

Justification to drafts of the resolutions of the Ordinary General Meeting dated 22 June 2017

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 2016 should be held not later than by the end of June 2017. 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. Management Board report included the Bank's declaration regarding the compliance with corporate governance rules in 2016.

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 2016.

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 2016 represents 98.0% of the net profits for the year. The Bank's equity amounted to PLN 6.7 bn as of December 31, 2016 and Capital Adequacy Ratio amounted to 17.2%.

According to risk appetite, the Bank, as part of its strategy will continue to be a well-capitalized Bank with diversified sources of income. Taking into account the fact that the Bank fulfils requirements of Polish Financial Supervision Authority (Komisja Nadzoru Finansowego) in 2017 dividend policy for the year 2016 from December 21st, 2016, the Bank's Management Board proposes to pay 98.0% of the net profit as dividend.

General Risk Fund is created in order to cover all unidentified risks related to banking activities. In current global economy and difficulty in quantifying further risks related to banking activities, taking into account the fact that the fund was not increased in recent years, the suggested increase for this year is justifiable.

At the same time the increase of General Risk Fund is one of the crucial factors determining according to the company income tax act, whether Bank will be entitled to treat as tax deductible cost potential IBNR increase. Lack of fund increase would determine that Bank would not have the right to tax deduct IBNR increase recognized in 2017 profit and loss.

According to the above stated circumstances the increase of General Risk Fund from the profit generated in 2016 is justifiable not only in the economic situation but in case of IBNR increase in 2017 will ensure the tax efficiency.

The Management Board set the dividend date for July 3, 2017 (dividends day) and the date of the dividend payment for July 20, 2017. 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 the changes in the composition of the Supervisory Board due to resignation on December 31, 2016 of Mr. Zdenek Turek from the function of the Member of the Supervisory Board of Bank Handlowy w Warszawie S.A. as well as expiration of the term of office of Mrs. Anna Rulkiewicz and Mr Stephen Volk.

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

Point 5 sub - point 9) of the agenda concerns adoption of the Policy for the assessment of the Supervisory Board Members in Bank Handlowy w Warszawie S.A. (further as "Policy"). The basis to introduce the Policy are:

- (1) provisions of the amended Banking law (art. 22 section 2), implementing regulations established in the EU Directive 2013/36/EU from June 26, 2013 (CRD IV Directive) that, starting from 1 November 2015, obliged bank's general meetings to assess members' of the supervisory boards knowledge, skills, experience, guarantee of sound and prudent execution of the entrusted duties and number of functions held in management and supervisory boards, within the process of their appointment and revocation;
- (2) European Banking Authority Guidelines on the assessment of the suitability of members of the management body and key functions from November 22, 2012.

In addition, the requirement to introduce the Policy is also established in the European Banking Authority Guidelines on Internal Governance from September 27, 2011 as well as article 435 section 2 point (b) of the EU Regulation no 575/2013 from June 26 2013 (CRR Regulation).

Presentation of this point of the agenda to the General Meeting is also related to realization of the Polish Financial Supervision Authority's individual recommendation addressed to the Bank.

The Policy has been previously adopted by the Management Board on September 21, 2016 and Supervisory Board on September 28, 2016.

Presented Policy shall be applicable within the process of appointment and revocation of the members of the Supervisory Board.

Point 5 sub- point 10) of the agenda of the General Meeting

Point 5 sub - point 10) of the agenda concerns amendments to the Regulation of the General Meeting adoption of which is necessary due to implementation of the "Policy for the assessment of the Supervisory Board Members in Bank Handlowy w Warszawie S.A.". The proposed amendments impose on shareholders submitting candidates to the Supervisory Board obligation to deliver documents required to perform their assessment in accordance to the above mentioned policy as well as on the General Meeting to perform the given assessment and notify its fact in the form of the resolution. The proposed amendments cover also the possibility to adjourn the sitting in order to enable the shareholders to acquaint themselves with the profile of the candidates and the submitted documents in accordance to the requirements of the Policy.

Point 5 sub - point 11) of the agenda of the General Meeting

The aim of introduction of this point to the agenda of the General Meeting is realization of the obligation imposed on the Bank by § 25 section 2 point 4 sub-point b) of the Regulation of the Ministry of Development and Finance from March 6, 2017 on risk management system and internal control system, remuneration policy and detailed way of estimating internal capitals in banks. Bank may apply higher level of ratio of variable components of remuneration to fixed components, not higher than 200%, with the consent of the General Meeting that should obtain information on the number of employees, whose professional activity has a material impact on the risk profile of the Bank, their functions, impact of the increase of the ratio of variable to fixed components of remuneration of these employees on fulfilment by the Bank of the requirements of laws especially including capital requirements, reasoning for increase and its scope. Resolution deciding to apply higher ratio of fixed to variable components of remuneration amounting 1:2 has been adopted by the General Meeting on June 21, 2016. Adoption of the information being the subject of this point of the General Meeting's agenda satisfies obligation imposed by the above mentioned Regulation that came into force after the General Meeting had adopted its resolution on the level of ratio in 2016.

Point 5 sub - point 12) of the agenda of the General Meeting

Point 5 sub - point 12) of the agenda relates to the change of § 14 section 1 of the Articles of Association of the Bank:

The proposed amendment concerns second sentence of § 14 section 1 of the Articles of Association which shall have the following wording: “Members of the Supervisory Board shall be elected for a common term of office of three years.“. It aims to introduce the model of common, 3-year’s term of office in place of the model of individual term of office of each member of the Supervisory Board. As a result, once per 3 years General Meeting will be appointing commonly all members of the Supervisory Board. In case of appointment of the new members/completion of the composition during the time of the 3-year term of office of the whole Board, term of offices of these new members shall expire with the day of expiration of the common term of office, regardless individual time of performing the function by them. The given amendment of Articles of Association for its effectiveness requires prior consent of the Polish Financial Supervision Authority and then entry in the Registry Court.