

## **Justification to drafts of the resolutions of the Ordinary General Meeting dated 5 June 2019**

### **Point 5 sub - point 1 to 7 of the agenda of the General Meeting**

Pursuant to art. 395 § 1 of the Commercial Company Code the Ordinary General Meeting for year 2018 should be held not later than by the end of June 2019. The proposed agenda presented in Point 5 sub-points from 1) to 7) includes issues which should be subject of an ordinary general shareholders meeting after each financial year pursuant to art 395 § 2 and § 5 of the Commercial Companies Code.

Presented Supervisory Board's report on its activity includes additionally to the assessment of the matters referred to in the Code of Commercial Companies also information and assessments required by the adopted by the Bank the Best Practice for GPW Listed Companies 2016 ("Best Practices") and the Principles of Corporate Governance for Supervised Institutions of the Polish Financial Supervision Authority ("Principles"), i.e.:

1. an assessment of the Bank's standing including an assessment of the internal control, risk management and compliance systems and the internal audit function; such assessment should cover all significant controls, in particular financial reporting and operational controls (II.Z.10.1 of the Best Practices);
2. the following information (II.Z.10.2 of the Best Practices):
  - ✓ full names of the members of the Supervisory Board and its committees;
  - ✓ the Supervisory Board members' fulfilment of the independence criteria;
  - ✓ number of meetings of the Supervisory Board and its committees in the reporting period;
  - ✓ self-assessment of the Supervisory Board;
3. an assessment of the Bank's compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and the regulations on current and periodic reports published by issuers of securities (II.Z.10.3 of the Best Practices);
4. an assessment of the rationality of the Bank's policy referred to in recommendation I.R.2 (sponsorship, charity or other similar activities) or information about the absence of such policy (II.Z.10.4 of the Best Practices);
5. result of the assessment of the application by the Bank of the principles Principles of Corporate Governance for Supervised Institutions of the Polish Financial Supervision Authority (§ 27 of the Principles);
6. report on the assessment of the functioning of the remuneration policy in the Bank (§ 28.3 of the Principles)

Supervisory Board's report also contains the results of evaluation of financial statements and evaluation proposals of the Management Board concerning the division of profits for year 2018.

Pursuant to § 28.4 of the Principles the Ordinary General Meeting shall also assess whether the established remuneration policy contributes to the development and security of the operations of the Bank. The basis of this evaluation will be the report on the assessment of the functioning of the remuneration policy in the Bank made by the Supervisory Board. The report of the Supervisory Board of the Bank includes above-mentioned assessment.

The proposed dividend for 2018 represents 74.82% of the net profit for the year. The Bank's equity amounted to PLN 7.0 bn as of December 31, 2018 and Total Capital Ratio amounted to 16.5%.

Taking into consideration guidelines for the distribution of the Bank's net income for the years 2018 – 2021 (according to the adoption of the Strategy for the years 2019 – 2021 on December 7, 2018), the Bank will continue to allocate most of its profits to dividend payments and the dividend payout ratio has been set at no less than 75% of the Bank's net profit. At the same time, taking into account letter from the Polish Financial Supervision Authority dated February 25, 2019 regarding increasing own funds of the Bank by retaining at least 25% of net profit for 2018, the Bank's Management Board proposes to pay 74.82% of the net profit for 2018 as dividend.

The Management Board set the dividend date for June 13, 2019 (dividends day) and the date of the dividend payment for June 24, 2019. Final arrangement of the dividend date and the date of dividend payment is included in competence of the Ordinary General Meeting of the Bank.

#### **Point 5 sub - point 8) of the agenda of the General Meeting**

Point 5 sub-point 8 of the agenda concerns Amendments to the Bank's Articles of Association for additional adjustment to the requirements of the Regulation of the Minister of Development and Finance of 6 March 2017 on the risk management system and internal control system, remuneration policy and detailed method of estimating internal capital in banks and Recommendation H Polish Financial Supervision Authority of 25 April 2017 regarding the internal control system in the Banks.

The change relates to the content of § 40, which concerns the principles of the internal control system at the Bank. The new provisions define the roles of the Management Board and the Supervisory Board with respect to the internal control system, the objectives of the internal control system, the manner of organizing the risk management system and the internal control system, elements of the control function and the status and basic tasks of the compliance unit and the Audit Department.

#### **Point 5 sub - point 9) of the agenda of the General Meeting**

The Management Board wishes to enable the General Meeting to make changes to the composition of the Supervisory Board.