

**RESOLUTION No. /2016  
of the Annual General Meeting  
of Powszechna Kasa Oszczędności  
Bank Polski Spółka Akcyjna  
of 30 June 2016**

**on amendments to the Articles of Association of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna**

Pursuant to Article 430 § 1 of the Commercial Companies Code, the Annual General Meeting resolves as follows:

§ 1.

The Articles of Association of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna shall be amended as follows:

1) § 1.1 shall receive the following wording:

“1. Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna, further in the Articles of Association referred to as the ‘**Bank**’, is a bank which conducts its activities pursuant to generally applicable laws, best market practice which the Bank chose to follow and these Articles of Association, while preserving the national character of the Bank.”;

2) following § 5, a §5a shall be added, reading as follows:

“§5a

“The Bank may perform the activities envisaged for domestic banks, stipulated in the Act of 11 February 2016 on State Aid in the Upbringing of Children.”

3) Section 2 of § 9 shall receive the following wording:

“2. The matters put on the agenda of a General Meeting shall, in accordance with the Rules referred to in § 14, first be presented by the Management Board to the Supervisory Board for consideration and issuance of an opinion.”,

4) Section 3 of § 9 shall be deleted,

5) § 15 shall receive the following wording:

**“§ 15**

1. Apart from the powers and responsibilities provided for in the generally applicable laws and these Articles of Association, the Supervisory Board has the authority to adopt resolutions regarding:
  - 1) the approval of the strategy of the Bank adopted by the Management Board,
  - 2) the approval of the risk management strategy and the general risk appetite adopted by the Management Board,
  - 3) the approval of the annual financial plan adopted by the Management Board,
  - 4) the nomination of an entity to audit or review the consolidated or separate financial statements of the Bank, the giving of permission for the signing of the engagement letter with such an entity or any of its subsidiaries, affiliates, parent entities or the subsidiaries or affiliates of its parent entities, and for the performance of any other activities which might adversely affect the independence of any such entity in the performance of the audit or review of the Bank’s financial statements,
  - 5) the enactment of the Rules and Regulations of the Supervisory Board,
  - 6) the enactment of the Rules specifying the principles of the making of loans, cash advances, issuance of bank guarantees or suretyship to a member of the Management Board or the Supervisory Board or any other executive of the Bank, and to any party related a member of the Management Board or the Supervisory Board or any other executive of the Bank by capital or organization as per Article 79a of the Act of 29 August 1997 “Banking Law”,
  - 7) the appointment and recalling, in a secret ballot, of the President, Vice Presidents and members of the Management Board,
  - 8) the suspension of individual or all of the members of the Management Board for important reasons as well as delegating members of the Supervisory Board to temporarily (for a period not exceeding three months) act in the capacity of members of the Management Board who have been

dismissed, have resigned or are incapable of performing their duties for any other reason

- 9) the approval of the opening or closing of a branch abroad,
- 10) the approval of the following, as adopted by the Management Board:
  - a) Rules and Regulations:
    - the Rules and Regulations of the Management Board,
    - the Rules of Appropriation of Special Funds Established From After-Tax Profit,
    - the Organizational Rules of the Bank,
  - b) resolutions concerning:
    - the principles of the capital adequacy disclosure policy,
    - the guiding principles of the compliance risk management policy,
    - the rules of management of capital adequacy and equity, in particular regarding the processes of internal capital assessment, capital management and planning as well as the dividend policy,
    - the rules of operation of the internal control framework,
- 11) the approval of periodic reports on risk management, capital adequacy and internal control framework submitted by the Management Board,
- 12) the giving of prior consent to:
  - a) the acquisition or disposal of non-current assets whose value exceeds 1/10 of the Bank's own funds, except for any real property and perpetual usufruct right,
  - b) with the exclusion of the activities referred to in § 9 section 1 point 5, the acquisition and disposal of real property, an interest in a real property or a perpetual usufruct right, or their encumbrance with a limited property right or the giving of use of the same to a third party if the value of the real property or the right which is the object of such an act exceeds 1/50 of the Bank's share capital; such consent shall not be required if the acquisition of real property, an interest in a real property or a perpetual usufruct right forms a part of enforcement, bankruptcy, arrangement proceedings or any other settlement with a Bank's debtor, as well as in the event of legal transactions concerning

real property or rights acquired by the Bank in the manner described above; in such cases the Management Board shall only be required to notify the Supervisory Board about the performed act

- c) the establishment of a company, taking up or acquisition of shares, bonds convertible into shares or other instruments entitling the holder to acquire or take up shares if the financial commitment of the Bank resulting from such an act exceeds 1/10 of the Bank's own funds;
  - d) the Bank entering into a material contract with a shareholder holding at least 5% of the total voting rights in the Bank or with an affiliate; this obligation shall not apply in relation to typical transactions and transactions performed at arm's length as part in the regular course of the Bank's operating activities if such transactions are performed with entities belonging to the Bank's corporate group,
- 13) applying to the Polish Financial Supervision Authority for permission to appoint the President of the Management Board and the member of the Management Board in charge of the management of a material risk in the operations of the Bank as well as for the assignment of the function of the Member of the Management Board in charge of the management of a material risk in the operations of the Bank to a member of the Management Board who has not overseen the management of such risk,
- 14) assessment of the remuneration policy followed by the Bank and the presentation of reports in this regard to the General Meeting,
- 15) opinions on the observance by the Bank of the 'Principles of Corporate Governance for Supervised Institutions',
2. The Supervisory Board shall notify the Polish Financial Supervision Authority of the composition of the Management Board and each change therein immediately after the appointment of or making a change in the composition of the Management Board. The Supervisory Board shall also, following a prior review performed by the Supervisory Board, report to the Polish Financial Supervision Authority on the satisfaction by the members of the Management Board of the requirements for the members of the management board of a major bank stipulated in the Act of 29 August 1997 "Banking Law". The Supervisory Board

shall also advise the Polish Financial Supervision Authority of the approval of or any alterations in the internal division of responsibilities in the Management Board.

3. The Supervisory Board shall adopt resolutions by an absolute majority of votes cast, subject to the attendance of at least half of the members of the Supervisory Board, including the Chairman or the Deputy Chairman of the Supervisory Board, except for resolutions concerning the issues referred to in section 1 points 1-4, 6-8 and 12, which shall require a qualified majority of 2/3 of the votes in addition to the said quorum.
4. The members of the Supervisory Board who are concerned by the issue to be voted on shall not participate in voting.”,
- 6) in § 17 section 4, the first sentence shall be reworded as follows:

“The Supervisory Board may adopt resolutions in writing (by circulation) or by means of direct remote communication facilities, with the exception of resolutions on matters referred to in § 15 section 1 points 1-4 and 6-8 and any resolutions to be adopted is a secret ballot.”,
- 7) in § 17a section 1, the first sentence shall be reworded as follows:

“The Supervisory Board shall appoint, from among its members, the Audit Committee, the Remuneration Committee and the Risk Committee.
- 8) § 19 shall receive the following wording:

#### **“§ 19**

“The members of the Management Board shall be appointed by the Supervisory Board for a common three-year term of office.”

- 9) Sections 2-4 of § 22 shall receive the following wording:
  2. The Management Board shall make decisions in the form of resolution.
  3. Resolutions of the Management Board shall be required for all matters beyond the scope of ordinary business of the Bank. Resolutions of the Management Board shall be adopted by an absolute majority of votes. In the event of a tie, the President of the Management Board shall have the casting vote.
  4. The operating procedure of the Management Board and matters requiring a resolution to be adopted by the Management Board shall be defined in the Rules and Regulations of the Management Board.”,

10) Section 5 of § 22 shall be deleted,

11) Sections 4-5 of § 23 shall be reworded as follows:

“4. The Member of the Management Board in charge of the management of material risk in the operations of the Bank shall be appointed by permission of the Polish Financial Supervision Authority. The member of the Management Board referred to in the preceding sentence may not be put in charge of the area of Bank’s operations generating the risk he/she is in charge of overseeing.

5. The Management Board members shall participate in the management of the operations of the Bank in accordance with the Rules and Regulations of the Management Board and the Organizational Regulations of the Bank.”

12) § 25 section 1, point 3 subpoints a)-c) shall be reworded as follows:

“a) requiring, in accordance with the law, the Articles of Association and the Rules and Regulations of the Management Board, joint action of the Management Board – shall be issued in the form of resolutions of the Management Board adopted in accordance with the relevant provisions of law, the Articles of Association and the Rules and Regulations of the Management Board,

b) not requiring a resolution of the Management Board and which, in accordance with the Articles of Association and the Rules and Regulations of the Management Board, fall within the competence of the President of the Management Board – shall be issued in the form of an order,

c) not requiring a resolution of the Management Board and which, in accordance with the Articles of Association and the Rules and Regulations of the Management Board, have been delegated to the competence of individual members of the Management Board – shall be issued in the form of a decision of the relevant member of the Management Board,”,

13) The title of Chapter VI - “Rules of Operation of the Internal Control Framework” shall be reworded as follows:

**“VI. Rules of Operation of the Governance System”**,

14) §§ 26-27 shall be reworded as follows:

### **“§ 26**

1. The Bank shall have a governance system.

2. The governance system shall be comprised of a set of rules and mechanisms related to the decision-making processes occurring in the Bank and the evaluation of the Bank's operations.
3. The governance system of the Bank shall comprise in particular:
  - 1) a risk management system,
  - 2) an internal control framework.
4. The Management Board shall design, implement and ensure the operation of the governance system. The Supervisory Board shall oversee the implementation of the governance system and evaluate its adequacy and effectiveness.
5. The rules of operation of the governance system, including the risk management system and the internal control framework, shall be specified in the internal regulations of the Bank.

## § 27

1. The aim of the internal control framework is to ensure:
  - 1) efficiency and effectiveness of the Bank's operations,
  - 2) reliability of financial reporting,
  - 3) observance of the rules of risk management in the Bank,
  - 4) compliance of the Bank's operation with the laws, internal policies and market standards.
2. Within the internal control framework, the Bank shall have a separate:
  - 1) control function responsible for the observance of controls regarding in particular risk management in the Bank, which shall comprise positions, groups of staff or organizational units responsible for the performance of duties assigned to the function;
  - 2) compliance function responsible for identifying, evaluating, controlling and monitoring the risk of the Bank's activities failing to comply with the laws, internal regulations and market standards and for reporting in this regard;
  - 3) internal audit function responsible for independent and objective auditing and evaluation of the adequacy and effectiveness of the risk management system and the internal control framework except for the internal audit function.

3. The internal audit function and the compliance function shall be independent and shall report directly to the President of the Management Board.
4. The appointment and dismissal of the head of the internal audit function and of the compliance function shall require prior approval of the Supervisory Board.”

15) following § 27, a §27a shall be added, reading as follows:

**“§ 27a**

1. The duties of the risk management system shall include the identification, measurement, evaluation, control, monitoring of and reporting on the risks inherent in the operations of the Bank so as to ensure the correct functioning of the process of setting and accomplishing specific targets in the Bank’s operations.
2. Within the risk management system, the Bank shall:
  - 1) follow formalised rules for determining the size of the risk taken and the risk management rules;
  - 2) follow formalised procedures for identifying, measuring and evaluating, controlling, monitoring of and reporting on the risks inherent in the Bank’s operations, also taking into account the anticipated level or risk in the future;
  - 3) implement formal risk mitigating limits and the rules of procedure in the event of overrun of such limits;
  - 4) operate the implemented management information system allowing one to monitor the level of risk;
  - 5) have an organizational structure appropriate for the size and profile of the risk the bank is exposed to.

16) § 28 shall receive the following wording:

**“§ 28**

1. The Bank’s own funds shall be the sum of Tier 1 capital and Tier 2 capital.
2. The Bank’s own funds shall be created in accordance with the rules set out in the applicable laws.”,

17) The following sentence shall be added in § 29 section 1:

“The capital surplus may also be allocated for other purposes, including in particular for an increase of the share capital.”

18) section 3 of § 29 shall be reworded as follows:

“3. Decisions concerning the appropriation of the capital surplus shall be made by the General Meeting. However, a part of the capital surplus equal to a third of the share capital may only be allocated to the coverage of balance sheet loss, if any.”,

19) section 3 of § 30 shall be deleted:

20) following § 31 a § 31a shall be added, reading as follows:

#### “§ 31a

1. Special funds may be established by allocations from the after-tax profit, on the basis of resolutions of the General Meeting.
2. When establishing a special fund, the General Meeting shall define its purpose.”.

#### § 2.

The Supervisory Board is hereby authorised to prepare the consolidated text of the Articles of Association of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna comprising the amendments referred to in § 1 of this resolution.

#### § 3.

The resolution shall come into force on the day of its adoption.

### Rationale

#### **of the draft resolution on amendments to the Articles of Association of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna**

The proposed amendments to the Articles of Association of the Bank are described below:

**Re. 1)** The aim of the proposed amendment to § 1 section 1 is to bring the Bank's Articles of Association to compliance with the terminology used in the Act of 29 August 1997 “Banking Law” and to harmonise the provisions of the Articles in connection with other proposed changes in the internal control framework. The market standards which the Bank accepted to follow are to be understood as, among other things, the best

practice sets such as the “Principles of Corporate Governance for Supervised Entities” or “Best Practice for WSE-Listed Companies 2016”.

**Re. 2)** The proposed amendment consisting of addition of § 5a is aimed at bringing the provisions of the Bank’s Articles of Association to compliance with Article 51 of the Act of 11 February 2016 on State Aid in the Upbringing of Children. The activities performed on the basis of the proposed rule will not be for profit and thus will not constitute an object of the Bank’s business.

**Re. 3) and 4)** The matter of considering and issuing opinions on resolutions to be adopted by the General Meeting is now included in the Rules and Regulations of the Supervisory Board whereas the matter of publication of draft resolutions of the General Meeting and other documents is provided for in the Rules and Regulations of the General Meeting. Therefore, it is proposed to delete § 9 section 3 from the Articles of Association of the Bank, governing the publication of materials connected with the General Meeting, as the issue has been provided for in another corporate document and is governed by general laws anyway. The draft amendments to § 9 section 2 of the Articles of Association of the Bank refer to the rule laid down in section II.Z.11 of the “Best Practice for WSE-Listed Companies 2016” whereby the supervisory board is to consider and issue opinions on matters to be resolved by the general meeting. Corresponding amendments are postulated in regard to the Rules and Regulations of the Supervisory Board and the Rules and Regulations of the General Meeting and these will be presented to the Annual General Meeting.

**Re. 5)** The draft amendments to § 15 of the Articles of Association of the Bank:

- it is suggested that the matter of approval by the Supervisory Board of the risk management strategy and the general risk appetite should be included in one section and be formulated more precisely;
- the rule concerning the enactment by the Supervisory Board of the Rules of Appropriation of the Reserve Capital has been abandoned - according to the Commercial Companies Code and the Bank’s Articles of Association, it is the General Meeting which decides about the appropriation of the reserve capital and the capital may only be allocated to the coverage of balance sheet losses, if such occur. If there is a likelihood of occurrence of balance sheet losses, the Management Board shall apply to the Annual Meeting requesting that the General

Meeting adopt a resolution in respect of appropriation of the reserve capital. The draft version of the relevant resolution of the General Meeting is reviewed by the Supervisory Board and so the process of application to the General Meeting for the appropriation of the reserve capital is properly monitored by the Supervisory Board. Therefore the Rules of Appropriation of the Reserve Capital are of a rather limited scope;

- a reference is made to the title of a document which is approved by the Supervisory Board, namely the Rules of Management of Capital Adequacy and Own Funds and issues which should be covered in this document are specified;
- amendments are suggested to § 15.1.12.d) with the view to implementing the rule stipulated in section V.Z.5. of the “Best Practice for WSE-Listed Companies 2016”, among other things by stipulating that prior permission of the Supervisory Board is required for the Bank’s entering into a material contract with a shareholder holding at least 5% of the total number of voting rights in the Bank;
- amendments are suggested to § 15.1.13 and in § 15.2, the aim of which is to harmonise these rules with the current wording of Articles 22a and 22b of the Act of 29 August 1997 “Banking Law”;
- The numbering of the matters which are to be resolved by the Supervisory Board by a qualified majority of 2/3 of the votes has been harmonised with the proposed amendments to § 15.1;
- also, certain housekeeping changes are proposed.

**Re. 6)** The numbering of the matters which are to be resolved by the Supervisory Board by a qualified majority of 2/3 of the votes has been harmonised with the proposed amendments to § 15.1;

**Ad. 7)** It is suggested to specify the risk committee in § 17a section 1, the establishment of which in a major bank is required by the Act of 29 August 1997 “Banking Law”;

**Re. 8)** It is suggested to simplify § 19 by way of an appropriate modification of the current § 19.1 and the deletion of the current sections 2 and 3 in connection with the unification of the procedure of appointment of members of the Management Board and the fact that the matter of appointment of members of the Management Board subject to approval of the Polish Financial Supervision Commission is covered elsewhere in the

Articles of Association (§ 15) and in Article 22b of the Act of 29 August 1997 “Banking Law”.

**Re. 9) i 10)** The principal aim of the proposed amendments to § 22 is to indicate that the Rules and Regulations of the Management Board approved by the Supervisory Board will specify matters requiring the adoption of a resolution by the Management Board. The existing section of the Articles of Association containing an open-ended catalogue of matters requiring approval by way of Management Board resolution will be transferred to the Rules and Regulations of the Management Board as appropriate. Such a solution is in line with the rule following from Article 22a.5 of the Act of 29 August 1997 “Banking Law” that the management board decides about and the supervisory board approves the division of responsibilities within the management board of the bank. In addition, the current wording has been clarified by appropriate modification so as to underscore that the adoption of resolutions by an absolute majority of votes may also happen outside a meeting. Also, a change in the order of the sections is proposed.

**Re. 11)** The proposed amendment to § 23.4 is to clarify this provision and align its wording with Articles 22a and 22b of the Act of 29 August 1997 “Banking Law”. It is also proposed to clarify § 23.5 by stating that the members of the Management Board participate in the management of the Bank also in compliance with the Organizational Regulations of the Bank, which are enacted by the Management Board and approved by the Supervisory Board. The document in question specifies the areas of the Bank’s operations assigned to the respective members of the Management Board.

**Re. 12)** The proposed amendment to § 25 section 1 point 3 subpoints a)-c) is a consequence of other proposed amendments and serves to emphasise that the assignment of the areas of operation to the respective members of the Management Board is reflected in the Organizational Regulations of the Bank.

**Ad. 13)-15)** In accordance with the amendments to the Act of 29 August 1997 “Banking Law” brought in under the Act of 5 August 2015 on Macro-Prudential Oversight of the Financial System and Crisis Management in the Financial System, the articles of association of a bank should set out the rules of operation of the governance system. Therefore, the rules of operation of the governance system, including the risk management system and the internal control framework have been specified in the draft

provisions. The present provisions concerning the internal control framework have been harmonised with said amendments to the Act of 29 August 1997 "Banking Law".

**Re. 16)** The proposed § 28 makes a reference to Article 4.1.118 of 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, according to which "own funds" mean the sum of Tier 1 capital and Tier 2 capital. It was decided not to define the individual funds in detail, instead making a reference to the relevant laws.

**Re. 17) and 18)** The proposed amendments to § 29 mean that the capital surplus may be appropriated for other purposes than the coverage of balance sheet losses under a resolution of the General Meeting.

**Re. 19)** The reasons behind the suggestion to delete a section referring to the enactment by the Supervisory Board of the Rules of Appropriation of Capital Surplus are provided in the section concerning the amendments to § 15.

**Re. 20)** In connection with the proposed amendments to § 28, the current provisions related to special funds have been moved to a new section of the text. It was also stated that when establishing a special fund, the General Meeting shall define its purpose.

The amendments referred to in § 1 sections 3-20 of the draft resolution of the Annual General Meeting on amendments to the Articles of Association of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna require the consent of the Polish Financial Supervision Authority. The text of the currently ruling Articles of Association containing highlighted proposed amendments has been attached to this justification.

The resolution has received the approval of the Supervisory Board.