

Appendix to the rationale to the resolution of the Annual General Meeting of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna concerning the amendments to the Articles of Association of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna – the Articles of Association of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna with highlighted proposed amendments



Bank Polski

# ARTICLES OF ASSOCIATION

## POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI

### SPÓŁKA AKCYJNA

*(the consolidated text of the Articles of Association determined by the Supervisory Board, including amendments arise from the resolutions:*

- No. 3/2011 of the EGM of PKO Bank Polski SA on 14 April 2011
- No. 26/2011 of the AGM of PKO Bank Polski SA on 30 June 2011
- No. 45/2014 of the AGM of PKO Bank Polski SA on 26 June 2014
- No. 47/2014 of the AGM of PKO Bank Polski SA on 26 June 2014
- No. 48/2014 of the AGM of PKO Bank Polski SA on 26 June 2014
- No. 53/2015 of the AGM of PKO Bank Polski SA on 25 June 2015
- No. 16/2016 of the EGM of PKO Bank Polski SA on 25 February 2016)

## I. General provisions

### § 1

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, ~~the principles of good practices in place at the Bank~~ best market practice which the Bank chose to follow and these Articles of Association, while preserving the national character of the Bank.
2. The State Treasury is the founder of the Bank.

### § 2

1. The Bank operates under the name of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.
2. The Bank may use the following abbreviated names: Powszechna Kasa Oszczędności Bank Polski S.A., PKO Bank Polski S.A. and PKO BP S.A.

### § 3

1. The registered office of the Bank is situated in the capital city of Warsaw.
2. The Bank shall operate on the territory of the Republic of Poland and abroad.
3. The Bank may open branches, representative offices and other entities in Poland and abroad.

## II. Objects of the Bank

### § 4

1. The objects of the Bank shall include the following banking operations:
  - 1) acceptance of deposits payable on demand or at a specified maturity, and the operation of such deposit accounts;
  - 2) operation of other bank accounts;
  - 3) extension of loans;
  - 4) extension of cash advances;

- 5) issue and confirmation of bank guarantees, and issue and confirmation of letters of credit;
- 6) performance of bank monetary settlements;
- 7) operations involving cheques and bills of exchange, and operations relating to warrants;
- 8) issue of bank securities;
- 9) provision of the following payment services:
  - a) acceptance of cash payments and making cash withdrawals from payment accounts, and all actions required for operation of accounts;
  - b) execution of payment transactions, including the transfer of funds to the payment account of a user's supplier or another supplier:
    - through provision of direct debit services, including one-off direct debits,
    - with the use of a payment card or a similar payment instrument,
    - through provision of transfer order services, including standing orders;
  - c) execution of the payment transactions specified in letter b) by debiting funds made available to a user under a loan;
  - d) issue of payment instruments;
  - e) enabling execution of payment transactions initiated by a merchant or through its intermediation with the payee's payment instrument, in particular through servicing authorisations, sending to the payment card issuers or payment systems of the payee's or merchant's transfer order, in order to transfer to the merchant the funds due to it;
  - f) provision of money transfer services,
- 10) executing financial forward transactions;
- 11) purchase and disposal of monetary claims;
- 12) issue of electronic money;
- 13) execution of commissioned activities related to the issue of securities;
- 14) safekeeping of valuables and securities, and provision of safe deposit facilities;

- 15) performance of banking operations on request of other banks;
  - 16) operation of a housing fund;
  - 17) purchase and sale of foreign exchange;
  - 18) acting as an intermediary in the performance of money transfers and foreign exchange settlements;
  - 19) extension and confirmation of sureties.
2. In addition to the activities referred to in section 1 above, the objects of the Bank include:
- 1) servicing treasury loans and bonds;
  - 2) taking out loans and cash advances;
  - 3) acceptance of guarantees and sureties;
  - 4) carrying out brokerage operations in accordance with the principles set out in the generally applicable laws;
  - 5) *(deleted)*
  - 6) performing the function of a depository on the basis of the Act on Organisation and Operation of Pension Funds and the Act on Investment Funds;
  - 7) trading in securities issued in Poland or abroad, within the scope and in accordance with the principles set out in the generally applicable laws and maintaining a depository for such securities;
  - 8) operation of school saving associations;
  - 9) provision of trustee services;
  - 10) provision of insurance intermediation services;
  - 11) provision of consulting services in financial matters;
  - 12) provision of services in respect of transportation of valuables;
  - 13) arranging and servicing financial leasing transactions as well as acting as an intermediary in this respect;

- 14) purchase and sale of shares and claims on its own account and provision of factoring services.
  - 15) performance by the Bank of the following activities that are not brokerage activities:
    - a) acceptance and transfer of purchase and sale orders for financial instruments,
    - b) purchase or sale of financial instruments on its own account,
    - c) investment advice,
  - 16) provision of certification services as defined in the regulations on electronic signatures, excluding the issue of qualified certificates employed by banks in operations to which they are a party,
  - 17) provision of agency services to an investment company and performance of commissioned activities related to the investment company's business, including brokerage activity carried out by the investment company.
3. In addition, the Bank may:
- 1) take up or acquire shares and rights on such shares, shares in other legal persons and units in investment funds;
  - 2) invest funds in domestic and foreign securities;
  - 3) acquire and dispose of real estate and movable property, and rent or lease such property;
  - 4) provide financial, settlement and advisory services with respect to financial market instruments;
  - 5) trade in securities;
  - 6) incur liabilities relating to the issue of securities;
  - 7) exchange claims for assets belonging to the debtor, on terms agreed with such a debtor.

## § 5

The Bank may commission banks or other entities to perform activities falling within its objects and may provide financial services in favour of other entities.

### §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.

## III. Share capital

### § 6

1. The Bank's share capital amounts to PLN 1,250,000,000 (one billion two hundred and fifty million) and is divided into 1,250,000,000 (one billion two hundred and fifty million) shares with a nominal value of PLN 1 (one) each, including:

- 1) 510,000,000 (five hundred and ten million) series A shares numbered from A 000000001 to A 510000000, including 312,500,000 (three hundred and twelve million five hundred thousand) registered series A shares numbered from A 000000001 to A 312500000 and 197,500,000 (one hundred and ninety-seven million five hundred thousand) series A bearer shares numbered from A 312500001 to A 510000000;
- 2) 105,000,000 (one hundred and five million) series B bearer shares numbered from B 000000001 to B 105000000;
- 3) 385,000,000 (three hundred and eighty-five million) series C bearer shares numbered from C 000000001 to C 385000000;
- 4) 250,000,000 (two hundred and fifty million) series D bearer shares numbered from D 000000001 to D 250000000.

Subject to Article 28(1) of the Banking Law, shares of the Bank can be registered shares or bearer shares.

2. Exchange of series A registered shares into bearer shares and the transfer of these shares can only be made with permission expressed in a resolution of the Council of Ministers. The exchange for bearer shares or transfer of series A registered shares upon obtaining such permission will result in expiration of the restrictions provided

for in the preceding sentence with respect to the shares that are subject to such exchange for bearer shares or transfer, to the extent of the granted permission.

3. Subject to Art. 28(2) of the Banking Law, exchange of bearer shares for registered shares is not allowed.

## **§ 7**

1. The Bank's shares may be redeemed only with the shareholder's consent.
2. Redemption of shares shall require a decrease in the share capital and may only be financed from net profit. Shares shall be redeemed against consideration.
3. The procedure of redemption of shares and the amount of consideration for the shares to be redeemed shall be specified in a resolution of the General Meeting.
4. The acquisition of own shares by the Bank with a view to redeeming such shares shall require a resolution of the General Meeting.

## **IV. Governing Bodies of the Bank**

### **§ 8**

The governing bodies of the Bank are:

- 1) the General Meeting;
- 2) the Supervisory Board;
- 3) the Management Board.

## **General Meeting**

### **§ 9**

1. Besides the issues stipulated in the generally applicable laws or the provisions of these Articles of Association, the General Meeting shall adopt resolutions in the following matters:
  - 1) appointment and dismissal of the members of the Supervisory Board in accordance with § 11;

- 2) approval of the Supervisory Board Rules and Regulations;
- 3) specifying the procedure for redemption of shares and the amount of consideration for the shares to be redeemed;
- 4) creation and dissolution of special funds created from net profit;
- 5) approval of the Bank's disposal of real estate or of a perpetual usufruct right, if the value of the real estate or right subject to such action exceeds one-fourth of the Bank's share capital; such an approval shall not be required if the acquisition of the thus disposed of real estate, interest in real estate or perpetual usufruct right is part of enforcement, bankruptcy or arrangement proceedings, or a different settlement with a Bank's debtor;
- 6) issue of bonds convertible into shares or other instruments entitling to acquisition or taking up of the Bank's shares.

2. ~~All~~ issues brought before the General Meeting ~~by the Management Board~~ should, in accordance with the Rules and Regulations referred to in § 14, be previously presented by the Management Board to the Supervisory Board for consideration and issuing an opinion.

~~3. Draft resolutions proposed for approval by the General Meeting and other relevant materials should be presented to the shareholders by the Management Board together with a justification and opinion of the Supervisory Board, sufficiently in advance to enable familiarisation with them and their assessment.~~

## § 10

1. The General Meeting shall be held at the registered office of the Bank or in another location on the territory of Poland as indicated in the notice convening the General Meeting.
2. The General Meeting shall adopt its Rules and Regulations.
3. The General Meeting shall adopt its resolutions by an absolute majority of votes, unless the generally applicable laws or the Articles of Association provide otherwise.
4. Removal from the agenda or non-consideration of an agenda item on request of shareholders shall require a resolution of the General Meeting adopted by the  $\frac{3}{4}$



majority vote, after prior consent of all those shareholders present at the General Meeting who motioned to include the item on the agenda.

5. The shareholders' voting right shall be limited in the way that no shareholder can exercise at a General Meeting more than 10% of the total number of votes of the Company existing on the date of the General Meeting, save that for the purposes of defining obligations for buyers of substantial blocks of shares, as provided for in the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies, such a limitation of voting rights will not apply.
6. The limitation of voting rights referred to in section 5 shall not apply to:
  - 1) shareholders who on the day of adopting a resolution of the General Meeting introducing the limitation referred to in section 5 hold voting rights attached to shares representing more than 10% of the total number of votes at the Bank,
  - 2) shareholders who hold voting rights attached to series A registered shares,
  - 3) shareholders who cooperate with the shareholder defined in point 2 on the basis of agreements on joint exercise of voting rights attached to shares.
7. For the purposes of limiting voting rights under section 5, votes of shareholders who are in a relation of dominance or dependence shall be aggregated according the rules described below.
8. For the purposes of section 5, a shareholder shall mean any person, including its dominant entity and subsidiary, who is, directly or indirectly, entitled to vote at a General Meeting on the basis of any legal entitlement. This shall also apply to a person who does not hold any shares of the Company, in particular a usufructuary or a pledge, a person entitled under a depositary receipt as defined the Act of 29 July 2005 on Trading in Financial Instruments, as well as a person entitled to participate in a General Meeting despite the fact that they sold their shares after the date of establishing the right to participate in the General Meeting.
9. A dominant entity and subsidiary shall mean a person, respectively:
  - 1) that fulfils the criteria set in Article 4(1)(4) of the Commercial Companies Code,  
or

- 2) that has the status of a dominant entity, a subsidiary or simultaneously a dominant entity and a subsidiary, as defined in the Act of 16 February 2007 on Competition and Consumer Protection, or
  - 3) that has the status of a dominant entity, higher-level dominant entity, subsidiary, lower-level subsidiary or having status of a dominant entity (including a higher-level dominant entity) and a subsidiary (including a lower-level subsidiary and co-subsiary) at the same time, as defined in the Act of 29 September 1994 on Accounting, or
  - 4) that exerts a decisive influence (a dominant entity) or on whom a decisive influence is exerted (a subsidiary), as defined in the Act of 22 September 2006 on Transparency of Financial Relations between the State and Public Undertakings as well as on Financial Transparency within Certain Undertakings, or
  - 5) whose voting rights resulting from directly or indirectly held shares of the Company are aggregated with voting rights of another person(s) according to the rules set forth in the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies, in connection with holding, selling or acquiring substantial blocks of the Bank's shares, or
  - 6) that is referred to in Article 4(1)(8) and (9) of the Banking Law of 29 August 1997.
10. Shareholders whose votes are aggregated and reduced pursuant to sections 7–11, are jointly called a "Grouping". Aggregation of votes consists in adding up votes held by different shareholders participating in the Grouping. Reduction of votes consists in decreasing the total number of votes in the Company that shareholders participating in a Grouping are entitled to at the General Meeting. Votes are reduced according to the following rules:
- 1) the number of votes of a shareholder who holds the highest number of votes in the Company of all the shareholders participating in a Grouping is reduced by

the number of votes equal to the surplus over 10% of the total number of votes in the Company, held by all the shareholders participating in the Grouping,

- 2) if, despite the reduction mentioned in point 1) above, the total number of votes at the General Meeting held by the shareholders participating in a Grouping exceeds the limit mentioned in section 5, a further reduction of votes that are held by the other shareholders participating in the Grouping shall be made. Further reduction of votes of the other shareholders is made in the order based on the number of votes held by particular shareholders participating in the Grouping (from the highest number to the lowest number). Further reduction of votes is made until the total number of votes held by the shareholders participating in the Grouping does not exceed 10% of the total number of votes in the Company,
- 3) if, for the purposes of the reduction referred to in points 1) or 2), it is not possible to set the order of the reduction of votes because two or more shareholders hold the same number of votes, the votes of shareholders holding the same number of votes shall be reduced proportionally, while fractions shall be rounded down to a full number of shares. For the rest, the rules specified in points 1) or 2) shall apply accordingly,
- 4) in any case, a shareholder, whose voting rights are limited, shall retain the right to exercise at least one vote,
- 5) limitation of exercising voting rights shall also apply to a shareholder who is not present at a General Meeting.

11. In order to establish the basis for aggregation and reduction of votes, each shareholder of the Company, the Bank's Management Board, the Bank's Supervisory Board and particular members of these bodies, as well as the Chairman of the General Meeting, can demand that the Company's shareholder who is subject to limitation of voting rights should provide them with information on whether it is a dominant entity or a subsidiary for any other shareholder of the Company, as defined in section 9. The right specified in the previous sentence includes also the right to demand disclosure of the number of votes held by a shareholder of the Company individually or jointly with other Company's shareholders, for whom it is a

dominant entity or a subsidiary, as defined in section 9. A person who fails to fulfil the information requirement referred to in the first sentence, or has fulfilled it inappropriately, can – until the information requirement is fulfilled – exercise voting right attached to one share only and the exercise by such a person of voting rights attached to other shares shall be ineffective.

12. In case of doubts, the provisions concerning limiting the voting rights shall be interpreted according to Article 65(2) of the Civil Code.
13. From the moment when the share of the State Treasury in the share capital of the Bank falls below 5%, the limitations of shareholders' voting rights specified in section 5 shall expire.
14. Resolutions of the General Meeting concerning preference for shares or merger of the Company through the transfer of all assets to another company, its liquidation, decrease in share capital by redeeming of part of the shares without its simultaneous increase or a change in the objects of the Company's resulting in discontinuation of the banking activities by the Company, shall require a majority of 90% of the votes cast.

## **Supervisory Board**

### **§ 11**

1. The Supervisory Board shall comprise 5 (five) to 13 (thirteen) members appointed for a joint term of three years. The number of members of the Supervisory Board shall be set by the Eligible Shareholder (as defined below), also in the event when a motion for election of the Supervisory Board through voting in separate groups is presented. In the event when a motion for election of the Supervisory Board through voting in separate groups is presented, 5 (five) members of the Supervisory Board shall be elected.
2. Members of the Supervisory Board shall be appointed and dismissed by the General Meeting. Candidates for Supervisory Board members, in a number determined in accordance with the formula referred to in section 3, may only be recommended by a shareholder who, individually and on its own behalf, is authorised to exercise, at

the General Meeting that elects Supervisory Board members, voting rights attached to the largest number of shares in the share capital of the Bank, hereinafter referred to as the “**Eligible Shareholder.**” Candidates for the remaining members of the Supervisory Board may be recommended by all shareholders, including the Eligible Shareholder.

3. The number of Supervisory Board members, whose candidatures can be recommended by the Eligible Shareholder, shall be calculated in accordance with the following formula:

$L = 13 * U$  where:

L - means the number of Supervisory Board members for whom the Eligible Shareholder may recommend candidates, save that when L is not an integer, the number of the members of the Supervisory Board equals L rounded up to the next integer, provided that the total number of the Supervisory Board for whom candidatures may be recommended by the Entitled Shareholder must not be greater than 8 (eight);

U - means the share of the Eligible Shareholder in the share capital of the Bank, calculated as the quotient of the number of shares under which the Eligible Shareholder may exercise the voting rights at the General Meeting that elects Supervisory Board members and the total number of shares in the share capital of the Bank existing on the date of the General Meeting.

4. In the event that the General Meeting appoints a smaller number of members than the number resulting from the formula set out in section 3 above, the Eligible Shareholder shall have the right to put forward candidates and demand that they be put subsequently to vote at the same General Meeting, provided that the number of such candidates cannot be larger than double the difference between the number of Supervisory Board members calculated in accordance with the formula set out in section 3 above and the number of Supervisory Board members appointed from among the candidates previously recommended by the Eligible Shareholder.
5. Recommended candidates for Supervisory Board members shall be submitted to the Management Board, provided, however, that if a recommendation is made at the General Meeting that is to elect the Supervisory Board, such recommendation must

be submitted to the Chairman of the General Meeting immediately after his or her election to be valid, but no later than prior to the beginning of voting on election of Supervisory Board members. Each candidate shall be voted on individually. The Supervisory Board shall consist of the individuals who received the largest number of votes consecutively, provided, however, that they achieve at least the ordinary majority of the votes cast.

6. If, following the expiration of the mandate of a Supervisory Board member, the number of Supervisory Board members falls below the minimum specified in § 11 section 1, the Management Board shall promptly convene the General Meeting in order to supplement the composition of the Supervisory Board.

## **§ 12**

1. The Chairman and the Deputy Chairman of the Supervisory Board shall be appointed by the Eligible Shareholder from among the elected members of the Supervisory Board, including also when the Supervisory Board is elected by voting in separate groups.
2. The Supervisory Board may elect a Secretary from among its members.

## **§ 13**

Members of the Supervisory Board who are delegated to perform certain supervisory functions individually are obliged to present a written report to the Supervisory Board on the performed actions.

## **§ 14**

1. Supervisory Board shall act on the basis of the Rules and Regulations adopted by the Supervisory Board and approved by the General Meeting.
2. The subject of the first meeting of the Supervisory Board after electing the Supervisory Board for a new term shall be formation of the Supervisory Board, including in particular election of the Secretary of the Supervisory Board. The subject of the first meeting of the Supervisory Board may not be adoption of resolutions concerning appointing and dismissing the President of the Management Board, members of the Management Board or the Management Board as a whole, except for the resolutions on appointing a member or members of the Management Board

when the Company's Management Board has less members than required by the provisions of the Articles of Association. The next meeting of the Supervisory Board may be held seven days after the date of the first Supervisory Board meeting at the earliest. Until then, the Supervisory Board may adopt resolutions using the means of direct remote communication in accordance with § 17 section 4.

#### **§ 14a**

The Supervisory Board shall supervise the Bank's operations in all the areas of its activity, in particular the risk management system and the internal audit system.

#### **§ 15**

1. Besides the rights and obligations provided for by the generally applicable laws and the provisions of these Articles of Association, the Supervisory Board shall adopt resolutions concerning:

- 1) approval of the strategy of the Bank adopted by the Management Board;
- ~~1)2)~~ the approval of the risk management strategy and the general risk appetite adopted by the Management Board
- ~~1a)~~ approval of the Bank's general risk level;
- ~~2)3)~~ approval of the annual financial plan adopted by the Management Board;
- ~~3)4)~~ appointment of the entity to audit or review the Bank's consolidated and individual financial statements, granting consent to entering into agreements with such entity or its subsidiaries, controlled entities, dominant entities or its dominant entities' subsidiaries or controlled entities, and to performance of any other actions that may adversely affect the independence of such entity in performing the audit or review of the Bank's financial statements;
- ~~4)5)~~ adoption of the Rules and Regulations of the Supervisory Board;
- ~~5)6)~~ adoption of the Rules that lay down the principles of extending a loan, cash advance, bank guarantee or surety to a member of the Management Board or the Supervisory Board and a person occupying a managerial position in the Bank, as well as to an undertaking linked by capital or management to a

member of the Management Board or the Supervisory Board or occupying a managerial position in the Bank, pursuant to Article 79a of the Act of 29 August 1997 "Banking Law";

~~6) adoption of the Rules of utilisation of the reserve capital;~~

7) appointment and dismissal in a secret ballot, of the President of the Management Board, Vice Presidents and members of the Management Board by secret vote;

~~8) appointment and dismissal, by secret ballot of Vice - Presidents and other members of the Management Board;~~

~~9)8) suspension, for important reasons, of selected or all members of the Management Board in the performance of their duties, and delegating members of the Supervisory Board, for up to three months, to temporarily perform the duties of members of the Management Board who have been dismissed, resigned or are unable, for other reasons, to perform their duties;~~

~~10)9) granting permission to opening or closing branches abroad;~~

~~11)10) approval of the following, adopted by the Management Board:~~

a) Bylaws and Rules concerning

- the Management Board;
- management of special funds created from net profit;
- organisation of the Bank;

b) resolutions concerning:

- the principles of information policy regarding capital adequacy;
- the principles of the lack of compliance risk management policy;

~~- the banking risk management strategy;~~

~~- estimates of the internal capital, capital management and planning 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 principles of functioning of the internal audit system.

11) ~~a)~~ — approval of periodical reports of the Management Board on risk management, capital adequacy and the internal audit system.

12) granting prior consent to:

- a) acquisition and disposal of fixed assets of a value exceeding 1/10 of the Bank's own funds, excluding real estate property and perpetual usufruct rights;
- b) with the exclusion of the activities referred to in § 9 section 1 point 5, acquisition and disposal of real estate property, an interest in a real estate property or a perpetual usufruct right, or their encumbrance with a limited property right or making it available for use by a third party, if the value of the real property or the right that is the object of such an action exceeds 1/50 of the Bank's share capital; such consent shall not be required if the acquisition of real estate property, an interest in a real estate 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 estate 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) establishment of a company, taking up or acquisition of shares, bonds convertible into shares or other instruments entitling to acquire or take up shares if the financial commitment of the Bank resulting from such an action exceeds 1/10 of 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~~any transaction to be concluded~~

~~between the Bank and an affiliated entity, if the value of such a transaction exceeds 1/10 of the share capital, except for typical and routine transactions concluded at arm's length between affiliated entities, whose nature and terms result from the Bank's current operations;~~

- 13) applying to the Polish Financial Supervision Authority for permission to appoint ~~two members of the Management Board, including 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) evaluation of the functioning of the remuneration policy in place at the Bank and presentation of a report on it to the General Meeting,
- 15) opinions on the "Principles of Corporate Governance for Supervised Institutions" followed by the Bank.

2. ~~The Supervisory Board shall notify the Polish Financial Supervision Authority of the composition of the Management Board and each change in its composition immediately after its election or making a change in its composition. The Supervisory Board shall also notify the Polish Financial Supervision Authority of the members of the Management Board who, according to the division of competences at the Bank, are responsible for credit risk management and the internal audit unit.~~ 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 in the presence 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-~~43~~, ~~5~~, ~~67-98~~ and 12, which shall require a qualified majority of  $\frac{2}{3}$  of the votes in addition to the said quorum.
4. The members of the Supervisory Board who are concerned by the issue subject to vote shall be excluded from the vote.

### § 16

Meetings of the Supervisory Board shall be held at least once every quarter.

### § 17

1. The Supervisory Board shall adopt resolutions by open vote. Secret vote shall be ordered in personnel matters and on request of at least one member of the Supervisory Board. When secret vote is ordered, the provisions of section 3 shall not apply.
2. Members of the Supervisory Board shall be entitled to remuneration.
3. A member of the Supervisory Board may vote in writing by means of another member of the Supervisory Board. A vote cast in this manner must not concern any issues placed on the agenda during the meeting of the Supervisory Board.
4. The Supervisory Board may adopt resolutions in writing (by circulation) or with the use of direct remote communication, with the exception of resolutions on the issues referred to in § 15 section 1 points 1-~~43~~, ~~5~~ and ~~67-89~~, and resolutions adopted by secret vote. A resolution shall be valid when all members of the Supervisory Board have been informed in advance about the content of the draft resolution and at least half of the members of the Supervisory Board, including the Chairman or the Deputy Chairman of the Supervisory Board, have taken part in the vote on the resolution.
5. Resolutions adopted in accordance with the procedure set out in section 4 above shall be presented at the next meeting of the Supervisory Board together with the result of the vote.

### § 17a

1. The Supervisory Board shall appoint from among its members the Audit Committee, ~~and~~ the Remuneration Committee and the Risk Committee. The Supervisory Board may also appoint other committees from among its members.
2. The committees of the Supervisory Board shall act on the basis of Rules adopted by the Supervisory Board.

### Management Board

### § 18

1. The Management Board shall consist of 3 (three) to 9 (nine) members.
2. The Management Board shall include: the President of the Management Board, Vice-Presidents and other members of the Management Board.

### § 19

1. The members of the Management Board shall be appointed by the Supervisory Board for a joint term of three years.
- ~~2. The Management Board shall be appointed by the Supervisory Board in accordance with the procedure laid down in § 15 section 1 points 7 and 8.~~
- ~~3. Appointment of two members of the Management Board, including the President of the Management Board, shall require approval by the Polish Financial Supervision Authority.~~

### § 20

1. All issues related to the management of the affairs of the Bank, which are not reserved for the General Meeting or the Supervisory Board by the generally applicable laws or the provisions of these Articles of Association, shall fall within the competences of the Management Board, including acquisition and disposal of a real estate property, an interest in a real estate property or a perpetual usufruct right, which do not require permission of the General Meeting in accordance with § 9 section 1 point 5.

2. Making decisions on undertaking of commitments or disposal of assets whose total value with regard to a single entity exceeds 5% of the Bank's own funds shall fall within the competences of the Management Board, subject to the competences of the General Meeting set out in § 9 or of the Supervisory Board set out in § 15.

## **§ 21**

1. The following persons shall be authorised to submit declarations of intent on behalf of the Bank:
  - 1) President of the Management Board independently,
  - 2) two Management Board members jointly or one Management Board member together with a proxy,
  - 3) two proxies acting jointly,
  - 4) attorneys acting independently or jointly within the limits of the powers of attorney granted to them.

2. The Bank shall grant joint proxy which will authorise acting jointly with another proxy or Management Board member.

## § 22

1. The Management Board shall make its decisions during a meeting or in writing (by circulation). The Management Board may also make decisions using means of direct remote communication.
2. ~~The operating procedure of the Management Board shall be defined in detail in the Bylaws adopted by the Management Board and approved by the Supervisory Board~~The Management Board shall make decisions in the form of resolution.
3. ~~The Management Board shall make its decisions in the form of resolutions~~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. ~~Resolutions of the Management Board shall be required for all issues that exceed the scope of ordinary operations of the Bank. Resolutions of the Management Board shall be adopted by an absolute majority of votes cast by those present at a meeting of the Management Board. In case of a tie, the President of the Management Board shall have the casting vote~~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..
5. ~~The Management Board shall adopt resolutions to:~~
  - 1) ~~define the Bank's strategy, taking into consideration the risk involved in the activities of the Bank, as well as the principles of prudential and stable management of the Bank;~~
  - 2) ~~define the annual financial plans, including the conditions of its implementation;~~
  - 3) ~~adopt organisational rules and the principles of division of competences;~~
  - 4) ~~establish and dissolve permanent committees of the Bank and determine their competences;~~

- ~~5) adopt the Rules and Regulations of the Management Board;~~
- ~~6) determine the internal rules for management of special funds created from net profit;~~
- ~~7) set the dates of dividend payment within the deadlines set by the General Meeting;~~
- ~~8) appoint proxies;~~
- ~~9) defines banking products and other banking and financial services;~~
- ~~10) define the principles of participation of the Bank in companies and other organisations, taking into account § 15 section 1 point 12 letter c);~~
- ~~10a) define effective systems for risk management, internal control, estimation of the Bank's internal capital.~~
- ~~11) determine the principles of operation of internal control and annual internal audit plans;~~
- ~~12) create, transform and dissolve organisational units of the Bank in Poland and abroad.~~

~~6.5.~~ The Management Board shall provide the Supervisory Board with periodical reports on risk management, capital adequacy and the effectiveness of the internal control system.

## § 23

1. The President of the Management Board shall:

- 1) manage the work of the Management Board;
- 2) convene and preside over meetings of the Management Board;
- 3) present the position of the Management Board to the governing bodies of the Bank and in external relations;
- 4) *(deleted)*;
- 5) ensure implementation of the resolutions of the Management Board;
- 6) issue regulations;

7) *(deleted)*;

8) make decisions concerning staffing of the positions reserved for his or her competence.

2. In particular, the President of the Management Board shall be responsible for issues related to supervision over the services auxiliary to the operation of the Bank's governing bodies and issues related to supervision over the services auxiliary to the operation of the standing committees of the Bank, and issues related to internal audit, communication and promotion, and legal matters.
3. During the absence of the President of the Management Board his or her duties shall be fulfilled by a member of the Management Board with responsibility for the risk area. In the event of the absence of the President of the Management Board and the member of the Management Board with responsibility for the risk area, the duties of the President of the Management Board shall be fulfilled by a member of the Management Board appointed by the President of the Management Board. In the absence of such appointment, the duties of the President of the Management Board shall be fulfilled by the member of the Management Board who is first in alphabetical order by surname.
4. ~~The member of the Management Board, whose appointment was approved by the Polish Financial Supervision Authority, shall be responsible in particular for issues related to risk management, including credit risk management.~~ 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. Management Board members shall participate in management of the operations of the Bank in accordance with the Rules and Regulations of the Management Board and the Organizational Regulations if the Bank.
6. Management Board members shall supervise the areas of the Bank's operations assigned to them and shall make decisions on everyday management within the areas of the Bank's operations they supervise.



## **V. Organisation of the Bank**

### **§ 24**

1. The objectives and tasks of the Bank shall be accomplished by the Bank's organisational entities and organizational units of the Head Office, representative offices and other organisational units.
2. The organisation of the Bank shall be defined in the Organisational Rules adopted by the Management Board and approved by the Supervisory Board.

### **§24a**

The Bank may cooperate, within the capital group, with other financial institutions, as defined in the Commercial Companies Code or the Act of 29 August 1997 the Banking Law, in particular, by utilising the Bank's free technical, organisational and human resources or IT systems in ways that are consistent with their economic purpose and with particular regard for the operational security of the Bank and of those institutions.

### **§ 25**

1. Decisions and internal regulations of the Bank on issues:
  - 1) falling within the competences of the General Meeting – shall be issued in the form of resolutions of the General Meeting adopted in accordance with the relevant legal regulations, the Articles of Association and the Rules and Regulations of the General Meeting,
  - 2) falling within the competences of the Supervisory Board – shall be issued in the form of resolutions the Supervisory Board adopted in accordance with the relevant legal regulations, the Articles of Association and the Rules and Regulations of the Supervisory Board,
  - 3) falling within the competences of the Management Board:

- a) that require, in accordance with the law, the Articles of Association and of the Rules and Regulations of the Management Board, collective action of the Management Board – shall be issued in the form of resolutions of the Management Board, adopted in accordance with the relevant legal regulations, the Articles of Association and the Rules and Regulations of the Management Board,
  - b) that do not require a resolution of the Management Board and which, in accordance with the Articles of Association, ~~and~~ the Rules and Regulations of the Management Board and the Organizational Regulations of the Bank, fall within the competences of the President of the Management Board – shall be issued in the form of a regulation,
  - c) that do not require a resolution of the Management Board and which, in accordance with the Articles of Association, the Rules and Regulations of the Management Board and ~~a regulation of the President of the Management Board~~ the Organizational Regulations of the Bank have been assigned to specific Management Board members – shall be issued in the form of decisions of the relevant Management Board member,
  - d) in issues other those provided for under letters a)-c) above – shall be issued by persons or competent bodies, in accordance with the relevant resolutions of the Management Board.
2. The detailed procedure for issuing of the Bank's internal regulations concerning the issues referred to in section 1 point 3 shall be determined in a resolution of the Management Board and separate internal regulations issued on its basis.

VI. Rules of Operation of the Governance System~~The principles of functioning of the internal audit system~~

§ 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.

## ~~§ 26~~

- ~~1. An internal audit system shall be established at the Bank.~~
- ~~2. The internal audit system shall cover all activities of the Bank set out in these Articles of Association.~~
- ~~3. The purpose of the internal audit system shall be to facilitate the decision-making processes, helping to ensure:~~
  - ~~1) effectiveness and efficiency of the Bank's operations;~~
  - ~~2) reliability of financial reporting; and~~
  - ~~3) compliance of the Bank's operations with the generally applicable laws and — internal regulations.~~
- ~~4. The internal audit system shall include:~~
  - ~~1) control mechanisms;~~
  - ~~2) examination of compliance of the Bank's operations with the generally applicable laws and the Bank's internal regulations.~~
  - ~~3) internal audit.~~
- ~~5. The Management Board shall be responsible for organising an internal audit unit.~~
- ~~6. The internal audit unit and the compliance unit shall be independent and shall report directly to the President of the Management Board.~~

~~7. Appointment and dismissal of the directors of the internal audit unit and the compliance unit shall require prior approval of the Supervisory Board.~~

## § 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.”

## § 27

~~1. The principles of functioning of the internal audit system shall be established by the Management Board by defining the organisational entities and units that shall be responsible for carrying it out and specifying the tasks of respective organisational entities and units with regard exercise of control.~~

~~2. The method of carrying out internal audit in organisational entities of the Bank and the organisational units of the Head Office shall be defined by the President of the Management Board.~~

### § 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.

## **VII. Funds of the Bank**

### § 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.

## ~~§ 28~~

~~1. The Bank's own funds shall comprise:~~

- ~~1) required capital;~~
- ~~2) supplementary funds;~~
- ~~3) balance-sheet items classified in accordance with the Banking Law as funds that reduce the Bank's own funds.~~

~~2. The required capital shall comprise:~~

~~1) principal funds which constitute:~~

- ~~a) share capital;~~
- ~~b) capital surplus;~~
- ~~c) reserve capital;~~

~~2) additional items of the required capital, consisting of:~~

- ~~a) a general risk reserve held against unidentified risk arising from banking activity;~~
- ~~b) prior period undistributed profit;~~
- ~~c) profit under authorisation and net profit from the current reporting period, calculated in accordance with current accounting principles, reduced by the expected burdens and dividends, in the amounts not higher than the amounts of profit verified by external auditors;~~

~~3) less – deductions from the required capital, consisting of:~~

- ~~a) own shares in possession of the bank, priced at the balance sheet value, minus valuation allowances established against a permanent diminution in value;~~
- ~~b) intangible assets priced at balance sheet value;~~
- ~~c) prior period losses;~~
- ~~d) loss pending confirmation;~~
- ~~e) current period net loss.~~

- ~~3. Supplementary funds shall be created by virtue of resolutions of the General Meeting. The classification of funds into supplementary funds shall be governed by the provisions of the Banking Law.~~
- ~~4. The Bank may create special funds. Special funds shall be created and dissolved by virtue of resolutions of the General Meeting.~~
- ~~5. The detailed principles guiding the creation and use of the funds shall be defined in rules adopted by the Supervisory Board.~~

## § 29

1. The capital surplus of the Bank shall be created from annual appropriation of net earnings to absorb potential balance-sheet losses which may arise from the Bank's activity. The capital surplus may also be allocated for other purposes, including in particular for an increase of the share capital.
2. The amount of the capital surplus shall also be increased by: additional contributions made by the shareholders in exchange for special rights granted to their existing shares without increasing the share capital, share premiums remaining after coverage of the share issue costs.
3. Decisions concerning utilisation 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.

## § 30

1. The Bank's reserve capital shall be created independently of the capital surplus from annual appropriation of net earnings in an amount specified in a resolution of the General Meeting.
2. The reserve capital shall serve exclusively to absorb potential balance-sheet losses. Decisions concerning utilisation of the reserve capital shall be made by the General Meeting.

~~3. The detailed principles concerning utilisation of the reserve capital shall be set out in the relevant Rules adopted by the Supervisory Board.~~

### § 31

1. The general risk fund shall be created from annual appropriation of net earnings in an amount specified in a resolution of the General Meeting.
2. The general risk fund shall cover unidentified risks arising from banking activity.

### § 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.

## VIII. Financial management of the Bank

### § 32

1. Financial management of the Bank shall be based on annual financial plans to be approved by the Supervisory Board. The principles of financial management shall be defined by the Management Board.
2. The financial year shall correspond to the calendar year.

### § 33

The organisation and method of accounting shall be determined by the Management Board.

### § 34

Decisions concerning allocation of net profit of the Bank to:

- 1) capital surplus;
- 2) reserve capital;
- 3) the general risk fund for unidentified risks arising from banking activity;
- 4) dividend;



- 5) special funds;
- 6) other purposes;

shall be made by the General Meeting with determination of the amounts of appropriations for specific purposes.

### **§ 34a**

The Management Board shall be authorised to make an advance payment against anticipated dividend for the end of the financial year, provided that the Bank has sufficient funds for such a payment and that the financial statement for the previous year indicates a profit. The disbursement of such an advance payment shall require approval of the Supervisory Board and arrangements with the Polish Financial Supervision Authority. The advance payment against dividend may only amount to half of the Bank's profit made by the end of the previous financial year, as reported in the financial statement examined by a certified auditor, less unabsorbed losses and own shares.

## **IX. Entering into the rights of the Eligible Shareholder**

### **§ 35**

1. The rights vested in the Eligible Shareholder pursuant to these Articles of Association shall be held by the entity that has acquired them until another shareholder enters into its rights in accordance with provisions of section 2. Acquisition by another shareholder of shares that entitle to a larger number of votes at the General Meeting than can be exercised by the Eligible Shareholder, if they are acquired otherwise than in accordance with section 2, shall not result in termination of the rights acquired by that Eligible Shareholder.
2. Entering into the rights of the Eligible Shareholder may only take place when a shareholder, who individually has acquired (acting on its own behalf and on its

own account) and registered at a General Meeting shares that account for at least 75% (seventy five percent) of the total number of shares in the Bank's share capital, of which all shares in the number that exceed 10% (ten percent) of the total number of shares in the Bank's share capital have been acquired by such a shareholder:

- 1) through a tender offer to acquire all shares of the Bank announced in accordance with the regulations governing trade in financial instruments, from the shareholders that a) are not subsidiaries, dominant entities or controlled entities with respect to that shareholder, b) are not related to such shareholder in the manner described in the regulations governing trade in financial instruments, c) do not act under any other arrangement with that shareholder aiming to circumvent the restrictions provided for in this section 1; or
- 2) on the primary market (as defined in the regulations governing trade in financial instruments),

provided that that shareholder obtains consent or a permit on the principles set out in the generally applicable laws, should such consent be required.

## X. Definitions

### § 36

Each reference in the Articles of Association to:

- 1) **"affiliated entity"** – shall mean an affiliated entity as defined in the regulations governing trade in financial instruments;
- 2) **"dominant entity"** and **"subsidiary"** – shall mean the person specified in § 10 section 9;
- 3) **"controlled entity"** – shall mean a "controlled entity" as defined in the Act of 29 September 1994 on Accounting (uniform text Journal of Laws of 2002, No. 76, item 694, as amended).