

Appendix to rationale to the draft resolution of the Annual General Meeting concerning the approval of the Supervisory Board Rules and Regulations - the Supervisory Board Rules and Regulations adopted by the Resolution No. / 2016 concerning of the Supervisory Board Rules and Regulations with highlighted proposed amendments in relation to the currently applicable wording of the the Supervisory Board Rules and Regulations



Bank Polski

**RULES AND REGULATIONS OF THE SUPERVISORY BOARD OF
POWSZECHNA KASA OSZCZĘDNOŚCI
BANK POLSKI SPÓŁKA AKCYJNA**

(Consolidated text)

~~As amended by:~~

~~Resolution No. 24/2012 of the Supervisory Board on 9 May 2012. Changes resulting from the Resolution No. 24/2012 of the Supervisory Board on 9 May 2012 approved by Resolution No. 30/2012 of the Annual General Meeting of PKO Polish Bank SA of 6 June 2012.~~

~~Last Updated:~~

~~Resolution No. 57/2014 of the Supervisory Board of 17 December 2014. Changes resulting from the Resolution No. 57/2014 of the Supervisory Board of 17 December 2014 approved by Resolution No. 54/2015 of the Annual General Meeting of PKO Polish Bank SA of 25 June 2015.~~

~~RULES AND REGULATIONS OF THE SUPERVISORY BOARD OF
POWSZECHNA KASA OSZCZĘDNOŚCI
BANK POLSKI SPÓŁKA AKCYJNA~~

§ 1.

1. Whenever in these Rules and Regulations reference is made to:
 - 1) the **Bank** - shall mean Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna;
 - 2) **Member of the Supervisory Board** - shall mean each member of the Supervisory Board, unless the context indicates that it does not refer to the Chairman;
 - 3) **Best Practices** - shall mean the ~~best practices~~ Best Practices of the Companies quoted on the Warsaw Stock Exchange 2016 or otherwise named rules of corporate governance in force on the regulated market on which the shares of the Bank are listed;
 - 4) **Chairman** - shall mean the chairman of the Supervisory Board;
 - 5) **Supervisory Board** - shall mean the supervisory board of the Bank;
 - 6) **Rules and Regulations**- shall mean these rules of the Supervisory Board;
 - 7) **Articles of Association** - shall mean the Articles of Association of the Bank;
 - 8) **General Meeting** - shall mean the Ordinary or Extraordinary General Meeting of the Bank;
 - 9) **Vice Chairman** - shall mean the vice chairman of the Supervisory Board;
 - 10) **Management Board** - shall mean the Management Board;
 - 11) **Corporate Governance Principles** - shall mean the 'Principles of corporate governance for supervised institutions' issued by the Polish Financial Supervision Authority.
2. The Rules and Regulations set out the organisation of the Supervisory Board and its manner of performing actions within the scope not regulated by the Commercial Companies Code, other provisions of law or the Articles of Association.

§ 2.

1. The Supervisory Board is a collective body exercising ongoing supervision over the activities of the Bank in all areas of its activity.
2. The Supervisory Board acts on the basis of the Commercial Companies Code, other binding provisions of law, the Articles of Association, and the Rules and Regulations.
3. Members of the Supervisory Board should take due care to ensure that their actions meet the requirements of the Best Practices and the Corporate Governance Principles, which the Bank adopted for use.

§ 3.

The competence of the Supervisory Board, aside from those matters set out in the provisions of law and of the Articles of Association, includes:

- 1) considering and issuing opinions on ~~all the~~ matters put ~~by the Management Board~~ on the agenda of the General Meeting, whereas the Supervisory Board must not issue opinions with reference to the following items:

- ~~– those which refer solely to the Supervisory Board or Supervisory Board Members,~~
 - ~~– issues placed by the Shareholders, once the General Meeting has been convened,~~
- 2) considering information received from the Management Board on all important matters concerning the activities of the Bank and risk relating to the activities conducted and the manner of managing such risk,
 - 3) preparing ~~concise evaluations of the situation of the Bank in order to present the annual reports presented~~ to the Annual General Meeting in compliance with the Best Practices.

§ 4.

1. Members of the Supervisory Board are obliged to:
 - 1) participate in meetings of the Supervisory Board,
 - 2) perform the duties they have been appointed by the Supervisory Board,
 - 3) maintain secrecy concerning:
 - a) matters constituting professional or banking secrecy, inside information within the meaning of the Act on Trading in Financial Instruments or a business or commercial secret,
 - b) matters relating to qualification proceedings of candidates for the position of ~~president of the Management Board or~~ a member of the Management Board,
 - c) personal matters of members of the Supervisory Board or Management Board,
 - d) issues raised by the Chairman or a Member of the Supervisory Board as confidential,
 - e) the results of voting on resolutions adopted by the Supervisory Board,
 - f) the manner of voting by individual Members of the Supervisory Board,
 - g) deliberations of meetings of the Supervisory Board.
2. A Member of the Supervisory Board should not resign from his or her function in the course of a term of office if this could prevent the functioning of the Supervisory Board, and in particular if this could prevent an important resolution from being adopted in a timely manner.

~~§ 5.~~

~~A Member of the Supervisory Board is obliged to promptly inform the Management Board about his or her ties to a shareholder holding shares representing at least 5 per cent of the total number of votes at the General Meeting. The above obligation concerns ties of an economic, family or other nature which could affect the position of the Member of the Supervisory Board regarding a matter being considered by the Supervisory Board.~~

§ 6.

1. A Member of the Supervisory Board is obliged, at latest on the day of an election to the Supervisory Board, to provide the Management Board with information as set out in the provisions concerning ~~current and periodic~~ information by issuers of securities. ~~A Member of the Supervisory Board should also and to~~ provide the

~~Management Board with a declaration statement~~ that he or she meets the criteria of independence ~~from the Bank and from entities which have a significant connection with the Bank~~, as specified in Best Practices.

2. In the performance of his or her duties, a Member of the Supervisory Board is obliged to inform the Management Board promptly of any event which causes a change in the information referred to in item 1, or which is related to the information obligations of the Bank as an issuer of securities.

§ 76.

1. The work of the Supervisory Board is directed by the Chairman, or by the Vice Chairman in the absence of the Chairman. The Chairman represents the Supervisory Board to other bodies of the Bank, supervisory and oversight regulators and other bodies.
2. The Supervisory Board may select a secretary of the Supervisory Board from among its members. The secretary is elected in a secret ballot.
3. To facilitate the work of the Supervisory Board, the Supervisory Board may delegate Members of the Supervisory Board to perform specific supervisory duties within the Bank. Delegated Members may form ad hoc working groups responsible for analysing particular aspects of the work of the Supervisory Board.
4. The Supervisory Board may appoint, and in cases where this is required by the provisions of law shall appoint, permanent committees ~~whose members function as Members of the Supervisory Board delegated to perform specific supervisory duties within the Bank.~~ The scope and procedures for each committee are set out in the rules for that committee, adopted by a resolution of the Supervisory Board.
5. The Supervisory Board appoints in particular the following permanent committees: the Remuneration Committee, Risk Committee and ~~an~~ Audit Committee.
6. The first meeting of the newly appointed committee shall be convened by the Chairman of the Supervisory Board
- ~~6.7.~~ In each permanent committee, a committee chairman and vice chairman should be chosen from among its members.
- ~~7. Meetings of the committees referred to in item 4 are convened by the chairman of the committee at his or her own initiative, or upon a motion by a committee member or the Chairman, except for the first committee meeting, which is convened by the Chairman.~~
- ~~8. If a committee meeting cannot be convened by the committee chairman in accordance with item 7, the vice chairman of the committee convenes the meeting.~~
- ~~9. If a committee meeting cannot be convened by the committee chairman in accordance with item 7 and the vice chairman of the committee cannot convene the meeting in accordance with item 8, the Chairman convenes the meeting, or the Vice Chairman in the absence of the Chairman.~~
- ~~10. The committee chairman directs the work of the committee, chairs committee meetings, and represents the committee to the Supervisory Board, other governing bodies of the Bank and other persons. In the absence of the committee chairman or where he or she cannot perform his or her duties for other reasons, the vice chairman of the committee substitutes the chairman. In the absence of the committee chairman and vice chairman or where they cannot perform their duties for other reasons, a committee member appointed by the chairman or by the vice~~

~~chairman in the absence of the chairman substitutes the chairman. If no committee member is appointed in accordance with the preceding sentence, the Chairman appoints a committee member to substitute the committee chairman.~~

~~§ 8.~~

~~In a case of a justified need, the~~

§ 7.

The Supervisory Board may use the services of advisors, experts, or external consultants. In such a case, the Chairman submits a motion to the Management Board to conclude an agreement with an advisor, expert or consultant, specifying at the same time the subject of the services to be covered by the agreement. The costs of services provided by advisors, experts or external consultants are borne by the Bank.

§ 98.

1. Meetings of the Supervisory Board are convened by the Chairman or, in his or her absence, by the Vice Chairman, at his or her initiative or upon a motion by a Member of the Supervisory Board or the Management Board.
2. Meetings of the Supervisory Board convened upon a motion by a Member of the Supervisory Board or the Management Board shall be held no later than 10 (ten) days following the date on which the relevant motion is submitted.
3. Meetings are chaired by the Chairman or, in his or her absence, by the Vice Chairman, who in such a case has all the entitlements of the Chairman relating to chairing meetings set out in these Rules and Regulations.
4. Meetings of the Supervisory Board are held at the registered office of the Bank or in another location on the territory of the Republic of Poland specified in the notice on convening the meeting of the Supervisory Board.

~~§ 10~~§ 9.

1. A notice on convening a meeting of the Supervisory Board, together with an agenda of the meeting and informational materials concerning the matters on the agenda and draft resolutions should be sent by courier, fax or e-mail at least 7 (seven) days before the date of the meeting. In justified cases, the Chairman may shorten that time period, and documents may be sent in batches.
2. Motions by Members of the Supervisory Board and motions by the Management Board are placed on the agenda if they reach the Chairman at least 3 (three) days before the notice on convening the meeting of the Supervisory Board is sent out. The Chairman may decide to place a motion received after the deadline specified in the preceding sentence on the agenda.
3. The agenda for a Supervisory Board meeting should not be amended or supplemented during the meeting it concerns. This does not apply to the following situations:
 - 1) all Members of the Supervisory Board are in attendance at the meeting and consent to the amendment or supplement of the agenda, or

- 2) it is necessary for the Supervisory Board to take specific measures in order to protect the Bank from harm, or
- 3) the subject of the planned resolution is to evaluate whether a conflict of interest exists between a Member of the Supervisory Board and the Bank.

§ 1110.

1. Members of the Management Board may take part in meetings of the Supervisory Board, except for matters directly concerning the Management Board or its members, in particular dismissal or liability, or determining the remuneration or rules of remuneration of members of the Management Board.
2. Upon a motion by the Chairman or President of the Management Board, Bank employees appropriate for a given matter may participate in meetings of the Supervisory Board.
3. The Chairman may invite persons who are not employees of the Bank to all or part of a meeting of the Supervisory Board.

§ 1211.

1. Meetings of the Supervisory Board are conducted by its Chairman.
2. After opening a meeting of the Supervisory Board, the Chairman presents the proposed agenda for voting.
3. After approval of the agenda, the Chairman opens and conducts the discussion on particular items.
4. Participation in discussion is made according to voting order.
5. On formal motions, the Chairman may give the floor out of voting order.
6. Formal motions are motions concerning the agenda and voting, and in particular motions for:
 - 1) amending the agenda,
 - 2) ordering a break outside what is scheduled on the agenda,
 - 3) a secret ballot,
 - 4) concluding discussion.
7. A formal motion as referred to in item 6 is approved by a simple majority of votes cast by those Members present at the meeting of the Supervisory Board.

§ 13§ 12.

1. Apart from formal motions, the Supervisory Board reaches decisions and positions by means of resolutions adopted in the presence of at least half the Members of the Supervisory Board, including its Chairman or Vice Chairman.
2. Resolutions may be adopted if all Members of the Supervisory Board have been invited.
3. Resolutions of the Supervisory Board are adopted in an open ballot. At the request of even one Member of the Supervisory Board, the Chairman will order a secret ballot.

4. During a meeting, a Member of the Supervisory Board absent from that meeting may vote in writing by proxy, where the proxy is another Member of the Supervisory Board present at the meeting. Voting in that way cannot concern matters placed on the agenda during the meeting of the Supervisory Board, or matters voted on in a secret ballot.
5. The statutory requirement of an absolute majority for a resolution to be adopted is met when the number of votes in favour of a resolution exceeds half of the valid votes cast. ~~An abstention from voting counts as a vote against a motion.~~
6. Those voting against a resolution may add a dissenting opinion to the minutes of the meeting.
7. During a meeting of the Supervisory Board, amendments may be introduced to draft resolutions.
8. After the submission of amendments, the Supervisory Board votes on the resolutions taking under consideration submitted amendments. The Chairman may at first order the voting by the Supervisory Board on the amendments submitted and then on the draft proposal as supplemented by any approved amendments.
9. After conducting the voting, the Chairman announced the results of voting at the meeting.
10. Immediately after the conclusion of a meeting of the Supervisory Board, the Chairman informs the Management Board of the content of the resolutions adopted at that meeting.
11. A Member of the Supervisory Board is obliged to inform the other Members of the Supervisory Board of the existence of any conflict of interests, and to refrain from taking part in the discussion or voting on the adoption of a resolution in a matter in which a conflict of interests exists.

§ 1413.

1. Minutes of every meeting of the Supervisory Board are prepared. The minutes are prepared by a person appointed by the Chairman to be the recorder.
2. The minutes as referred to in item 1 are approved by the Supervisory Board at the next meeting. The minutes are signed by the Chairman, the person who prepared the minutes and by the Members of the Supervisory Board present at the meeting which the minutes concerns – to confirm the minutes, and by the other Members of the Supervisory Board – to confirm learning the signed minutes.
3. The minutes of a meeting of the Supervisory Board should contain:
 - 1) the title, number, location and date of the meeting,
 - 2) the agenda,
 - 3) a description of the course of the meeting, including:
 - a) information about the resolutions adopted,
 - b) the number of votes cast ~~for~~ 'for' ~~or and~~ ~~against~~ 'against' particular resolutions, as well as 'abstentions from voting',
 - c) information about the Supervisory Board Member's abstention in adopting the resolution,
 - d) dissenting opinions submitted by Members of the Supervisory Board to resolutions adopted at that meeting of the Supervisory Board together with justification,

- e) elements of the discussion where this is requested by Members of the Supervisory Board,
 - 4) a list of resolutions adopted by the Supervisory Board by circulation or using remote means of direct communication before the meeting that the minutes concern,
 - 5) a list of materials submitted for the meeting,
 - 6) the first and last names of the Members of the Supervisory Board and other persons present at the meeting.
4. Attachments to the original minutes are the original materials considered at the meeting of the Supervisory Board and the resolutions adopted by the Supervisory Board.
 5. The originals of minutes together with attachments are stored at the Head Office of the Bank, and copies of the minutes and resolutions are sent to Members of the Supervisory Board and to other persons specified by the Chairman, within 14 (fourteen) days following the day on which they are approved by the Supervisory Board.

§ ~~15~~14.

1. Upon the consent of or a motion by the Chairman - or by the Vice Chairman where it is impossible to obtain the consent of or a motion by the Chairman - the Supervisory Board may adopt a resolution outside of a meeting. Resolutions may be adopted outside of a meeting by written means (circulation) or by using remote means of direct communication, in particular by e-mail or fax.
2. A motion for adopting a resolution by circulation is delivered, together with draft resolutions and materials, to all Members of the Supervisory Board by courier to the address for correspondence provided by the Member of the Supervisory Board, by e-mail, or by fax. In the case of a resolution to be adopted using remote means of direct communication, a motion for adopting the resolution using remote means of direct communication, together with draft resolutions and materials, is delivered to all Members of the Supervisory Board by e-mail or fax. In a motion for adopting a resolution by circulation or using remote means of direct communication, the deadline for voting should be included, as well as a description of the manner in which Members of the Supervisory Board may vote. Subject to item 3, that deadline cannot be shorter than 5 (five) days following the date of delivery of the motion for adopting the resolution.
3. The Chairman, or the Vice Chairman in a situation as described in item 1, may in justified cases ask the Members of the Supervisory Board to take a position within a time period shorter than 5 (five) days following delivery of the motion for adopting a resolution.
4. The Supervisory Board adopts resolutions by circulation such that each Member of the Supervisory Board participating in the voting places his or her signature on separate identical counterparts of the resolution of the Supervisory Board, or such that all Members of the Supervisory Board participating in the voting place their signature on a single counterpart of the resolution of the Supervisory Board. In signing, a Member of the Supervisory Board should indicate in an unambiguous way whether he or she is voting for or against the resolution; otherwise, the vote is deemed as having not been cast. When voting on a resolution by circulation, voting

is deemed completed and - where the resolution is adopted - the resolution is deemed adopted at the moment the voting deadline lapses or on the date on which the Chairman receives all counterparts of the resolution signed by Members of the Supervisory Board taking part in the voting, or the single counterpart signed by all Members of the Supervisory Board taking part in the voting, whichever is earlier.

5. The Supervisory Board adopts resolutions using remote means of direct communication such that each Member of the Supervisory Board taking part in the voting sends a message by e-mail to the address specified in the motion for adopting the resolution using remote means of direct communication or by fax to the indicated number, attaching the draft resolution put up for voting to the message, and indicating unambiguously in the body of the message whether he or she is voting for or against the resolution; otherwise, the vote is deemed as having not been cast. Voting is deemed completed and - where the resolution is adopted - the resolution is deemed adopted at the moment the voting deadline lapses or at the moment all of the Members of the Supervisory Board taking part in the voting submit their votes, whichever is earlier.
6. In a situation as referred to in item 1, the Supervisory Board may also adopt a resolution outside a meeting by using remote means of direct communication in a manner which makes it possible for all of the Members of the Supervisory Board taking part in the voting to both communicate in real time and mutually identify each other (e.g. by videoconferencing or teleconferencing). A person appointed by the Chairman, or by the Vice Chairman in a situation as referred to in item 1, prepared a note of voting carried out in this way.
7. A resolution adopted under a procedure as referred to in item 1 or item 6 is valid if all Members of the Supervisory Board were duly informed of the content of the draft resolution as set out in the Rules and Regulations, and if at least half of the Members of the Supervisory Board, including the Chairman or Vice Chairman, took part in the voting.
8. The adoption of a resolution under a procedure as referred to in item 1 or item 6 does not apply ~~to the election of the Chairman or Vice Chairman, the appointment, recall or suspension from duty of members of the Management Board, or matters as specified in § 15 item 1 pt. 1-3, 5, 7-9 and 12 of the Articles of Association, since these~~ that require the adoption of a resolution at a meeting, or to ~~matter~~ those which require voting in a secret ballot, in keeping with the Articles of Association.
9. The Chairman promptly informs the Management Board of the content of resolutions adopted under a procedure as referred to in item 1 or item 6.
10. Resolutions adopted under a procedure as referred to in item 1 or item 6, together with an indication of the manner of voting, are presented at the next meeting of the Supervisory Board in the form of an attachment to the minutes of that meeting and are signed by all Members of the Supervisory Board present at the meeting who took part in adopting the resolution unless they had been signed earlier. Votes cast by e-mail or fax, and the noted mentioned in item 6 and other correspondence documenting the course of voting, are attached to the minutes, electronic materials are attached in the form of printouts.

§ ~~16~~15.

1. For taking part in the work of the Supervisory Board, its members receive remuneration in the amount and under the rules determined by the General Meeting.
2. Members of the Supervisory Board are entitled to the return of costs they incur in the performance of their duties.

§ 1716.

1. The costs of the activities of the Supervisory Board are borne by the Bank, in accordance with the costs plan established.
2. The Supervisory Board used office premises, equipment and materials of the Bank.
3. The Bank provides the Supervisory Board with technical and administrative services.