.2 All information about their education, profession, skills and professional experience, including the work history, completed training courses, place of work and position held, offices held in governing bodies of financial sector entities, should be taken into account.

2.3 The assessment of a Supervisory Board Member's experience should consider both, the theoretical experience attained through education and training and the practical experience gained in previous occupations. It should be taken into account the skills and knowledge acquired and demonstrated by the professional conduct of the member.

2.4 With regard to assessment of a Supervisory Board Member's theoretical experience, particular consideration should be given to the level and profile of the education and whether it relates to banking and financial services or other relevant areas. Education in the areas of banking and finance, economics, law, administration, financial regulation and quantitative methods can in general be considered to be related to banking and financial services.

2.5 The assessment should not be limited to the details about the level of education of the Supervisory Board Member or proof of a certain period of service in a bank, other financial institution or other entity. A more thorough analysis of the Supervisory Board Member's practical experience should be conducted as the knowledge and skills gained from previous occupations depends on the nature, scale and complexity of the business as well as the function performed within it.

2.6 When assessing the knowledge, skills and experience of a member of the management body particular consideration should be given to theoretical and practical experience relating to:

- a) financial markets;
- b) regulatory framework and requirements;
- c) strategic planning, and understanding of a bank's business strategy or business plan and accomplishment thereof;
- d) risk management (identifying, assessing, monitoring, controlling and mitigating the main types of risk of a bank, including the responsibilities of the member);
- e) assessing the effectiveness of a bank's arrangements, creating effective governance, oversight and controls; and
- f) interpreting a bank's financial information, identifying key issues based on this information and appropriate controls and measures.

2.7 A Supervisory Board Member should be capable of providing constructive challenge to the decisions and effective oversight of the Management Board. The experience may be gained from academic, administrative or other positions and through the management, supervision or control of financial institutions or other firms. The Supervisory Board Members should be able to demonstrate that they have, or will be able to acquire, the technical knowledge necessary to enable them to understand the business of the bank and the risks that it faces sufficiently well.

3. GOVERNANCE CRITERIA

- 3.1 When assessing the suitability of a Supervisory Board Member also other criteria relevant for the functioning of the Supervisory Board should be assessed, including potential conflicts of interest, the ability to commit sufficient time, the overall composition of the Supervisory Board, the collective knowledge and expertise required and Supervisory Board Member's ability to perform their duties independently without undue influence from other persons.
- 3.2 In assessing a Management Board Member's independence, the following factors should be considered:
- a) past and present positions held in the bank or other entities;
 - b) personal, professional or other economic relationships with the management board members in the Bank's parent company or subsidiaries; and
 - c) personal, professional or other economic relationships with the controlling shareholders of the Bank, with its parent institution or subsidiaries.
- 3.3 The Supervisory Board needs collectively to have sufficient practical experience in banks.