

## EBI Report No. 1/2016

Subject: Report on the degree of compliance with the corporate governance recommendations and principles contained in Best Practice for GPW Listed Companies 2016

Pursuant to paragraph 29 section 3 of the Regulations of Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange) Bank Handlowy w Warszawie Spółka Akcyjna submits a report on its non-compliance with some detailed principles contained in the Best Practice for GPW Listed Companies 2016.

### Disclosure Policy, Investor Communications

I.Z.1.10. financial projections, if the company has decided to publish them, published at least in the last 5 years, including information about the degree of their implementation;

The principle not applicable.

The Bank does not publish financial projections.

### Internal Systems and Functions

III.Z.6. Where the company has no separate internal audit function in its organisation, the audit committee (or the supervisory board if it performs the functions of the audit committee) should review on an annual basis whether such function needs to be separated.

The principle not applicable.

There is an internal audit unit in the Bank's organizational structure.

### Remuneration

VI.Z.2. To tie the remuneration of members of the management board and key managers to the company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than two years.

The principle is not applied.

The motivation schemes in the Bank, including deferred cash plans and the ones based on the financial instrument in the form of phantom shares are compliant with the best practice in banking sector as well as regulatory requirements specified in KNF Resolution 258/2011 dated 4 October 2011 and in Banking Law, which implemented CRD III and CRD IV. These regulations provide for slightly different requirements than the ones specified in Best Practice of GPW Listed Companies 2016. The Bank's motivation schemes which are based on the above mentioned regulations reflect specifics of the banking sector and are aimed to protect clients' and shareholders' interests as well as support sustainable growth of the Bank. Details on the motivation schemes are provided in the Bank's annual report as well as in Information on capital adequacy of the Capital Group of Bank Handlowy w Warszawie S.A. Subject to the regulations and legal requirements on remuneration policy in banking sector, the Bank will consider changes of its motivation schemes based on the financial instrument.