



Bank Polski

Appendix to Resolution No. 60/2020

of the Supervisory Board of 1<sup>st</sup> June 2020

Report  
of the Supervisory Board  
of Powszechna Kasa Oszczędności Bank Polski Spółka  
Akcyjna  
for 2019

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EVALUATION OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE PKO BANK POLSKI S.A. GROUP AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019, THE FINANCIAL STATEMENTS OF PKO BANK POLSKI S.A. AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019, AND THE PKO BANK POLSKI S.A. GROUP DIRECTORS' REPORT FOR 2019 PREPARED IN COMBINATION WITH THE DIRECTORS' REPORT OF PKO BANK POLSKI S.A.

Pursuant to Article 382 of the Commercial Companies Code, § 70 item 1 point 14 and § 71 item 1 point 12 of the Decree of the Minister of Finance of 29 March 2018 on current and periodical information submitted by issuers of securities and conditions for considering equivalent the information required under the legislation of a non-Member State and § 15 item 1 point 15 of the Articles of Association of PKO Bank Polski S.A. (the Bank), the Supervisory Board of PKO Bank Polski S.A. expressed a positive opinion on:

- 1) the Consolidated financial statements of the PKO Bank Polski SA Group as at and for the year ended 31 December 2019;
- 2) the Financial statements of PKO Bank Polski SA as at and for the year ended 31 December 2019;
- 3) and the PKO Bank Polski S.A. Group Directors' Report for 2019, prepared in combination with the Directors' Report of PKO Bank Polski SA

on the basis of:

- the contents of the aforementioned documents presented and discussed by the Bank's Management Board;
- reports on the audits of the separate and consolidated financial statements of the Bank and the Bank's Group and the audit firm's additional report for the Audit Committee;
- meetings with the representatives of the audit firm, including the key registered auditor;
- the recommendation of the Audit Committee on giving an opinion on the audited financial statements.

The financial statements specified in points 1-2 were audited by the audit firm KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa, with its registered office in Warsaw, selected by the Supervisory Board to audit the separate financial statements of PKO Bank Polski S.A. and the consolidated financial statements of the PKO Bank Polski S.A. Group for 2019.

The results of the evaluation, including their justification, are presented below.

1. The Supervisory Board has read and analysed the financial statements of PKO Bank Polski S.A. as at and for the year ended 31 December 2019, comprising:
  - 1) selected financial data;
  - 2) the income statement for the period from 1 January 2019 to 31 December 2019;
  - 3) the statement of comprehensive income for 2019;
  - 4) the statement of financial position as at 31 December 2019;
  - 5) the statement of changes in equity for the year ended 31 December 2019;
  - 6) the statement of cash flows for the period from 1 January 2019 to 31 December 2019;
  - 7) notes to the financial statements.
2. The Supervisory Board has read and analysed the consolidated financial statements of the PKO Bank Polski S.A. Group as at and for the year ended 31 December 2019, comprising:
  - 1) selected consolidated financial data;
  - 2) the consolidated income statement for the period from 1 January 2019 to 31 December 2019;

- 3) the consolidated statement of comprehensive income for 2019;
  - 4) the consolidated statement of financial position as at 31 December 2019;
  - 5) the consolidated statement of changes in equity for the year ended 31 December 2019;
  - 6) the consolidated statement of cash flows for the period from 1 January 2019 to 31 December 2019;
  - 7) notes to the consolidated financial statements.
3. The Supervisory Board has read and analysed the PKO Bank Polski S.A. Group Directors' Report for 2019 prepared in combination with the Directors' Report of PKO Bank Polski S.A., which includes the statement on non-financial information.

The financial statements have been prepared within the statutory deadline, in accordance with International Financial Reporting Standards as adopted by the European Union, and the adopted accounting policies.

The financial statements present the accounting policies applied consistently in all the years presented, excluding the changes which result from the implementation of IFRS 16 "Leasing" as from 1 January 2019, described in the note "Leasing".

In addition, the financial statements include estimates and judgments used to estimate the carrying amounts of assets and liabilities.

The Supervisory Board concluded that the PKO Bank Polski S.A. Group Directors' Report for 2019 prepared in combination with the Directors' Report of PKO Bank Polski S.A. complies, in all material respects, with the requirements set out in Articles 49 and 55 item 1a of the Accounting Act and in Decree of the Minister of Finance of 29 March 2018 on current and periodical information submitted by issuers of securities and conditions for considering equivalent the information required under the legislation of a non-Member State.

Having analysed the independent registered auditor's reports on the audit, the audit firm's additional report for the Audit Committee and based on the meetings with the audit firm, and a positive recommendation issued by the Audit Committee of the Supervisory Board of PKO Bank Polski S.A. on 11 February 2020, the Supervisory Board gave a positive assessment of the financial statements.

In particular, the independent registered auditor presented the following opinions:

- with regard to the financial statements, concluding that they present a fair and clear view of the separate financial and economic position of the Bank as at 31 December 2019 and that they have been prepared on the basis of properly maintained books of account, in all material respects, and that they comply, in all material respects, in terms of their form and content, with the legislation and the provisions of the Articles of Association of the Bank;
- with regard to the consolidated financial statements, concluding that they present a fair and clear view of the consolidated financial and economic position of the Group as at 31 December 2019 and that they comply, in all material respects, in terms of their form and content, with the legislation and the provisions of the Articles of Association of the Parent.

In addition, with regard to the Directors' Report, the registered auditor concluded, based on the procedures performed during the audit of the financial statements, that the Directors' Report had been prepared, in all material respects, in accordance with the applicable legislation and was consistent with the information included in the consolidated financial statements.

Based on the above procedures, the Supervisory Board of PKO Bank Polski S.A., given the positive recommendation of the Audit Committee, believes that the financial statements and the Group Directors' Report prepared for the year ended 31 December 2019 are consistent with the books of account, the documents and with the facts.

Pursuant to Article 4a item 1 of the Accounting Act, the Supervisory Board also assures that all the elements of the said reports meet the requirements of the aforesaid Act.

Therefore, the Supervisory Board has requested that the Annual General Meeting of PKO Bank Polski S.A. approve the said reports.

#### ASSESSMENT OF THE MANAGEMENT BOARD'S MOTIONS REGARDING REMAINING THE UNDISTRIBUTED PROFIT OF PKO BANK POLSKI S.A. FROM PREVIOUS YEARS, AS UNDISTRIBUTED PROFIT AND REGARDING THE DISTRIBUTION OF THE PROFIT ACHIEVED BY PKO BANK POLSKI S.A. IN 2019 AND ON COVERING LOSS FROM PREVIOUS YEARS

1. The Supervisory Board, taking into account the positive recommendation of the Audit Committee, gave a positive opinion on the Management Board's motion regarding retaining the undistributed profit of PKO Bank Polski S.A. from previous years as undistributed profit.

According to the above the motion of the Management Board and the above opinion of the Supervisory Board:

Remained profit of PKO Bank Polski S.A. from previous years in the amount of PLN 1 667 651 024 is left undistributed.

2. The Supervisory Board, taking into account the positive recommendation of the Audit Committee, expressed a positive opinion on the Management Board's motion regarding the distribution of profit of PKO Bank Polski S.A. achieved in 2019 and covering loss from previous years.

According to the above the motion of the Management Board and the above opinion of the Supervisory Board:

The balance sheet loss from previous years in the amount of PLN 110 822 746 is proposed to be covered by reserve capital. The loss arose as a result of changes in accounting policies in connection with the first-time application of International Financial Reporting Standard No. 16 ('Leasing').

From the profit of PKO Bank Polski S.A. achieved in 2019 in the amount of PLN 3 834 504 089 it is proposed to allocate PLN 2 155 113 to reserve capital. The remaining part of the profit referred to in the previous sentence in the amount of PLN 3 832 348 976 is proposed to leave undistributed.

#### REPORT ON THE OPERATIONS OF THE SUPERVISORY BOARD AS A CORPORATE BODY IN 2019

Information on the Supervisory Board's term of office and another year of activities during the term of office, and on the composition of the Supervisory Board, functions performed on the Supervisory Board and changes in the composition of the Supervisory Board during the financial year.

As at 31 December 2019, the composition of the Supervisory Board was as follows:

(all members appointed for a joint, three-year term of office which commenced on the date of the Annual General Meeting of PKO Bank Polski S.A. convened for 22 June 2017)

No.	Name and surname	Function	Date of appointment/ dismissal
1.	Piotr Sadownik	Chairman of the Supervisory Board	<p>Appointed to the Supervisory Board on 25 February 2016 for the term of office of the Supervisory Board which commenced on the date of the Annual General Meeting convened for 26 June 2014. (Notarial Deed /Repertorium A-1583/2016, Resolution No. 14/2016)</p> <p>On 25 February 2016, the State Treasury, acting as an authorized shareholder within the meaning of the Bank's Articles of Association, appointed Mr Piotr Sadownik Chairman of the Supervisory Board.</p> <p>Dismissed from the Supervisory Board on 22 June 2017 and subsequently re-appointed to the Supervisory Board for the term of office of the Supervisory Board which commenced on the date of the Annual General Meeting convened for 22 June 2017. (Notarial Deed /Repertorium A-8117/2017, Resolutions Nos. 36/2017 and 37/2017)</p> <p>On 22 June 2017, the State Treasury, acting as an authorized shareholder within the meaning of the Bank's Articles of Association, appointed Mr Piotr Sadownik Chairman of the Supervisory Board.</p>
2.	Grażyna Ciużyńska	Vice-Chair of the Supervisory Board	<p>Appointed to the Supervisory Board on 30 June 2016 for the term of office of the Supervisory Board which commenced on the date of the Annual General Meeting convened for 26 June 2014. (Notarial Deed /Repertorium A-5497/2016, Resolution No. 31/2016)</p> <p>On 30 June 2016, the State Treasury, acting as an authorized shareholder within the meaning of the Bank's Articles of Association, appointed Ms. Grażyna Ciużyńska Vice-Chair of the Supervisory Board.</p> <p>Dismissed from the Supervisory Board on 22 June 2017 and subsequently re-appointed to the Supervisory Board for the term of office of the Supervisory Board which commenced on the date of the Annual General Meeting convened for 22 June 2017. (Notarial Deed /Repertorium A-8117/2017, Resolutions Nos. 36/2017 and 38/2017)</p> <p>On 22 June 2017, the State Treasury, acting as an authorized shareholder within the meaning of the Bank's Articles of Association, appointed Ms. Grażyna Ciużyńska Vice-Chair of the Supervisory Board.</p>
3.	Zbigniew Hajłasz	Secretary of the Supervisory Board	<p>Appointed to the Supervisory Board on 30 June 2016 for the term of office of the Supervisory Board which commenced on the date of the Annual General Meeting convened for 26 June 2014. (Notarial Deed /Repertorium A-5497/2016, Resolution No. 32/2016)</p>

			<p>On 14 July 2016, the Supervisory Board appointed Mr. Zbigniew Hajłasz Secretary of the Supervisory Board.</p> <p>Dismissed from the Supervisory Board on 22 June 2017 and subsequently re-appointed to the Supervisory Board for the term of office of the Supervisory Board which commenced on the date of the Annual General Meeting convened for 22 June 2017. (Notarial Deed /<i>Repertorium</i> A-8117/2017, Resolutions Nos. 36/2017 and 39/2017).</p> <p>On 24 August 2017, the Supervisory Board appointed Mr. Zbigniew Hajłasz Secretary of the Supervisory Board.</p>
4.	Mariusz Andrzejewski	Member of the Supervisory Board	<p>Appointed to the Supervisory Board on 22 June 2017 for the term of office of the Supervisory Board which commenced on the date of the Annual General Meeting convened for 22 June 2017. (Notarial Deed /<i>Repertorium</i> A-8117/2017, Resolution No. 44/2017)</p>
5.	Mirosław Barszcz	Member of the Supervisory Board	<p>Appointed to the Supervisory Board on 25 February 2016 for the term of office of the Supervisory Board which commenced on the date of the Annual General Meeting convened for 26 June 2014. (Notarial Deed /<i>Repertorium</i> A-1583/2016, Resolution No. 8/2016)</p> <p>Dismissed from the Supervisory Board on 22 June 2017 and subsequently re-appointed to the Supervisory Board for the term of office of the Supervisory Board which commenced on the date of the Annual General Meeting convened for 22 June 2017. (Notarial Deed /<i>Repertorium</i> A-8117/2017, Resolutions Nos. 36/2017 and 46/2017).</p>
6.	Adam Budnikowski	Member of the Supervisory Board	<p>Appointed to the Supervisory Board on 25 February 2016 for the term of office of the Supervisory Board which commenced on the date of the Annual General Meeting convened for 26 June 2014. (Notarial Deed /<i>Repertorium</i> A-1583/2016, Resolution No. 9/2016).</p> <p>Dismissed from the Supervisory Board on 22 June 2017 and subsequently re-appointed to the Supervisory Board for the term of office of the Supervisory Board which commenced on the date of the Annual General Meeting convened for 22 June 2017. (Notarial Deed /<i>Repertorium</i> A-8117/2017, Resolutions Nos. 36/2017 and 40/2017).</p>
7.	Dariusz Górski	Member of the Supervisory Board	<p>Appointed to the Supervisory Board on 6 May 2019 for the term of office of the Supervisory Board which commenced on the date of the Annual General Meeting convened for 22 June 2017. (Notarial Deed /<i>Repertorium</i> A-5718/2019, Resolution No. 29/2019)</p>
8.	Wojciech Jasiński	Member of the Supervisory Board	<p>Appointed to the Supervisory Board on 25 February 2016 for the term of office of the Supervisory Board which commenced on the date of the Annual General Meeting convened for 26 June 2014. (Notarial Deed /<i>Repertorium</i> A-1583/2016, Resolution No. 11/2016)</p> <p>Dismissed from the Supervisory Board on 22 June 2017 and subsequently re-appointed to the Supervisory Board for the term of office of the Supervisory Board</p>

			which commenced on the date of the Annual General Meeting convened for 22 June 2017. (Notarial Deed / <i>Repertorium</i> A-8117/2017, Resolutions Nos. 36/2017 and 41/2017).
9.	Andrzej Kisielewicz	Member of the Supervisory Board	Appointed to the Supervisory Board on 25 February 2016 for the term of office of the Supervisory Board which commenced on the date of the Annual General Meeting convened for 26 June 2014. (Notarial Deed / <i>Repertorium</i> A-1583/2016, Resolution No. 12/2016).  Dismissed from the Supervisory Board on 22 June 2017 and subsequently re-appointed to the Supervisory Board for the term of office of the Supervisory Board which commenced on the date of the Annual General Meeting convened for 22 June 2017. (Notarial Deed / <i>Repertorium</i> A-8117/2017, Resolutions Nos. 36/2017 and 47/2017).
10.	Elżbieta Mączyńska-Ziemacka	Member of the Supervisory Board	Appointed to the Supervisory Board on 26 June 2014 for the term of office of the Supervisory Board which commenced on the date of the Annual General Meeting convened for 26 June 2014. (Notarial Deed / <i>Repertorium</i> A-3969/2014, Resolution No. 37/2014).  Dismissed from the Supervisory Board on 22 June 2017 and subsequently re-appointed to the Supervisory Board for the term of office of the Supervisory Board which commenced on the date of the Annual General Meeting convened for 22 June 2017. (Notarial Deed / <i>Repertorium</i> A-8117/2017, Resolutions Nos. 36/2017 and 42/2017).
11.	Krzysztof Michalski	Member of the Supervisory Board	Appointed to the Supervisory Board on 17 September 2019 for the term of office of the Supervisory Board which commenced on the date of the Annual General Meeting convened for 22 June 2017. (Notarial Deed / <i>Repertorium</i> A-10231/2019, Resolution No. 7/2019)

#### Changes in the composition of the Supervisory Board in 2019:

On 6 May 2019, Mr. Janusz Ostaszewski was dismissed from the Supervisory Board of PKO Bank Polski S.A.

On 6 May 2019, Mr. Dariusz Górski was appointed to the Supervisory Board of PKO Bank Polski S.A. On 23 January 2020, Mr. Dariusz Górski resigned as Member of the Supervisory Board of PKO Bank Polski S.A. and Member of the Audit Committee, effective as from the end of 29 January 2020.

On 17 September 2019, Mr. Krzysztof Michalski was appointed to the Supervisory Board of PKO Bank Polski S.A.

#### Information on the number of meetings held by the Supervisory Board and the number of resolutions adopted.

In 2019, the Supervisory Board held a total of 10 recorded meetings on the following dates: 24 January, 28 February, 4 April, 14 May, 27 June, 12 August, 26 September, 22 October, 5 November and 12 December.

In 2019, the Supervisory Board adopted 126 resolutions.

A list of the resolutions adopted by the Supervisory Board in 2019 is attached as Appendix No. 1 to this Report.



### Information on the attendance of the Supervisory Board members at the meetings

All absences of the Supervisory Board members at the meetings in 2019 were justified by resolutions of the Supervisory Board Nos.: 32/2019, 33/2019, 51/2019, 66/2019, 67/2019, 76/2019, 77/2019, 88/2019, 114/2019, 115/2019, and 116/2019; this related to the absences of seven Supervisory Board members at six meetings of the Supervisory Board.

### Significant issues addressed by the Supervisory Board

In 2019, in addition to matters relating to the adoption of documents for the Annual General Meeting (resulting from the generally applicable laws and the Bank's Articles of Associations) and those specified in the titles of the resolutions adopted by the Supervisory Board in 2019, listed in Appendix No. 1 to this Report, the Supervisory Board addressed, among other things, the following issues:

1. update of the Strategy for 2020-2022;
2. draft financial plan for 2020;
3. review of selected strategic programmes implemented by PKO Bank Polski S.A.;
4. international expansion of PKO Bank Polski S.A., development of the foreign operations of PKO Bank Polski S.A.; operation of the Export Support Platform;
5. trends in the development of the information technology area;
6. implementation of Recommendation L of the PFSA at the Bank;
7. status of the implementation of Employee Capital Plans (PPK);
8. assessment of the adequacy and effectiveness of the internal control system and the results of the external assessment of the Internal Audit Department;
9. summing up the celebration of the centenary of PKO Bank Polski S.A.;
10. status of completion of the new Rotunda branch;
11. effect of changes in legal regulations on the Bank's debt collection;
12. information on litigation concerning loans denominated in/indexed by reference to foreign currencies in the light of the ruling of the Court of Justice of the European Union of 3 October 2019;
13. workshops on the Market Abuse Regulation (MAR);
14. Environmental Social Governance (ESG) project at PKO Bank Polski S.A.;
15. information concerning recommendations following the specific problem audit of the Office of the Polish Financial Supervision Authority in 2018;
16. information on the level of contributions set by the Bank Guarantee Fund for the PKO Bank Polski S.A. Group and the banking sector in 2019;
17. survey of the satisfaction and commitment of the Employees of PKO Bank Polski S.A.;
18. framework work plan for the Supervisory Board and the Committees of the Supervisory Board for 2020.

The topics discussed by the Supervisory Board on a regular basis are:

- 1) report on the implementation of PKO Bank Polski S.A.'s strategy for 2016-2020;
- 2) information on the financial results of the PKO Bank Polski S.A. Group, the PKO Bank Polski S.A. Group Directors' Report, and the results of PKO Bank Polski S.A. against the background of its rival banks;

- 3) condensed interim financial statements of PKO Bank Polski S.A. for six months and condensed interim consolidated financial statements of the PKO Bank Polski S.A. Group for six months;
- 4) PKO Bank Polski S.A. Group Directors' Report for the first half of the year;
- 5) information on the application of the accounting policies relating to bancassurance;
- 6) reports: Model risk in PKO Bank Polski S.A., Credit risk in PKO Bank Polski S.A., Financial risk in PKO Bank Polski S.A., Operating risk in PKO Bank Polski S.A., Capital adequacy in PKO Bank Polski S.A., Business risk and macroeconomic risk in PKO Bank Polski S.A., Compliance risk and conduct risk, Reputation risk;
- 7) information on the condition of the Bank's IT System;
- 8) information on the Bank's security;
- 9) information on the management of the Bank's operational continuity;
- 10) materials on the situation of KREDOBANK S.A.;
- 11) information on the activities outsourced by the Bank to external entities;
- 12) materials on court proceedings in which PKO Bank Polski S.A. is a party;
- 13) information on the results of the Supervisory Review and Evaluation (SREP) and on the updates of the SREP results (a quarterly evaluation of banks risk analysis report KOBRA);
- 14) information on the updates of the separate and group Recovery Plans of PKO Bank Polski S.A.;
- 15) materials on macroeconomic forecasts for the following years;
- 16) information on marketing agreements and public relations and social communication agreements with a value exceeding PLN 500 000 net per annum, concluded on the basis of the "conditional consent" of the Supervisory Board;
- 17) information on the conclusion of release from debt agreements or other similar agreements by the Bank, with a value exceeding PLN 50 000 (in words: fifty thousand);
- 18) information on the manner of performance of the cash donation agreement with the PKO Bank Polski Foundation and the release from debt agreement with the PKO Bank Polski Foundation;
- 19) information on the correspondence sent to the Supervisory Board.

On 11 February 2020, having read the annual statement on independence issued by the audit firm KPMG Audyt spółka z ograniczoną odpowiedzialnością spółka komandytowa, the Supervisory Board issued a statement (taking into account the related recommendation of the Audit Committee) concerning the audit firm conducting the audit of the consolidated financial statements of the PKO Bank Polski S.A. Group as at and for the year ended 31 December 2019 and the financial statements of PKO Bank Polski S.A. as at and for the year ended 31 December 2019, prepared pursuant to § 70 item 1 point 7 and § 71 item 1 point 7 of the Decree of the Minister of Finance of 29 March 2018 on current and periodical information submitted by issuers of securities and conditions for considering equivalent the information required under the legislation of a non-Member State. In the statement, the Supervisory Board declared that the appointment of the audit firm KPMG Audyt spółka z ograniczoną odpowiedzialnością spółka komandytowa conducting the audit of the consolidated financial statements of the PKO Bank Polski S.A. Group as at and for the year ended 31 December 2019 and the financial statements of PKO Bank Polski S.A. as at and for the year ended 31 December 2019 (the Audit) was performed in compliance with the legislation applicable as at the date of the appointment and the internal regulations of PKO Bank Polski S.A., governing the appointment of the audit firm, adopted by the Supervisory Board.

Furthermore, the Supervisory Board stated that:

- 1) the audit firm KPMG Audyty Spółka z ograniczoną odpowiedzialnością spółka komandytowa and the members of the team performing the Audit met the conditions for preparing an impartial and independent report on the Audit, in accordance with the generally applicable legislation, the auditing standards and the principles of professional ethics;
- 2) PKO Bank Polski S.A. complies with the generally applicable legislation relating to the rotation of the audit firm and the key registered auditor conducting the audit of the consolidated financial statements of the PKO Bank Polski S.A. Group and the financial statements of PKO Bank Polski S.A. and those relating to the mandatory cooling-off periods;
- 3) PKO Bank Polski S.A. has a policy in place for appointing an audit firm to audit the financial statements of PKO Bank Polski S.A. and the PKO Bank Polski S.A. Group, and a procedure for appointing an audit firm to audit the financial statements of PKO Bank Polski S.A. and the PKO Bank Polski S.A. Group, as well as a policy for the provision of permitted non-audit services by the audit firm conducting the audit, the entities related to that audit firm and the members of the audit firm's network to the Bank and the companies in the Bank's Group, including services conditionally exempt from the prohibition on being provided by the audit firm.

#### Inspections performed

In 2019, in justified cases, the Supervisory Board obtained additional information, with the participation of the Internal Audit Department and the Bank's units, on the projects implemented by the Bank and the audits performed.

#### Information on changes in the composition of the Management Board introduced by the Supervisory Board, suspensions of the members of the Management Board from performing their functions and delegating the members of the Supervisory Board to perform the functions of members of the Management Board

In 2019, the Supervisory Board did not make any decisions concerning changes in the composition of the Management Board, suspensions of the members of the Management Board from performing their functions nor did it delegate the members of the Supervisory Board to perform the functions of members of the Management Board.

#### Information on the fulfilment of the independence criteria by the members of the Supervisory Board

In accordance with point II.Z.6 of the Best Practices 2016, the Supervisory Board of a public company shall evaluate whether or not relations or circumstances exist which may affect the fulfilment of the independence criteria by a given member of the Supervisory Board. Therefore, the Supervisory Board read the independence statements on compliance with the independence criteria referred to in point II.Z.4 of the Best Practices 2016 submitted by the individual members of the Supervisory Board and, on 5 November 2019, it adopted resolutions whereby it assessed that:

- Mr. Piotr Sadownik, Ms. Grażyna Ciużyńska, Mr. Zbigniew Hajłasz, Mr. Mariusz Andrzejewski, Mr. Mirosław Barszcz, Mr. Adam Budnikowski, Mr. Andrzej Kisielewicz and Ms. Elżbieta Mączyńska-Ziemacka met the above independence criteria. The Supervisory Board was not aware of any circumstances that could have a negative impact on these persons' compliance with the independence criteria referred to above;

- Mr. Wojciech Jasiński and Mr. Krzysztof Michalski do not meet the above independence criteria.

#### Self-assessment of the Supervisory Board's work

At the meeting on 23 January 2020, the Supervisory Board of PKO Bank Polski S.A. made a self-assessment of its work in 2019.

The Supervisory Board of PKO Bank Polski S.A. concluded that it fulfilled its duties in a diligent and effective manner, by exercising continuous supervision over the Bank's operations and development in all of the areas of its activities. In the opinion of the Supervisory Board, the professional experience and diverse competencies of the Supervisory Board members allow it to examine and give opinions on the topics presented to it in a comprehensive manner and to represent a broad spectrum of views with regard to the evaluation of the Management Board's work and the functioning of PKO Bank Polski S.A.

When evaluating the cooperation between the Supervisory Board and the Bank's Management Board, the Supervisory Board expressed a positive opinion on that cooperation, by emphasizing the fairness and truth of the information provided by the Management Board. Furthermore, the Supervisory Board appreciated the Management Board's responses to individual inquiries of the Supervisory Board members, including questions asked outside the meetings of the Supervisory Board, and the Management Board's active participation in the meetings of the Supervisory Board (presenting requests submitted to the Supervisory Board and providing relevant explanations).

In 2019, all Members of the Supervisory Board participated actively in its meetings and demonstrated commitment to the proper performance of their duties, whereas the discussions conducted took into account the assessments of the company's current situation, market changes as well as good practices and standards. In 2019, the Supervisory Board performed its statutory tasks and, at the same time, was committed to continuously improving its work in this regard. The discussions held at the meetings of the Supervisory Board were characterized by a high level of technical knowledge.

The number and duration of the meetings as well as access to resources were sufficient to enable the Supervisory Board to perform its duties in full, whereas the documents drawn up for the Supervisory Board contained relevant information and were prepared for the meetings well in advance.

The substantive value of the materials provided for the meetings of the Supervisory Board was assessed as being high.

#### Other information on the Supervisory Board's work

In 2019, the Supervisory Board had the following committees: the Appointments and Remuneration Committee, the Risk Committee, the Audit Committee and the Strategy Committee. Annual reports on the operations of the said committees are attached as Appendices Nos. 2, 3, 4 and 5, respectively, to this Report.

On 11 February 2020, the Supervisory Board issued a statement relating to the Audit Committee of the Supervisory Board of PKO Bank Polski S.A., prepared in accordance with § 70 item 1 point 8 and § 71 item 1 point 8 of Decree of the Minister of Finance of 29 March 2018 on current and periodical information submitted by issuers of securities and conditions for considering equivalent the information required under the legislation of a non-Member State. In the statement, the Supervisory Board stated that:

- 1) PKO Bank Polski S.A. complies with the regulations concerning the appointment, composition and operation of the Audit Committee of the Supervisory Board of PKO Bank Polski S.A., including those regarding the fulfilment of the independence criteria by its members and the requirements concerning the possession of the knowledge and skills required in the industry in which PKO Bank Polski S.A. operates as well as those relating to accounting or the audit of financial statements;
- 2) the Audit Committee of the Supervisory Board of PKO Bank Polski S.A. operating at PKO Bank Polski S.A. had performed and continued to perform the tasks of the audit committee specified in the applicable legislation.

#### ASSESSMENT OF THE COMPANY'S POSITION, TAKING INTO ACCOUNT THE ASSESSMENT OF THE INTERNAL CONTROL SYSTEMS, RISK MANAGEMENT, COMPLIANCE AND THE INTERNAL AUDIT FUNCTION

##### Assessment of the Company's position

The development of the PKO Bank Polski S.A. Group's business activities in 2019 and the financial results achieved strengthened its position as the leader of the Polish banking sector. The market value of PKO Bank Polski S.A. reached over PLN 43 billion at the end of 2019, which means that the Bank was the most valuable domestic company listed on the Warsaw Stock Exchange.

The PKO Bank Polski S.A. Group achieved its financial goals planned for 2020, established in November 2016, two years in advance:

- achieved ROE of 10%;
- decreased the C/I ratio to 41.9%;
- reduced the cost of the risk to 0.47%;
- was able to pay a dividend.

In 2019, the Bank's Group updated its strategy "We Support the Growth of Poland and Poles" based on the use of modern technologies and deepening the relations with Customers through continued development of the remote channels, precise customization of its offer and advanced data analysis, so as to become PKO Bank of the Future. After being updated, the strategy extended the horizon to 2022 and gained new, ambitious financial goals.

At the end of the year, the largest country-wide network of PKO Bank Polski S.A. covered 1,115 branches and 538 agencies, whereas the developed ATM network comprised 3,080 ATMs. The number of employees of the PKO Bank Polski S.A. Group was almost 28 thousand FTEs.

The mobile banking system offered by PKO Bank Polski S.A. – the IKO application – was ranked first for the second time in a ranking of mobile applications of the 100 largest global banks, published in *Retail Banker International*, and the total number of activations of the IKO application exceeded 4.2 million at the end of 2019.

As part of the activities undertaken in 2019:

1. PKO Bank Polski S.A. made a wide range of innovative services available in remote channels, including:
  - e-Identity – enables the Bank’s Customers to log on to public administration portals using a bank login and password;
  - Inwestomat (Investment/Investor’s Machine) – provides modern investment advice based on full automation of procurement processes;
  - e-Accounting – allows a company’s finances to be managed on the side of accounts and settlements through a tool integrated with the internet banking iPKO and a Company Assistant;
  - e-Lawyer – allows legal problems to be solved completely remotely, fast and in a comprehensive manner, by selecting offers of legal assistance which are best tailored to a Customer’s needs;
  - e-Collection – allows companies to monitor payments on their own, select debt collection scenarios tailored to specific debtors, effectively recover amounts due under unpaid invoices, and contract debt collection from a law firm via the Vindicat platform.
2. The Bank’s Group added new products to its product range, supporting sustainable development in the area of the natural environment, including:
  - leases or loans to finance photovoltaic devices, offered by PKO Leasing S.A.;
  - Ecolan for the purchase and installation of photovoltaic panels of up to PLN 50 thousand (offered by PKO Bank Polski S.A.);
  - the “green mortgage” option thanks to which, on the basis of an energy performance certificate for the property, the Customers of PKO Bank Polski S.A. and PKO Bank Hipoteczny S.A. may obtain a lower margin on the mortgage loan “Własny Kąt” (“One’s Own Place”);
  - the investment fund “PKO Ekologii i Odpowiedzialności Społecznej Globalny” (“*PKO Ecology and Social Responsibility Global*”) (offered by PKO TFI S.A.);
  - new Treasury products for corporate Customers such as CO<sub>2</sub> emission allowance transactions – Commodity Swap and Commodity Forward (offered by PKO Bank Polski S.A.).
3. PKO Leasing S.A. acquired 11.2 million shares in Prime Car Management S.A. (PCM) as a result of a tender offer, which represented 94.4% of its share capital. The company acquired the remaining shares under a squeeze-out and, since the end of June 2019, it achieved a 100% interest in PCM’s capital. The synergistic effect of the acquisition of Prime Car Management S.A. and its subsidiaries is the strengthening of the PKO Leasing S.A. Group’s leading position in the sector of lease services (including operating leases) and the expansion of its vehicle fleet management and car rental services.
4. Operator Chmury Krajowej sp. z o.o. announced its strategic partnership with a global technological partner – Google. The purpose of the cooperation is to support Polish companies in the implementation and use of advanced cloud computing technologies in business. Google Cloud Platform products will be incorporated into

the company's product range, and Google will open a Google Cloud region in Warsaw – i.e. a hub of infrastructure and software for Customers from Poland and Central Europe. The Bank has a 50% share in the share capital of the company. Since 5 September 2019, there has been a second shareholder, i.e. Polski Fundusz Rozwoju SA.

5. PKO BP Finat sp. z o.o. and Polski Fundusz Rozwoju S.A. signed an agreement on creating the Registry System of the Employee Capital Schemes (PPK) which began functioning on 1 July 2019. The system was integrated with all entities handling Employee Capital Schemes so as to aggregate information from the entire market on a current basis.

The steps undertaken by the PKO Bank Polski S.A. Group in 2019 made it possible to achieve very good financial results and to strengthen its leading position among the largest financial institutions in Poland.

In 2019, there was a noticeable increase in the scale of operations, as evidenced by the achieved level of total assets of more than PLN 348 billion (+ PLN 24 billion y/y) and an increase in the financing granted to Customers to more than PLN 245 billion (+ PLN 15 billion y/y).

The Bank's Group retained a high share of the loans and savings market of 17.9% and 18.4% respectively and was the leader in the market of investment funds for private individuals with a market share of 20.1%.

In 2019, the net profit of the PKO Bank Polski S.A. Group amounted to PLN 4 031 million (+7.8% y/y) and was due to the following:

- 1) improvement in the profit on business operations which reached PLN 14,670 million (+10.0% y/y), mainly as a result of an increase in net interest income of 10.0% y/y, achieved due to an increase in volumes;
- 2) an increase in operating expenses of 4.3% y/y, mainly the employee benefit expense and the amortization/depreciation expense;
- 3) deterioration in net impairment allowances and write-downs of PLN 261 million as a result of:
  - a. recognition of the cost of legal risk of mortgage loans in convertible currencies of PLN (451) million in 2019;
  - b. improvement in other net impairment allowances and write-downs of PLN 190 million, accompanied by a drop in the cost of credit risk to 0.47%.

#### ASSESSMENT OF THE ADEQUACY AND EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM, INCLUDING THE CONTROL FUNCTION, COMPLIANCE UNIT AND INTERNAL AUDIT UNIT

PKO Bank Polski S.A. has an internal control system which forms part of the management system.

The aim of the internal control system is to ensure:

1. effectiveness and efficiency of PKO Bank Polski S.A.'s operations;
2. reliability of the financial reporting;
3. compliance with the risk management policies at PKO Bank Polski S.A.;

4. compliance of PKO Bank Polski S.A.'s operations with the generally applicable legislation, internal regulations of PKO Bank Polski S.A., regulatory recommendations and market standards adopted by PKO Bank Polski S.A.

The Management Board of PKO Bank Polski S.A. is responsible for designing, implementing and operating an adequate and effective internal control system.

The Supervisory Board of PKO Bank Polski S.A. supervises the implementation and operation of the internal control system and assesses its adequacy and effectiveness, including the assessment of the adequacy and effectiveness of the individual elements of the system, i.e.:

1. control function;
2. compliance unit;
3. internal audit unit.

The internal control system is assessed on the basis of specific assessment criteria, taking into account information relevant to the adequacy and effectiveness of the internal control system, including information provided by, amongst others:

1. Management Board of PKO Bank Polski S.A.;
2. Audit Committee of the Supervisory Board of PKO Bank Polski S.A.;
3. compliance unit;
4. internal audit unit;
5. registered auditor;
6. supervisory representatives of the authorized institutions.

In this regard, the Supervisory Board of PKO Bank Polski S.A. is supported by the Audit Committee of the Supervisory Board of PKO Bank Polski S.A. which is responsible, in particular, for monitoring the internal control system on a current basis.

The internal control system is organized at three independent levels:

1. the first level consists of the organizational structures of PKO Bank Polski S.A. carrying out operating activities, in particular: sales of products and Customer service, and other organizational structures of PKO Bank Polski S.A. carrying out risk-generating operational tasks and functioning on the basis of other internal regulations of the PKO Bank Polski S.A.;
2. the second level consists of the operations of the compliance units and identification, measurement, control, monitoring and reporting individual risk types, as well as threats and irregularities. These tasks are performed by a specialized organizational structure operating on the basis of the applicable policies, methodologies and procedures; the aim of this structure is to ensure that the operations carried out on the first level are properly designed and that they mitigate risk in an effective manner, support risk measurement and analysis and operational efficiency;
3. the third level – the operations of the internal audit unit, which carries out independent audits of the elements of the Bank's management system, including the risk management system and the internal control system, functioning independently of the first and second levels.



The individual elements of the internal control system pursue specific objectives, including:

1. the control function (the controls, independent monitoring and reporting thereof) – ensures compliance with the controls relating to, in particular, the risk management at PKO Bank Polski S.A. and covers all units and the organizational positions within these units which are responsible for carrying out the tasks assigned to this function;
2. the compliance unit – manages compliance risk understood as the risk of legal sanctions, financial losses or reputation loss as a result of non-compliance on the part of the Bank, its employees or entities operating on its behalf with the generally applicable legislation, the internal regulations or the market standards adopted by PKO Bank Polski S.A., and it shapes the solutions for ensuring compliance and managing compliance risk, as well as the identification, evaluation, control, monitoring and reporting of such risk;
3. the internal audit unit – makes a systematic assessment of the adequacy and effectiveness of the risk management and internal control systems at the first and second levels of the internal control system, taking into account the adequacy and effectiveness of the risk controls and control mechanisms selected for auditing, and in the event of identification of gaps or irregularities, it gives recommendations (assurance activities) and adds value by indicating possible improvements to the processes functioning at PKO Bank Polski S.A. (advisory activities).

Significant information on the irregularities identified, assessments given and results of monitoring of the steps taken to eliminate gaps or weaknesses were presented to the Management Board of PKO Bank Polski S.A., the Audit Committee of the Supervisory Board of PKO Bank Polski S.A. and the Supervisory Board of PKO Bank Polski S.A. by the individual elements of the internal control system in periodical reports.

Taking into account the information received, in 2019 the Supervisory Board of PKO Bank Polski S.A. did not identify any significant weaknesses in the operation of the internal control system of PKO Bank Polski S.A., which might jeopardize the achievement of the objectives of that system and assessed its adequacy and effectiveness, including the operation of the procedures for the anonymous reporting of breaches by the Bank's employees, at a "sufficient" level (on a four-point scale: satisfactory, sufficient, unsatisfactory, critical). Moreover, the Supervisory Board of PKO Bank Polski S.A. assessed the adequacy and effectiveness of the control function and the compliance unit as being "sufficient" and of the internal audit unit as being "satisfactory".

#### Assessment of the risk management system (including the assessment of its adequacy and effectiveness)

Risk management is one of the most important internal processes in PKO Bank Polski S.A. It is aimed at ensuring the profitability of the business activities, while ensuring an appropriate level of capital adequacy measures and monitoring the risk level, keeping the risks within the risk tolerances and limits adopted by the Bank, in a changing macroeconomic and legal environment. The risk management system is supervised by the Supervisory Board which regularly monitors and evaluates whether or not the risk identification, measurement or estimation, control, monitoring and reporting methods are tailored to the magnitude and profile of the risk of the Bank and the PKO Bank Polski S.A. Group. The Supervisory Board evaluates whether or not the Bank's current and planned activities are properly taken into account in the risk management system. In the opinion of the Supervisory Board, the risk management system is appropriately tailored to the scale of the operations and the materiality, scale and complexity of the individual types of risk, and it is

monitored and adjusted on an on-going basis to take account of the new risks and their sources. According to the assessment of the Supervisory Board, PKO Bank Polski S.A. has an organizational structure adjusted to the magnitude and profile of the risks borne by the Bank and ensuring the effective management of these risks. To the best of its knowledge, the adequacy of the findings concerning risk management at PKO Bank Polski S.A. and the effectiveness of the risk management system, as well as the management reporting system which enables monitoring the risk level and capital adequacy ensure that the risk management system in place is appropriate from the perspective of the risk profile and the Strategy of the Bank.

The risk management system supports the implementation of the Bank's Strategy in keeping with the risk management strategy applicable in PKO Bank Polski S.A. and the PKO Bank Polski S.A. Group. It addresses the achievement of the desired capital objectives, the risk tolerance level and the capital planning process, including the policy relating to the sources of capital.

All of the Bank's organizational units participate in the risk management process. The process is supervised by the Supervisory Board which controls and evaluates the adequacy and effectiveness of the risk management system. In addition, the Supervisory Board evaluates whether or not the individual elements of the risk management system contribute to ensuring the correctness of the process of determining and pursuing the Bank's specific objectives. In particular, the Supervisory Board verifies if:

1. formalized rules are applied to determine the magnitude of the risk taken;
2. formalized procedures designed to identify, measure or estimate and monitor the risks arising in the Bank's operations are applied and if these rules take into account the anticipated level of future risks;
3. formalized risk-mitigating limits and procedures to be followed when these limits are exceeded are applied as part of the risk management system;
4. the adopted management reporting system enables the risk level to be monitored;
5. the risk management system is updated on an on-going basis to take into account new risk factors and sources.

The Bank has an integrated risk management structure which ensures that all risks which have a material impact on the Bank's activities are identified, measured, monitored and controlled. Setting the level of risk which the Bank is able to accept in its current and future operations is one of the key elements of risk management. As regards the level of the risk generated, the scope of the risk is determined from the perspective of the achievement of the risk management objectives, taking into account financial, capital and strategic plans. As part of risk measurement, stress tests are conducted on the basis of the assumptions which ensure a fair risk assessment. Stress tests are used to estimate the potential losses in the case of a market situation which is not typically described using statistical measures. The Bank develops contingency plans for emergencies which may affect its functioning particularly materially, especially contingency plans required by the generally applicable legislation and the Bank's internal regulations. The risk management structure is complemented by a consistent and transparent risk level reporting system, the use of risk-mitigating limits and management actions which shape the process of the management of specific risks. The maximum magnitude of the risk which the Bank and the Bank's Group are prepared to assume has been determined by setting

strategic tolerance limits for individual types of risk specified in the Risk Management Strategy of PKO Bank Polski S.A. and the PKO Bank Polski S.A. Group.

The Supervisory Board is supported by the following committees:

1. the Risk Committee, with respect to giving opinions on the Bank's comprehensive current and future readiness to assume risk, which takes the form, in particular, of the strategic risk tolerance limits, supervising the implementation of the risk management system at the Bank by the Management Board, evaluating the adequacy and effectiveness of the risk management system, and supervising the risk management strategy;
2. the Audit Committee, with respect to monitoring the financial reporting process and the performance of audits, independence of the registered auditor and the audit firm, effectiveness of the internal control and risk management systems;
3. the Appointments and Remuneration Committee, with respect to the performance of the statutory remuneration-related duties and tasks arising from the legal regulations;
4. the Strategy Committee, with respect to supervising the implementation of the strategy and giving opinions on those strategic activities of the Bank which require the consent of the Supervisory Board.

The risk management process is carried out in three independent but complementary lines of defence:

1. the first line of defence – is composed of the organizational structures responsible for product management, sales of products and customer service, and of other structures which perform risk-generating operating tasks, functioning on the basis of the internal regulations. This function is performed in all the organizational units of the Bank and the entities in the Bank's Group. The Bank's units implement the relevant risk control mechanisms (especially limits) designed by the Bank's units in the second line of defence, and they ensure that the limits are observed by applying the relevant controls. Furthermore, the entities in the Bank's Group are obliged to have consistent and comparable systems for assessing and controlling risk in the Bank and the entities in the Bank's Group, taking into account the specific nature of each entity and its market;
2. the second line of defence – covers the compliance units and involves the identification, measurement, assessment or control, monitoring and reporting significant types of risks, and the threats and irregularities identified; these tasks are carried out by dedicated organizational structures operating on the basis of the applicable internal regulations of the Bank; the aim of these structures is to ensure that the tasks performed as part of the first line of defence are properly designed in the Bank's internal regulations and that they mitigate the risk, support risk measurement, assessment and analysis, and contribute to operational efficiency in an effective manner. The second line of defence supports the activities undertaken in order to eliminate unfavourable deviations from the financial plan (i.e. the budget) as regards the figures which affect the quantitative strategic risk tolerance limits included in the financial plan (these activities are carried out at the Bank, in particular in the Bank's units responsible for controlling). This function is performed, in particular, in the risk management area, the Compliance Department and the relevant committees;
3. the third line of defence – consists of the internal audit function which performs independent audits of the individual elements of the Bank's management system, including the risk management system, and of the internal control system; the internal audit operates independently of the first and second lines of defence and may support their

activities by way of consultations but without participating in their decision-making. This function is performed in accordance with the Bank's internal regulations governing the functioning of the internal control system.

The independence of the lines of defence consists of preserving organizational independence in the following areas:

1. the function of the second line of defence as regards creating system solutions is independent of the function of the first line of defence;
2. the function of the third line of defence is independent of the functions of the first and second lines of defence;
3. the function of compliance risk management is subordinate to the President of the Management Board.

In the opinion of the Supervisory Board, the structure of risk management is adequate to the size of the Bank, the type of its operations and the profile of the risks assumed, taking into account the macroeconomic environment and the possibility of unfavourable events materializing. Risk management is integrated with the planning and controlling systems. The Supervisory Board supervises and evaluates the risk management process, especially on the basis of regular risk reports, divided into individual types of risk, which take into account current information on the implementation of the Strategy and include conclusions from stress tests. If necessary, the Supervisory Board orders the verification of the risk management system.

In 2019, the Supervisory Board assessed the risk management system as being effective, efficient and consistent with the external regulations, including recommendations of the Polish Financial Supervision Authority.

In the opinion of the Supervisory Board, in 2019 the Bank operated in a safe manner, with its own funds at an adequate level. In particular, the Bank:

- offset the accounting accumulated losses of PLN 535.15 million (IFRS 9) against the reserve capital, and earmarked PLN 1 662.50 million for a dividend for the shareholders and PLN 5.15 million for transfer to the reserve capital (in accordance with a decision adopted by the Annual General Meeting of the Bank) out of the net profit for 2018 of PLN 3 335.30 million; the remainder of the profit remained unappropriated;
- after obtaining the relevant permissions of the Polish Financial Supervision Authority, it included the net profit for the first half of 2019, less the anticipated charges of PLN 1 041.65 million, in common equity Tier 1 capital;
- as part of the monitoring of the credit loss estimation model, it updated its assumptions for LGD and PD parameters. In the LGD parameter, the recoveries at the long end of the curve have been corrected, and the historical data line has been shortened to better reflect the current economic situation. Also the method of determining the PD parameter for retail portfolios as well as companies and enterprises portfolios was changed to take more account of the value of exposure to liabilities that are becoming overdue;
- maintained the capital adequacy measures at a safe level, above the supervisory and regulatory limits: as at 31 December 2019, the total capital ratio (TCR) of the Bank was 20.66%, and the common equity Tier 1 capital (T1) of the Bank was 19.21% (in 2019, PKO Bank Polski retained a safe capital base);
- regularly adapted its sources of financing to the Bank's liquidity needs, including the redemption of EUR 0.5 billion worth of bonds maturing under the EMTN programme and approximately PLN 0.6 billion worth of short-term bonds, repayments of instalments of the loan from the Council of Europe Development Bank totalling

approximately PLN 0.2 billion, and the early repayment of the financing received from the European Investment Bank of approximately PLN 0.7 billion;

- maintained a good liquidity position – as at the end of 2019, the core deposit base constituted approximately 93.8% of all deposits with the Bank (excluding the interbank market);
- maintained the level of utilization of the strategic tolerance limits for individual types of risk and capital adequacy at safe levels throughout 2019;
- maintained a favourable level of the financial results due to the balance sheet structure linked to a safe level of equity;
- reduced the accepted level of interest rate risk by reducing the strategic tolerance limits for that risk and modified the approach to determining the accepted level of liquidity risk by establishing a strategic tolerance limit for the European liquidity coverage ratio – LCR;
- modified the Strategy for managing interest rate risk in the banking portfolio and introduced an Investment Strategy in fulfilling, among other things, the supervisory requirements;
- introduced a new strategic tolerance limit for material operating losses linked to legal risk due to a growing legal risk arising from the CJEU's rulings, whose utilization is at an increased level;
- took the following into account in the risk and capital adequacy management system:
  - a) the obligation to maintain the combined buffer requirement above the minimums laid down in Article 92 of the CRR, which is the total of the applicable buffers, i.e.:
    - 1) capital conservation buffer of 2.5%;
    - 2) countercyclical capital buffer of 0%;
    - 3) systemic risk buffer of 3%;
    - 4) other systemically important institutions buffer ("O-SII") buffer of 1%;
  - b) decision of the Polish Financial Supervision Authority of 4 November 2019 on maintaining own funds to cover additional capital requirements for the risk resulting from foreign currency loans and advances to households secured with mortgage (the capital measure for the capital ratios amounted to: for the total capital ratio: 0.40 p.p., for the Tier 1 capital ratio: 0.30 p.p. and for the common equity Tier 1 capital ratio: 0.23 p.p.).

In 2019, the Bank participated in the stress tests conducted by the Polish Financial Supervision Authority. The tests covered two (baseline and shock) scenarios and were conducted in a time horizon covering the years 2019–2021. The results of the tests confirmed the strong capital position of the Bank.

In the opinion of the Supervisory Board, the following key areas of involvement of the Management Board and the Supervisory Board will be particularly important to the Bank's development in the following periods:

- reducing losses on the loan portfolio and minimizing the risk of credit exposures subject to impairment, while preserving the expected level of profitability and the value of the loan portfolio;
- monitoring the level of the legal risk resulting from changes in the legal framework for the Bank's activities;
- effective and rational management of capital adequacy to maintain the TCR and CET1 ratios above the regulatory and supervisory levels;
- counteracting the increasing threat of cyberattacks;

- maintaining priorities in terms of operating effectiveness, a good liquidity position and stable sources of financing, while optimizing costs and maintaining a safe level of risk and the expected capital adequacy level;
- supporting the economic development of Poland, taking into account the needs shaped by the new market technologies;
- increasing complexity of the regulatory environment, including capital requirements, liquidity requirements, management of individual types of risk, and the security of data in the Bank's systems.

Warsaw, 2020

List of resolutions of the Supervisory Board of PKO Bank Polski SA passed in 2019

1. Resolution No. 1/2019 of the Supervisory Board dated 24 January 2019 on awarding severance pay to the Vice-President of the Management Board.
2. Resolution No. 2/2019 of the Supervisory Board dated 24 January 2019 on approval of the financial plan, including the capital plan for the year 2019
3. Resolution No. 3/2019 of the Supervisory Board dated 24 January 2019 on approval of the Operational plan of the Compliance Department for the year 2019
4. Resolution No. 4/2019 of the Supervisory Board dated 24 January 2019 on approval of the principles of operation of the internal control system at PKO Bank Polski SA
5. Resolution No. 5/2019 of the Supervisory Board dated 7 February 2019 on selling rights to real estate
6. Resolution No. 6/2019 of the Supervisory Board dated 8 February 2019 on selling rights to real estate
7. Resolution No. 7/2019 of the Supervisory Board dated 21 February 2019 on granting consent for concluding a release from debt agreement
8. Resolution No. 8/2019 of the Supervisory Board dated 21 February 2019 on selling rights to real estate
9. Resolution No. 9/2019 of the Supervisory Board dated 28 February 2019 on the implementation of Resolution no. 15/2018 of the Appointments and Remuneration Committee.
10. Resolution No. 10/2019 of the Supervisory Board dated 28 February 2019 on selling rights to real estate
11. Resolution No. 11/2019 of the Supervisory Board dated 28 February 2019 on selling rights to real estate
12. Resolution No. 12/2019 of the Supervisory Board dated 28 February 2019 on selling rights to real estate
13. Resolution No. 13/2019 of the Supervisory Board dated 28 February 2019 on selling rights to real estate
14. Resolution No. 14/2019 of the Supervisory Board dated 28 February 2019 on the Supervisory Board's statement concerning the audit firm auditing the consolidated financial statements of the PKO Bank Polski S.A. Group as at and for the year ended 31 December 2018 and the financial statements of PKO Bank Polski SA as at and for the year ended 31 December 2018.
15. Resolution No. 15/2019 of the Supervisory Board dated 28 February 2019 on the consolidated financial statements of the PKO Bank Polski SA Group for the financial year ended 31 December 2018
16. Resolution No. 16/2019 of the Supervisory Board dated 28 February 2019 on the financial statements of PKO Bank Polski SA for the financial year ended 31 December 2018
17. Resolution No. 17/2019 of the Supervisory Board dated 28 February 2019 on the Directors' Report of the PKO Bank Polski SA Group for the year 2018 prepared jointly with the Directors' Report of PKO Bank Polski SA
18. Resolution No. 18/2019 of the Supervisory Board dated 28 February 2019 on the Supervisory Board's evaluation and the statement of grounds, concerning the consolidated financial statements of the PKO Bank Polski S.A. Group as at and for the year ended 31 December 2018, the financial statements of PKO Bank Polski S.A. as at and for the year ended 31 December 2018 and the PKO Bank Polski S.A. Group

Directors' Report for 2018, prepared together with the PKO Bank Polski S.A. Directors' Report, in terms of their consistency with the books, documents and the facts.

19. Resolution No. 19/2019 of the Supervisory Board dated 28 February 2019 on the Supervisory Board's statement concerning the Audit Committee of the Supervisory Board of PKO Bank Polski S.A.
20. Resolution No. 20/2019 of the Supervisory Board dated 28 February 2019 on the supervision over the implementation of the recommendation of the Polish Financial Supervision Authority.
21. Resolution No. 21/2019 of the Supervisory Board dated 28 February 2019 on the policy for selecting the audit firm to conduct the audit of the financial statements of PKO Bank Polski SA and the PKO Bank Polski SA Group
22. Resolution No. 22/2019 of the Supervisory Board dated 28 February 2019 on the procedure for selecting the audit firm to conduct the audit of the financial statements of PKO Bank Polski SA and the PKO Bank Polski SA Group
23. Resolution No. 23/2019 of the Supervisory Board dated 28 February 2019 on the rules of procedure as regards the process of disclosure and exchange of data and information between the Polish Financial Supervision Authority, an audit firm, the key registered auditor and PKO Bank Polski S.A.
24. Resolution No. 24/2019 of the Supervisory Board dated 28 February 2019 on the principles for ensuring compliance and managing compliance risk and procedural risk at PKO Bank Polski SA
25. Resolution No. 25/2019 of the Supervisory Board dated 28 February 2019 on MbO goals and their values and weights for the Management Board Members for 2019
26. Resolution No.26/2019 of the Supervisory Board dated 25 March 2019 on selling rights to real estate
27. Resolution No. 27/2019 of the Supervisory Board dated 25 March 2019 on selling rights to real estate
28. Resolution No. 28/2019 of the Supervisory Board dated 25 March 2019 on selling rights to real estate
29. Resolution No. 29/2019 of the Supervisory Board dated 28 March 2019 on giving consent for the marketing service framework agreement to be concluded by the Bank and for concluding marketing service agreements on its basis with a value exceeding PLN 500,000 net per annum
30. Resolution No. 30/2019 of the Supervisory Board dated 28 March 2019 on giving the consent for the Bank to make amendments to public relations service framework agreement
31. Resolution No. 31/2019 of the Supervisory Board dated 28 March 2019 on giving the consent for the Bank to make amendments to marketing service agreement
32. Resolution No. 32/2019 of the Supervisory Board dated 4 April 2019 on excusing the absence of the Supervisory Board Member at the Supervisory Board's meeting
33. Resolution No. 33/2019 of the Supervisory Board dated 4 April 2019 on excusing the absence of the Supervisory Board Member at the Supervisory Board's meeting
34. Resolution No. 34/2019 of the Supervisory Board dated 4 April 2019 on assessing the achievement of the MbO goals by the Bank's Management Board Members in 2018
35. Resolution No. 35/2019 of the Supervisory Board dated 4 April 2019 on the approval of the variable remuneration for 2018 for the Director of the Internal Audit Department
36. Resolution No. 36/2019 of the Supervisory Board dated 4 April 2019 on the distribution of profit of PKO Bank Polski SA generated in 2018 and coverage of losses from previous years



37. Resolution No. 37/2019 of the Supervisory Board dated 4 April 2019 on adoption of the report "Evaluation of the remuneration policy at PKO Bank Polski S.A. in 2018."
38. Resolution No. 38/2019 of the Supervisory Board dated 4 April 2019 on evaluating policy regarding sponsorship and charity activities or a similar policy carried out by the Bank in 2018
39. Resolution No. 39/2019 of the Supervisory Board dated 4 April 2019 on evaluating the application of "Corporate governance principles for supervised institutions" at PKO Bank Polski S.A.
40. Resolution No. 40/2019 of the Supervisory Board dated 4 April 2019 on evaluating compliance of the Bank with the disclosure requirements concerning the application of corporate governance principles
41. Resolution No. 41/2019 of the Supervisory Board dated 4 April 2019 on the report of the Supervisory Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna for 2018
42. Resolution No. 42/2019 of the Supervisory Board dated 4 April 2019 on draft resolutions of the Annual General Meeting of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna
43. Resolution No. 43/2019 of the Supervisory Board dated 4 April 2019 on giving consent to opening a branch of PKO Bank Polski S.A. in the Slovak Republic and to PKO Bank Polski S.A. carrying out cross-border activities in the Slovak Republic
44. Resolution No. 44/2019 of the Supervisory Board dated 4 April 2019 on giving consent to the conclusion of an agreement on legal advice services and accounting, tax and reporting advice services by the Bank
45. Resolution No. 45/2019 of the Supervisory Board dated 26 April 2019 on the Recovery Plan of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna
46. Resolution No. 46/2019 of the Supervisory Board dated 26 April 2019 on the Recovery Plan of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group
47. Resolution No. 47/2019 of the Supervisory Board dated 6 May 2019 on giving consent for amending the marketing service framework agreement by the Bank and concluding marketing service agreements as part of this framework agreement with a value exceeding PLN 500,000 net per annum
48. Resolution No. 48/2019 of the Supervisory Board dated 7 May 2019 on selling rights to real estate
49. Resolution No. 49/2019 of the Supervisory Board dated 7 May 2019 on selling rights to real estate
50. Resolution No. 50/2019 of the Supervisory Board dated 7 May 2019 on selling rights to real estate
51. Resolution No. 51/2019 of the Supervisory Board dated 14 May 2019 on excusing the absence of the Supervisory Board Member at the Supervisory Board's meeting
52. Resolution No. 52/2019 of the Supervisory Board dated 14 May 2019 on selling rights to real estate
53. Resolution No. 53/2019 of the Supervisory Board dated 14 May 2019 on selling rights to real estate
54. Resolution No. 54/2019 dated the Supervisory Board dated 27 June 2019 on the appointment of a member of the Strategy Committee of the Supervisory Board.
55. Resolution No. 55/2019 of the Supervisory Board dated 27 June 2019 on the appointment of a member of the Audit Committee of the Supervisory Board.
56. Resolution No. 56/2019 of the Supervisory Board dated 27 June 2019 on approval of the amendments to Organizational Rules of Procedure of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna
57. Resolution No. 57/2019 of the Supervisory Board dated 27 June 2019 on approving the payment of variable salary components to members of the Bank's Management Board for the years 2015-2018 to

be made in 2019 and in January 2020, and determining that there are reasons for limiting the amount of those payments

58. Resolution No. 58/2019 of the Supervisory Board dated 27 June 2019 on giving consent for amending the marketing service framework agreements by the Bank and concluding marketing service agreements as part of this framework agreement with a value exceeding PLN 500,000 net per annum
59. Resolution No. 59/2019 of the Supervisory Board dated 27 June 2019 on giving consent for a marketing service agreement to be concluded by the Bank with a value exceeding PLN 500,000 net per annum
60. Resolution No. 60/2019 of the Supervisory Board dated 27 June 2019 on selling rights to real estate
61. Resolution No. 61/2019 of the Supervisory Board dated 27 June 2019 on selling rights to real estate
62. Resolution No. 62/2019 of the Supervisory Board dated 27 June 2019 on the Risk Management Strategy of PKO Bank Polski S.A. and the PKO Bank Polski S.A. Group
63. Resolution No. 63/2019 of the Supervisory Board dated 27 June 2019 on approval of the principles of managing capital adequacy and equity at PKO Bank Polski SA and the PKO Bank Polski SA Group
64. Resolution No. 64/2019 of the Supervisory Board dated 24 July 2019 on the Recovery Plan of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna
65. Resolution No. 65/2019 of the Supervisory Board dated 24 July 2019 on the Recovery Plan of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group
66. Resolution No. 66/2019 of the Supervisory Board dated 12 August 2019 on excusing the absence of the Supervisory Board Secretary at the Supervisory Board's meeting
67. Resolution No. 67/2019 of the Supervisory Board dated 12 August 2019 on excusing the absence of the Supervisory Board Member at the Supervisory Board's meeting
68. Resolution No. 68/2019 of the Supervisory Board dated 12 August 2019 on the Rules of the Supervisory Board
69. Resolution No. 69/2019 of the Supervisory Board dated 12 August 2019 on the approval of the reports on the individual assessment of the appropriateness of the members of the Bank's Management Board and the collective assessment of the appropriateness of the Bank's Management Board.
70. Resolution No. 70/2019 of the Supervisory Board dated 12 August 2019 on the approval of the Policy on the remuneration of the employees of the Bank and the PKO BP SA Group.
71. Resolution No. 71/2019 of the Supervisory Board dated 12 August 2019 amending the resolution on the approval of the "Rules of employment and remuneration of the members of the Bank's Management Board"
72. Resolution No. 72/2019 of the Supervisory Board dated 12 August 2019 on giving consent to the conclusion of agreements on advisory services for the purpose of implementing a project consisting of the acquisition of the entities referred to in the resolution by the Bank or the entities in the PKO BP S.A. Group and the conclusion of cooperation agreements with the entities referred to in the resolution
73. Resolution No. 73/2019 of the Supervisory Board dated 12 August 2019 on the principles of the information policy at PKO Bank Polski SA concerning capital adequacy and other information subject to publication

74. Resolution No. 74/2019 of the Supervisory Board dated 14 August 2019 on draft resolutions of the Extraordinary General Meeting of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna
75. Resolution No. 75/2019 of the Supervisory Board dated 2 September 2019 on selling rights to real estate
76. Resolution No. 76/2019 of the Supervisory Board dated 26 September 2019 on excusing the absence of the Supervisory Board Member at the Supervisory Board's meeting
77. Resolution No. 77/2019 of the Supervisory Board dated 26 September 2019 on excusing the absence of the Supervisory Board Member at the Supervisory Board's meeting
78. Resolution No. 78/2019 of the Supervisory Board dated 26 September 2019 on giving consent for concluding by the Bank the public relations and social communication framework service agreement and concluding public relations and social communication service agreements on its basis with a value exceeding PLN 500,000 net per annum
79. Resolution No. 79/2019 of the Supervisory Board dated 26 September 2019 on granting consent for marketing service agreements to be concluded by the Bank with a value exceeding PLN 500,000 net per annum
80. Resolution No. 80/2019 of the Supervisory Board dated 26 September 2019 on selling rights to real estate
81. Resolution No. 81/2019 of the Supervisory Board dated 26 September 2019 on selling rights to real estate
82. Resolution No. 82/2019 of the Supervisory Board dated 26 September 2019 on determining the consolidated text of the Articles of Association of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna
83. Resolution No. 83/2019 of the Supervisory Board dated 17 October 2019 on selling rights to real estate
84. Resolution No. 84/2019 of the Supervisory Board dated 22 October 2019 on the appointment of a member of the Strategy Committee of the Supervisory Board.
85. Resolution No. 85/2019 of the Supervisory Board dated 22 October 2019 on the appointment of a member of the Audit Committee of the Supervisory Board.
86. Resolution No. 86/2019 of the Supervisory Board dated 22 October 2019 on giving consent to the conclusion of agreements on advisory services for the purpose of implementing a project consisting of the acquisition of the shares or assets of the entity referred to in the resolution by the Bank and the conclusion of cooperation agreements by and between the Bank or the entities in the PKO Bank Polski S.A. Group and the entities referred to in the resolution, in order to implement the acquisition of the shares or assets of the entity referred to in the resolution.
87. Resolution No. 87/2019 of the Supervisory Board dated 22 October 2019 on giving consent for concluding by the Bank the public relations and social communication service agreement with a value exceeding PLN 500,000 net per annum
88. Resolution No. 88/2019 of the Supervisory Board dated 5 November 2019 on excusing the absence of the Supervisory Board Member at the Supervisory Board's meeting
89. Resolution No. 89/2019 of the Supervisory Board dated 5 November 2019 on approving the "Audit Chart"

90. Resolution No. 90/2019 of the Supervisory Board dated 5 November 2019 on the approval of the “Strategic plan for internal audits for 2020-2022”.
91. Resolution No. 91/2019 of the Supervisory Board dated 5 November 2019 on the approval of the “Plan for internal audits for 2020”.
92. Resolution No. 92/2019 of the Supervisory Board dated 5 November 2019 on the Rules of Procedure of the Audit Committee
93. Resolution No. 93/2019 of the Supervisory Board dated 5 November 2019 on evaluating whether the Supervisory Board member meets the independence criteria
94. Resolution No. 94/2019 of the Supervisory Board dated 5 November 2019 on evaluating whether the Supervisory Board member meets the independence criteria
95. Resolution No. 95/2019 of the Supervisory Board dated 5 November 2019 on evaluating whether the Supervisory Board member meets the independence criteria
96. Resolution No. 96/2019 of the Supervisory Board dated 5 November 2019 on evaluating whether the Supervisory Board member meets the independence criteria
97. Resolution No. 97/2019 of the Supervisory Board dated 5 November 2019 on evaluating whether the Supervisory Board member meets the independence criteria
98. Resolution No. 98/2019 of the Supervisory Board dated 5 November 2019 on evaluating whether the Supervisory Board member meets the independence criteria
99. Resolution No. 99/2019 of the Supervisory Board dated 5 November 2019 on evaluating whether the Supervisory Board member meets the independence criteria
100. Resolution No. 100/2019 of the Supervisory Board dated 5 November 2019 on evaluating whether the Supervisory Board member meets the independence criteria
101. Resolution No. 101/2019 of the Supervisory Board dated 5 November 2019 on evaluating whether the Supervisory Board member meets the independence criteria
102. Resolution No. 102/2019 of the Supervisory Board dated 5 November 2019 on evaluating whether the Supervisory Board member meets the independence criteria
103. Resolution No. 103/2019 of the Supervisory Board dated 5 November 2019 on evaluating whether the Supervisory Board member meets the independence criteria
104. Resolution No. 104/2019 of the Supervisory Board dated 5 November 2019 on selling rights to real estate
105. Resolution No. 105/2019 of the Supervisory Board dated 5 November 2019 on selling rights to real estate
106. Resolution No. 106/2019 of the Supervisory Board dated 5 November 2019 on selling rights to real estate
107. Resolution No. 107/2019 of the Supervisory Board dated 5 November 2019 amending Resolution no. 73/2016 of the Supervisory Board on the establishment of the Strategy Committee (as amended).
108. Resolution No. 108/2019 of the Supervisory Board dated 17 November 2019 on the approval of the strategy of PKO Bank Polski SA for 2020-2022.

109. Resolution No. 109/2019 of the Supervisory Board dated 29 November 2019 on giving consent for the marketing service framework agreement to be concluded by the Bank and for concluding marketing service agreements on its basis with a value exceeding PLN 500,000 net per annum
110. Resolution No. 110/2019 of the Supervisory Board dated 29 November 2019 on giving consent for the marketing service framework agreement to be concluded by the Bank and for concluding marketing service agreements on its basis with a value exceeding PLN 500,000 net per annum
111. Resolution No. 111/2019 of the Supervisory Board dated 29 November 2019 on giving consent for the marketing service framework agreement to be concluded by the Bank and for concluding marketing service agreements on its basis with a value exceeding PLN 500,000 net per annum
112. Resolution No. 112/2019 of the Supervisory Board dated 29 November 2019 on giving consent for the marketing service framework agreement to be concluded by the Bank and for concluding marketing service agreements on its basis with a value exceeding PLN 500,000 net per annum
113. Resolution No. 113/2019 of the Supervisory Board dated 30 November 2019 on giving consent to amending the terms and conditions of opening a branch of PKO Bank Polski SA in the Slovak Republic.
114. Resolution No. 114/2019 of the Supervisory Board dated 12 December 2019 on excusing the absence of the Supervisory Board Member at the Supervisory Board's meeting
115. Resolution No. 115/2019 of the Supervisory Board dated 12 December 2019 on excusing the absence of the Supervisory Board Member at the Supervisory Board's meeting
116. Resolution No. 116/2019 of the Supervisory Board dated 12 December 2019 on excusing the absence of the Supervisory Board Member at the Supervisory Board's meeting
117. Resolution No. 117/2019 of the Supervisory Board dated 12 December 2019 on selling rights to real estate
118. Resolution No. 118/2019 of the Supervisory Board dated 12 December 2019 on selling rights to real estate
119. Resolution No. 119/2019 of the Supervisory Board dated 12 December 2019 on selling rights to real estate
120. Resolution no. 120/2019 of the Supervisory Board of 12 December 2019 on the Bank's internal regulations concerning an audit firm.
121. Resolution No. 121/2019 of the Supervisory Board dated 12 December 2019 on the approval of Risk Management Strategy of PKO Bank Polski SA and the PKO Bank Polski SA Group
122. Resolution No. 122/2019 of the Supervisory Board dated 12 December 2019 on the approval of the principles of managing capital adequacy and equity at PKO Bank Polski SA and the PKO Bank Polski SA Group
123. Resolution No. 123/2019 of the Supervisory Board dated 12 December 2019 the resolution on the principles for ensuring compliance and managing compliance risk and procedural risk at PKO Bank Polski SA
124. Resolution No. 124/2019 of the Supervisory Board dated 12 December 2019 on the Rules of Procedure of the Risk Committee

125. Resolution No. 125/2019 of the Supervisory Board dated 12 December 2019 on approval of the Operational plan of the Compliance Department for the year 2019
126. Resolution No. 126/2019 of the Supervisory Board dated 12 December 2019 on giving consent for a consulting and advisory service agreement to be concluded



Bank Polski

REPORT  
ON THE ACTIVITIES OF  
THE APPOINTMENTS AND REMUNERATION  
COMMITTEE IN 2019

#### 1. Legal basis:

- On 24 August 2018, the Supervisory Board of PKO Bank Polski S.A. passed a resolution amending the resolution on establishing the Remuneration Committee by means of which it transformed the then functioning Remuneration Committee into the Appointments and Remuneration Committee (the "Committee"). The change was aimed at aligning the name and activities of the committee with Article 9cd of the Banking Law (based on which important banks are required to establish an appointments committee) and the Regulation of the Minister of Finance of 7 May 2018 on the detailed scope of tasks of an appointments committee in important banks (Dz.U.2018.883).
- The Remuneration Committee, which operated up until 23 August 2018, was established by Resolution No. 52/2011 of the Supervisory Board of PKO Bank Polski S.A. of 2 November 2011 (as amended) to support the Supervisory Board in performing its statutory duties and tasks arising from the generally applicable laws and the recommendations of supervisory authorities, in particular the Polish Financial Supervision Authority and the European Banking Authority.
- The Committee operates in accordance with the Regulations of the Appointments and Remuneration Committee, which specify the aims of the operations, organization, principles of functioning and tasks of the Committee. The Report was prepared on the basis of § 3(6) of the Regulations of the Appointments and Remuneration Committee, which constitute an appendix to Resolution No. 68/2018 of the Supervisory Board of PKO Bank Polski S.A. of 23 August 2018.

#### 2. In 2019, the Committee comprised:

As at 31 December 2019, the following persons were on the Committee:

Name and surname	Function
Piotr Sadownik	Chairman of the Committee
Grażyna Ciużyńska	Vice-Chair of the Committee
Wojciech Jasiński	Member of the Committee
Elżbieta Mączyńska-Ziemacka	Member of the Committee

On 6 May 2019, Mr. Janusz Ostaszewski was dismissed from the Supervisory Board of PKO Bank Polski S.A. As from that date, he also ceased to be a Member of the Appointments and Remuneration Committee.

#### 3. Number of meetings of the Committee in 2019:

In 2019, the Committee held five meetings on the following dates: 24 January, 28 February, 4 April, 27 June and 12 August. The number of Members of the Committee participating in the meetings ensured the proper conduct of all the meetings of the Committee.

#### 4. Topics of the Committee's work

As a result of the analyses performed, the Committee gave a positive opinion on and presented the Supervisory Board of PKO Bank Polski S.A. with:

- 1) proposed MbO goals and their values and weights for the members of the Bank's Management Board for 2019;
- 2) accounting for the achievement of the MbO goals for 2018 for the members of the Bank's Management Board;
- 3) variable remuneration for 2018 for the Director of the Internal Audit Department and for the Director of the Compliance Department;
- 4) variable remuneration for 2018 for persons holding positions with a material effect on the Bank's risk profile – the Bank's Material Risk Takers specified in the resolution on this matter.



Moreover, the Committee, among other things:

1. accepted a draft report titled "Assessment of the remuneration policy of PKO Bank Polski in 2018" and recommended that the Supervisory Board of PKO Bank Polski S.A. give a positive opinion on that report in order to submit it to the Annual General Meeting;
2. as a result of the individual assessment of appropriateness of the members of the Bank's Management Board and the collective assessment of appropriateness of the Bank's Management Board, it accepted reports on the individual assessment of appropriateness of the members of the Bank's Management Board and on the collective assessment of appropriateness of the Bank's Management Board, confirming the appropriateness of all the members of the Bank's Management Board and the appropriateness of the Bank's Management Board in its entirety. The Committee recommended that the Supervisory Board of PKO Bank Polski S.A. approve the above reports;
3. recommended that the Supervisory Board of PKO Bank Polski S.A. approve the Policy of remunerating the employees of the Bank and the PKO Bank Polski S.A. Group;
4. recommended that the Supervisory Board of PKO Bank Polski S.A. approve the amendments to the "Rules of employment and remuneration of the members of the Bank's Management Board";
5. recommended that the Supervisory Board of PKO Bank Polski S.A. determine the amount of the fixed remuneration of the members of the Bank's Management Board.

In 2019, the Committee also:

- gave a positive opinion on the payment of the variable remuneration components for 2015–2018 in the total amount specified in the resolution on this matter to the members of the Bank's Management Board in 2019 and January 2020;
- did not find any negative justification for:
  1. decreasing the amounts of the variable remuneration components for 2018;
  2. reducing the amount of the deferred variable remuneration for 2015–2018;
  3. reducing the amount of funds for the payment of variable remuneration components to the members of the Bank's Management Board.
- stated that the requirements for the payment of variable remuneration set out in the regulations on this matter had been met;
- recommended that the Supervisory Board of PKO Bank Polski S.A. decide on the payment of the variable remuneration components for 2018 to the members of the Bank's Management Board and the payment of deferred instalments of the variable remuneration components for 2015–2017 to them, without reducing the amount of such payment;
- accepted the List of positions of Material Risk Takers.

#### 5. Assessment of the effectiveness of the Committee's work

- On 23 January 2020, the Appointments and Remuneration Committee assessed the effectiveness of the Committee's work in 2019.
- In 2019, the Appointments and Remuneration Committee performed its statutory tasks while, at the same time, striving to constantly improve its work in this regard. All the Members of the Appointments and Remuneration Committee participated actively in its meetings, and the discussions held took into account the assessment of the Bank's current position, market changes, good practices and standards in order to effectively assess and improve the performance of the statutory tasks.

The cooperation of the Appointments and Remuneration Committee with the Management Board was good; the Committee responded to the information it received in a constructive manner so as to ensure the transparency and correctness of the communication process.

Warsaw, 11.02.2020



Bank Polski

# REPORT ON THE OPERATIONS OF THE RISK COMMITTEE IN 2019

1. Legal basis:

- The Risk Committee of the Supervisory Board, hereinafter called the “Risk Committee” was appointed by Resolution No. 35/2015 of 4 November 2015;
- The Report on the Operations of the Risk Committee has been prepared based on § 3 clause 3 of the Rules of Procedure of the Risk Committee constituting an appendix to the Resolution of the Supervisory Board No. 124/2019 dated 12 December 2019 concerning the Rules of Procedure of the Risk Committee.

2. Composition of the Risk Committee in 2019.

Composition of the Risk Committee as at 31/12/2019

Name and surname	Function
Andrzej Kisielewicz	Chairman of the Risk Committee
Grażyna Ciurzyńska	Vice-Chair of the Risk Committee
Mariusz Andrzejewski	Member of the Risk Committee
Adam Budnikowski	Member of the Risk Committee
Elżbieta Mączyńska-Ziemacka	Member of the Risk Committee

Changes in the composition of the Risk Committee in 2019

In 2019 there were no changes in the composition of the Risk Committee.

3. Information about meetings of the Risk Committee in 2019:

In 2019, the Risk Committee, as part of its regulatory duties, held six meetings (on 28 February, 4 April, 27 June, 12 August, 26 September and 12 December). The number of members of the Risk Committee participating in its meetings in 2019 enabled all the meetings of the Risk Committee in 2019 to be held correctly.

The following persons were invited to and participated in meetings of the Risk Committee: Members of the Bank’s Management Board and the following Directors: of the Banking Risk Function, Internal Audit Department and Compliance Department.

4. The tasks of the Risk Committee:

In 2019 the Risk Committee’s most significant tasks comprised:

4.1 Expressing opinions on the Bank’s total, current and future risk appetite, in consideration of the risk profile of the Bank’s Group, and on the risk management strategy in the Bank’s operations passed and adopted by the Management Board, as well as information on the pursuit of this strategy submitted by the Management Board and other periodic reports on risk management and capital adequacy, including:

1. analysing, providing opinions on and approving periodic reports on risk management, including those relating to credit risk, financial risk, operational risk and business risk, as well as the risk of macroeconomic changes;
2. analysing, providing opinions on and approving periodic reports on compliance, conduct and reputational risk;
3. analysing, providing opinions on and approving periodic reports on capital adequacy;
4. monitoring the level of model risk, including analysing, providing opinions on and approving the annual report on model risk.

- 4.2 Supporting the Supervisory Board in overseeing the implementation of the Bank's operational risk management strategy and on-going monitoring of the risk management strategy implementation, as well as on-going monitoring of the risk management system.
- 4.3 Providing opinions on the principles of compliance and compliance risk and conduct risk management in PKO Bank Polski S.A.
- 4.4 Providing opinions on capital adequacy and equity management in PKO Bank Polski SA and in the PKO Bank Polski SA Group, and providing opinions on the principles of PKO Bank Polski S.A.'s information policy concerning capital adequacy and other information subject to publication.
- 4.5 Providing opinions on solutions for mitigating operational risk with the use of the Bank's property insurance and civil liability insurance of members of the Bank's authorities and proxies.
- 4.4 Reviewing the remuneration policy for the employees of the Bank and of the Bank's Group and approving the report entitled: "Assessment of the remuneration policy in PKO Bank Polski S.A.", and recommendations to the Supervisory Board concerning the assessment of this report.
- 4.5. Reviewing the Rules of Procedure of the Risk Committee.
- 4.6 Analysing and approving the List of Material Risk Takers.

## 5. Description of the Risk Committee's work.

- 5.1. Expressing opinions on the Bank's total, current and future risk appetite, in consideration of the risk profile of the Bank's Group, and on the risk management strategy in the Bank's operations passed and adopted by the Management Board, as well as information on the pursuit of this strategy submitted by the Management Board and other periodic reports on risk management and capital adequacy. Supporting the Supervisory Board in overseeing the implementation of the Bank's operational risk management strategy and on-going monitoring of the risk management strategy implementation, as well as on-going monitoring of the risk management system.

In its pursuit of the tasks mentioned above, the Risk Committee, on a quarterly basis, analysed, provided opinions and adopted reports on credit risk, financial risk, operational and business risk, as well as the risk of macroeconomic changes, which were then subject to discussion at the Supervisory Board meetings.

The Risk Committee monitored the risk level on an on-going basis, based on the information included in the monthly reports prepared for the needs of the Risk Committee by the Banking Risk Function.

Additionally, the Risk Committee, on a quarterly basis, analysed, provided opinions and approved reports on compliance and conduct risks, and bi-annually analysed, provided opinions and approved reports on reputational risk, which were then subject to discussion by the Supervisory Board.

As part of the on-going monitoring of the effectiveness of the Bank's risk management system, the Risk Committee met with the Director of the Banking Risk Function on 12 December 2019 (without the participation of the members of the Management Board).

Additionally, the Risk Committee, after analysing the scope of the changes introduced, recommended that the Supervisory Board adopt:

- 1) on 27 June 2019, the Risk management strategy in PKO Bank Polski SA and in the PKO Bank Polski SA Group, taking into consideration the following changes: amendments to the strategic tolerance limits (based on the review of these limits), clarifying the principles contained in the Strategy for conducting stress tests in respect of liquidity risk to adapt them to the EBA guidance on interest rate risk management in the bank portfolio;
- 2) on 12 December 2019, the Risk management strategy in PKO Bank Polski SA and PKO Bank Polski SA Group, taking into consideration in particular changes relating to introducing new strategic tolerance limits and changes in the existing limits, definitions and names of the individual risks, principles for conducting stress tests with respect to concentration risk, updating the organizational structure of risk management at the Bank and the duties of the Bank's units and committees in the process of risk management.

- 5.2 Providing opinions on the principles of ensuring compliance and compliance risk and conduct risk management in PKO Bank Polski S.A.

The Risk Committee, after analysing the scope of the changes introduced, recommended that the Supervisory Board adopt:

- 1) on 28 February 2019, the principles for ensuring compliance and compliance risk and conduct risk management in PKO Bank Polski SA, taking into consideration changes related to adapting the provisions concerning the adoption and communication of incentives and organizational changes by the Bank;
- 2) on 12 December 2019, changes in the principles for ensuring compliance and compliance risk and conduct risk management in PKO Bank Polski SA, taking into consideration, among others, changes relating to: the scope of the information provided by the Bank's Group companies in connection with compliance risk management, issues related to documenting the tasks performed by the Compliance Department in connection with compliance risk control and management.

#### 5.3 Monitoring the level of model risk in PKO Bank Polski SA.

The Risk Committee analysed, provided its opinion and adopted the annual report relating to the model risk in PKO Bank Polski SA as at the end of 2018, which was then the subject matter of the Supervisory Board's meeting.

#### 5.4 Providing opinions on the principles of capital adequacy and equity management in PKO Bank Polski S.A. and the PKO Bank Polski S.A. Group, and analysing and providing opinions on periodic reports on capital adequacy.

The Risk Committee, after performing analyses, recommended that the Supervisory Board adopt:

1. on 27 June 2019, "The principles for capital adequacy and equity management in PKO Bank Polski S.A. and the PKO Bank Polski S.A. Group", taking into consideration, among other things, changes relating to: equity protection plan, equity risk levels and reporting requirements with respect to these levels;
2. on 12 December 2019, "The principles for capital adequacy and equity management in PKO Bank Polski S.A. and the PKO Bank Polski S.A. Group", taking into consideration, among other things, changes relating to: elements of risk materiality assessment, the catalogue of material risks at the Bank, the method of determining an additional internal capital charge with respect to credit risk in connection with the risk related to foreign currency mortgage loans to households, methods of estimating internal capital for the Bank's credit risk with respect to entities other than financial institutions, countries and central banks, updating the list of emergency measures relating to equity and their owners, the scope of the report entitled "Capital adequacy in PKO Bank Polski S.A." and the deadline for conducting a review of the process of estimating internal capital and equity management.

On a quarterly basis, the Risk Committee analysed, provided opinions and approved reports on capital adequacy, which were then discussed by the Supervisory Board.

After performing an analysis, on 12 August 2019, the Risk Committee recommended to the Supervisory Board adopting the Principles of information policy of PKO Bank Polski SA in respect of capital adequacy and other information subject to publication, taking into consideration in particular changes relating to: updating the information on the frequency and scope of the information published on an interim basis in accordance with the requirements set in the guidance of the European Banking Authority, clarifying the information concerning the commonly binding provisions of the law and guidance of the EBA on the scope of the required disclosures, taking into account the impact of IFRS 9 on capital adequacy.

#### 5.5 Providing opinions on solutions for mitigating operational risk with the use of the Bank's property insurance and civil liability insurance of members of the Bank's authorities and proxies.

As part of the tasks mentioned above, on 12 December 2019, the Risk Committee acquainted itself with the material entitled "The Bank's assessment of the actions taken to offset risks with the use of the Bank's property insurance and civil liability insurance of members of the Bank's authorities and proxies", and assessed and approved these actions based on the material.

#### 5.6 On 4 April 2018, after performing an analysis, the Risk Committee adopted the report entitled "Assessment of the remuneration policy of PKO Bank Polski S.A." and recommended approving this report by the Supervisory Board and submitting it to the General Meeting of PKO Bank Polski S.A.

#### 5.7 As a result of the periodic review of the Rules of Procedure of the Risk Committee, on 12 December 2019 the Risk Committee recommended to the Supervisory Board introducing amendments to the Rules of Procedure of the Risk Committee specified in the resolution on the said recommendations.

5.8. On 12 August 2019 the Risk Committee analysed and approved the list of Material Risk Takers.

5.9. Work plan of the Risk Committee for 2020.

At the meeting held on 12 December 2019, the Risk Committee adopted the Framework Plan for the Risk Committee for 2020.

6. Assessment of the effectiveness of the Risk Committee in 2019

On 23 January 20, the Risk Committee assessed the effectiveness of the Committee in 2019.

The Risk Committee assessed that the members of the Risk Committee have appropriate competencies and experience to effectively perform the functions of the Risk Committee members.

In 2019, all members of the Risk Committee actively participated in the meetings of the Risk Committee and showed high commitment to the correct performance of their duties.

The number and duration of the meetings, and access to resources were sufficient to enable the Risk Committee to fulfil its duties, and the documents prepared for the Committee contained material information and were prepared sufficiently in advance.

In 2019, the Risk Committee performed its statutory tasks and, at the same time, was committed to continuously improving its work in this regard. The discussions held at the Risk Committee's meetings were characterized by a high level of technical knowledge.

The cooperation of the Risk Committee with the Management Board and with other key Bank executives was positive; the Risk Committee responded to the information received in a constructive manner to ensure transparency and correctness of the communication process.

Warsaw, 30 March 2020



Bank Polski

REPORT ON THE ACTIVITIES OF  
THE AUDIT COMMITTEE OF  
THE SUPERVISORY BOARD  
IN 2019

1. Legal basis:

- the Audit Committee of the Supervisory Board, hereinafter called the "Audit Committee", was established by Resolution No. 44/2006 of the Supervisory Board of PKO Bank Polski S.A. of 30 November 2006 (as amended);
- the Report on the activities of the Audit Committee was prepared on the basis of § 3(4) of the Committee's regulations which constitute an appendix to Resolution No. 92/2019 of the Supervisory Board of PKO Bank Polski S.A. of 5 November 2019 on the regulations of the Audit Committee.

2. Composition of the Audit Committee in 2019

Composition of the Audit Committee as at 31.12.2019

Name and surname	Function
Zbigniew Hajłasz	Chairman of the Audit Committee
Grażyna Ciużyńska	Deputy Chair of the Audit Committee
Mariusz Andrzejewski	Member of the Audit Committee
Dariusz Górski	Member of the Audit Committee up until 29 January 2020
Andrzej Kisielewicz	Member of the Audit Committee
Krzysztof Michalski	Member of the Audit Committee
Piotr Sadownik	Member of the Audit Committee

Changes in the composition of the Audit Committee in 2019

On 6 May 2019, Mr. Janusz Ostaszewski was dismissed from the Supervisory Board of PKO Bank Polski S.A. As of that date, he also ceased to be a Member of the Audit Committee.

On 6 May 2019, Mr. Dariusz Górski was appointed to the Supervisory Board of PKO Bank Polski S.A. On 27 June 2019, Mr. Dariusz Górski was appointed Member of the Audit Committee. On 23 January 2020, Mr. Dariusz Górski resigned as Member of the Supervisory Board of PKO Bank Polski S.A. and Member of the Audit Committee, with effect as from the end of 29 January 2020.

On 17 September 2019, Mr. Krzysztof Michalski was appointed to the Supervisory Board of PKO Bank Polski S.A. On 22 October 2019, Mr. Krzysztof Michalski was appointed Member of the Audit Committee.

3. Information about Audit Committee meetings in 2019:

In 2019, as part of its statutory duties, the Audit Committee held nine meetings (on 24 January, 28 February, 4 April, 14 May, 27 June, 12 August, 26 September, 5 November and 12 December). The number of Members of the Audit Committee participating in the individual meetings of the Audit Committee enabled the proper conduct of all the Audit Committee meetings.

The following persons were invited to and attended the meetings of the Audit Committee: the Members of the Bank's Management Board and the Directors of: the Internal Audit Department (IAD) and the Compliance Department (CD).

During its meetings in 2019, the Audit Committee met – without the participation of the members of the Management Board – with the Directors of: the Banking Risk Division, the IAD, the Legal Department and the CD as well as with the audit firm.

The Audit Committee worked on the basis of the Audit Committee Action Plan for 2019.



#### 4. Topics of the Audit Committee's work:

In 2019, the most important topics of the Audit Committee's work were issues related to monitoring:

- 1) the financial reporting process;
- 2) the effectiveness of the internal control system, internal audit and the effectiveness of the risk management system;
- 3) the performance of audit activities, controlling and monitoring the independence of the registered auditor and the audit firm auditing the financial statements, as well as cooperation with the audit firm.

The Committee also performed tasks in respect of:

- 1) implementation of Recommendation L of the PFSA at the Bank, including amending the policy and procedure for appointing an audit firm to carry out the audit of the financial statements of PKO Bank Polski S.A. and the PKO Bank Polski S.A. Group and the rules of procedure as regards the process of disclosure and exchange of data and information by and between the PFSA, the audit firm, the key registered auditor and the Bank;
- 2) reviewing the degree of implementation of the post-audit recommendations of the audit firm to the Management Board and prior year recommendations which have not been implemented;
- 3) legal issues of major significance to the Bank, and reviewing the Regulations of the Audit Committee;
- 4) the BION audit and assessment process.

#### 5. Description of the Audit Committee's work

##### 5.1. Monitoring the financial reporting process.

#### 1. Review of the interim and annual financial statements of PKO Bank Polski S.A. and the PKO Bank Polski S.A. Group (separate and consolidated).

As part of the review and analysis of the interim and annual financial statements of the Bank and the Bank's Group (separate and consolidated, respectively), the Audit Committee concentrated on, among other things:

- 1) the results of the independent registered auditor's audit of the financial statements of PKO Bank Polski SA and of the PKO Bank Polski SA Group for 2018 and obtaining confirmation from the independent registered auditor that the separate financial statements of PKO Bank Polski S.A. give a fair and clear view of the Bank's financial position as at 31 December 2018, the financial results of operations and the cash flows for the financial year then ended, in accordance with IFRS EU, and the adopted accounting policies, comply, in all material respects, in terms of form and content with the applicable laws and the Bank's Articles of Association, and have been prepared, in all material respects, on the basis of properly maintained books of account, in accordance with legal regulations. Similar confirmation was obtained for the consolidated financial statements of the PKO Bank Polski S.A. Group as at and for the year ended 31 December 2018;
- 2) the analysis of the above-mentioned financial statements, taking into account: the information, schedules, recommendations, problems and other elements referred to in the Regulations of the Audit Committee as regards the monitoring of the financial reporting process;
- 3) the analysis of the results of operations achieved by PKO Bank Polski S.A. and the PKO Bank Polski S.A. Group in the individual periods, with special emphasis on the most important events which had an impact on the functioning and financial results of the Bank's Group and benchmarking the Bank's results against the results of its peers, and analysing the amounts of the individual income statement items and respective changes.

The Audit Committee, after reading the following:

- the financial statements of PKO Bank Polski S.A. as at and for the year ended 31 December 2018 and the consolidated financial statements of the PKO Bank Polski S.A. Group as at and for the year ended 31 December 2018;
- the independent registered auditor's reports on the above-mentioned financial statements and the additional reports for the Audit Committee prepared by the audit firm (in connection with the audit of the said financial statements) and after discussing them,

and after analysing those reports, and bearing in mind the opinion issued by the audit firm, recommended that the Supervisory Board of PKO Bank Polski S.A. gives a positive opinion on the financial statements of Powszechna Kasa Oszczędności Bank Polski S.A. as at and for the year ended 31 December 2018 and the consolidated financial statements of the Powszechna Kasa Oszczędności Bank Polski S.A. Group as at and for the year ended 31 December 2018, audited by the audit firm, and presented that recommendation to the Supervisory Board of PKO Bank Polski S.A., together with the submitted financial statements referred to above.

After the Audit Committee:

- had read the condensed interim consolidated financial statements of the PKO Bank Polski S.A. Group for the six months ended 30 June 2019 and the condensed interim financial statements of PKO Bank Polski S.A. for the six months ended 30 June 2019, the results of the review of those financial statements by the audit firm, and taking into account the results of the review of those financial statements conducted by the audit firm which confirmed that the review did not reveal anything which would suggest that the condensed interim financial statements as at and for the period ended 30 June 2019 had not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union, approved the said reports.  
Moreover, the Audit Committee approved the PKO Bank Polski S.A. Group Directors' Report for the first half of 2019;
  - had reviewed the reports of the PKO Bank Polski SA Group for Q1 2019 and Q3 of 2019, it approved the Report of the PKO Bank Polski S.A. Group for Q1 2019 and the Report of the PKO Bank Polski S.A. Group for Q3 2019.
2. Review of the degree of implementation of the post-audit recommendations of the audit firm (from prior years, not yet fully implemented) and the prior year recommendations which have not been implemented.
- In analysing the degree of implementation of the said post-audit recommendations, the Audit Committee periodically (on a quarterly basis) focused on monitoring the recommendations which are being implemented.
3. On 4 April 2019, the Audit Committee recommended that the Supervisory Board of PKO Bank Polski S.A. give a positive opinion on the Management Board's proposal concerning the appropriation of PKO Bank Polski SA's profit earned in 2018 and the offset of accumulated losses.

## 5.2. Monitoring the effectiveness of the internal control system, internal audit and the risk management system

On 24 January 2019, the Audit Committee passed a resolution in which it gave a positive opinion on the principles of operations of the internal control system at PKO Bank Polski S.A.

On 28 February 2019, the Audit Committee, having analysed the materials regarding the assessment of the adequacy and effectiveness of the internal control system, including those relating to the control function, the compliance unit and the internal audit unit for 2018, i.e.:

- the Report “Adequacy and effectiveness of the operations of the compliance unit and the control function at PKO Bank Polski S.A., the functioning of the procedures for the anonymous reporting of breaches of law and the ethical procedures and standards”;
- “Annual report on the activities of the IAD, including the IAD's information about the adequacy and effectiveness of the risk management system and the internal control system for 2018” with an additional element concerning the annual assessment of the Bank's risk management system by the IAD;
- having obtained information from the CD and IAD managers that no significant weaknesses had been identified in the operations of the individual elements of the internal control system, the risk management system or the procedures for the anonymous reporting of breaches of law and the assurance that the whistleblowing procedures in place at the Bank are in compliance with the generally applicable laws, issued a positive opinion in this regard for the needs of the Supervisory Board.

Moreover, on 5 November 2019 the Audit Committee:

- held a meeting with the IAD Director (without the participation of the members of the Management Board);
- analysed and approved a Report on the remuneration of the IAD's employees (an analysis relating to 2018);
- having read, as part of the annual review of the regulations concerning the Audit Charter, the draft amendments to those regulations, it passed a resolution in which it gave a positive opinion on the “Audit Charter”, subject to approval by the Supervisory Board of PKO Bank Polski S.A., taking into account changes in both the internal audit policies of PKO Bank Polski S.A. and the principles of operation of the internal audit unit at PKO Bank Polski S.A.;
- passed a resolution in which it gave a positive opinion on the “Strategic plan of internal audits for 2020-2022”;
- it passed a resolution in which it gave a positive opinion on the “Plan of internal audits for 2020”.

On 12 December 2019, the Audit Committee took note of the information “Results of the external assessment of the IAD” to which, in accordance with the requirement of Recommendation H of the PFSA, concerning the internal

control system in banks, the internal audit unit is subject at least once every five years. In accordance with that requirement, in Q4 2019 an external firm carried out an independent assessment of the IAD in terms of compliance with the legal regulations and requirements of Recommendation H of the PFSA and the application of the International Standards for the Professional Practice of Internal Auditing, designed by the Institute of Internal Auditors (the IIA Standards), as a result of which overall compliance of the internal audit function at PKO Bank Polski S.A. with the IIA Standards in all the analysed areas was confirmed. No instances of non-compliance with the legal regulations or the requirements of Recommendation H of the PFSA were identified. Under the model developed by the external firm making the assessment, presenting the scale of maturity of the internal audit practice, the IAD was placed in the highest possible position which can be achieved on the Polish market by an audit unit at a commercial bank.

In addition, the Audit Committee analysed and received information from the IAD on the degree of completion of the internal audit plans and the implementation of the recommendations on a quarterly basis.

As part of the activities related to monitoring the operations of the CD, the Audit Committee:

1. received and analysed the Report prepared by the CD, on compliance risk and conduct risk on a quarterly basis;
2. analysed and approved the Report on the remuneration of the CD's employees (an analysis relating to 2018);
3. held a meeting with the CD Director (without the participation of the members of the Management Board) on 14 May 2019.

As part of the ongoing monitoring of the effectiveness of the Bank's risk management system, on 12 December 2019 the Audit Committee held a meeting with the Director of the Banking Risk Division (without the participation of the members of the Management Board).

### 5.3 Implementation of the PFSA recommendations

The Audit Committee analysed and took note of the information about the degree of implementation of the PFSA recommendations on a quarterly basis.

In addition, the Audit Committee took note of the information concerning the BION audit and assessment process, having read it on 27 June 2019.

### 5.4 Monitoring audit activities, controlling and monitoring the independence of the independent registered auditor and of the audit firm, as well as cooperation with the audit firm

On 28 February 2019, the Audit Committee recommended that the Supervisory Board of PKO Bank Polski S.A. pass a resolution on the statement concerning the audit firm auditing the consolidated financial statements of the PKO Bank Polski S.A. Group as at and for the year ended 31 December 2018 and the financial statements of PKO Bank Polski S.A. as at and for the year ended 31 December 2018 as set out in the appendix to that resolution.

During the presentation relating to the audit of the above-mentioned financial statements, a representative of the audit firm KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp.k. confirmed before the Audit Committee:

- the independence of the audit firm KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp.k., the key registered auditor, partners, senior executives and managers conducting the audit;
- that the audit firm KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp.k. and the audit team members met the conditions for preparing an impartial and independent report on the annual audit of the above-mentioned financial statements in accordance with the applicable laws, auditing standards and the principles of professional ethics;
- that the applicable laws relating to key audit firm rotation and the mandatory cooling-off periods are observed;
- that KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp.k. did not provide any prohibited services in accordance with the applicable laws;
- that, in the audit firm's opinion based on the professional standards, there are no issues affecting the audit firm's independence which would require disclosing.

The Audit Committee:

- on 28 February 2019, held a meeting with the above-mentioned audit firm (without the participation of the Members of the Management Board);
- on 12 December 2019, held a meeting with the above-mentioned audit firm to discuss the audit plan and the approach to the audit of the financial statements for 2019, including potential key audit issues. During the meeting, the representatives of the audit firm discussed: the scope of and the basis for the audit, materiality levels, the areas of special interest during the audit, and the audit timetable, including the key dates.

Moreover, the Audit Committee:

- on 8 August 2019, passed a resolution in which it gave its consent to the provision of services to the entity specified in that resolution by KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp. k.;
- on 12 August 2019, after verifying the services in terms of their relationship with the tax policy and assessing the threats to and safeguards for independence – by way of a resolution, gave its consent to the provision of the services specified in that resolution to the entity referred to in that resolution by KPMG Advisory Spółka z ograniczoną odpowiedzialnością Sp. k.

As part of the implementation of Recommendation L of the PFSA at the Bank, the Audit Committee, having reviewed and analysed the Policy and Procedure mentioned below, by way of resolutions, recommended that:

- the Supervisory Board of PKO Bank Polski S.A. introduce changes to the policy of appointing an audit firm to audit the financial statements of PKO Bank Polski S.A. and the PKO Bank Polski S.A. Group (the Policy) and adopt the Policy as set out in the appendix to that resolution;
- the Supervisory Board of PKO Bank Polski S.A. introduce changes to the procedure of appointing an audit firm to audit the financial statements of PKO Bank Polski S.A. and the PKO Bank Polski S.A. Group (the Procedure) and adopt the Procedure as set out in the appendix to that resolution;
- the Supervisory Board pass a resolution on the rules of procedure as regards the process of disclosure and exchange of data and information by and between the PFSA, the audit firm, the key registered auditor and PKO Bank Polski S.A., as set out in the appendix to that resolution.

Moreover, on 12 December 2019, following another review of the above-mentioned Policy and Procedure, the Audit Committee recommended, by way of appropriate resolutions, that the Supervisory Board of PKO Bank Polski S.A. introduce changes to that Policy and Procedure and to the policy of provision, by the audit firm conducting the audit, the audit firm's related entities and a member of the audit firm's network, of permitted non-audit services to PKO Bank Polski S.A. and the companies in the PKO Bank Polski S.A. Group, hereinafter called the "Service Policy", and that the Service Policy be adopted as set out in Appendix No. 3 to that resolution.

## 5.5 Legal issues of major significance to the Bank

During the meeting of the Audit Committee with the Director of the Legal Department on 12 December 2019 – without the participation of the Members of the Management Board – the Director of that Department reviewed the legal issues of major significance to the Bank.

Moreover, on 5 November 2019 the Audit Committee reviewed the applicable Regulations of the Audit Committee and passed a resolution on recommendations to the Supervisory Board of PKO Bank Polski S.A. in respect of amending the Regulations of the Audit Committee described in that resolution.

## 5.6 Work plan of the Audit Committee for 2020.

At the meeting on 12 December 2019, the Audit Committee adopted a Framework Work Plan for the Audit Committee for 2020.

## 6 Assessment of the effectiveness of the Audit Committee's work in 2019

On 23 January 2020, the Audit Committee assessed the effectiveness of the Committee's work in 2019. The Audit Committee assessed that the members of the Audit Committee have the appropriate competencies and experience to effectively perform the function of an Audit Committee member. Detailed information about this subject is presented in the table below.

	Meets the independence criterion in accordance with the Act on Registered Auditors, Audit Firms and on Public Oversight	Knowledge of and skills in accounting or auditing financial statements		Has a knowledge of and skills in banking*
		Meets the criterion	Manner of acquisition	
Zbigniew Hajłasz	yes	yes	Has an MPhil in Economics.	yes
Grażyna Ciużyńska	yes	no	-	yes
Mariusz Andrzejewski	yes	yes	Has a postdoctoral degree in economics and is a qualified registered auditor.	yes
Dariusz Górski	yes	yes	Financial analyst. Has completed many training courses, including a course for investment advisors and a course in corporate finance (scholarship at Erasmus University, Rotterdam).	yes
Andrzej Kisielewicz	yes	no	-	no
Krzysztof Michalski	yes	no	-	no
Piotr Sadownik	yes	no	-	no

\* The knowledge and skills are the result of, among other things, the educational background, professional experience and the performance of functions.

In 2019, all members of the Audit Committee actively participated in the Audit Committee's meetings and showed high commitment to the correct performance of their duties.

The number and duration of the meetings, as well as access to the resources were sufficient to enable the Audit Committee to discharge its duties in full, and the documents prepared for the Committee included significant information and were prepared for the meetings well in advance.

In 2019, the Audit Committee performed its statutory tasks while, at the same time, striving to constantly improve its work in this regard. The discussions held at the meetings of the Audit Committee were highly technical.

The cooperation of the Audit Committee with the Management Board, the IAD, the CD, the Legal Department, the Banking Risk Division and other key persons at the Bank, as well as the audit firm, was good. The Audit Committee responded to the information it received in a constructive manner so as to ensure the transparency and correctness of the communication process. The Audit Committee found the independence of the audit process satisfactory as a result of monitoring the process and based on an analysis of the information and materials received from the Bank and from the audit firm.

Based on the analysis of the periodic reports and documents received as well as other sources of information, including the oral replies of the members of the Management Board and other persons participating in the Committee's meetings (among others, the audit firm, the managers of the IAD, CD and Banking Risk Division), the Audit Committee regularly monitored the areas and processes subject to its supervision and assessed them on a current and periodic basis, including: the financial reporting process and the information to be disclosed, the adequacy and effectiveness of the internal control system, including its elements, as well as conducting audit activities and the independence of the registered auditor and the audit firm, and the activities undertaken and their results in the above-mentioned respect. The assessment of the risk of the areas and processes subject to the Audit Committee's supervision, reflected, among other things, in the resolutions passed and the documents approved by the Committee as well as the information provided by the Audit Committee to the Supervisory Board of PKO Bank Polski S.A. was sufficiently satisfactory or positive and did not result in the need to take any additional measures.

Warsaw, 11.02.2020



Bank Polski

REPORT  
ON THE OPERATIONS OF THE STRATEGY  
COMMITTEE  
for 2019

1. Legal basis:

- The Strategy Committee was appointed by Resolution of the Supervisory Board No. 73/2016 of 25 August 2016.
- This Report has been prepared based on § 3 clause 3 of the Rules of Procedure of the Strategy Committee constituting an appendix to the Resolution of the Supervisory Board No. 73/2016 dated 25 August 2016 concerning the appointment of the Strategy Committee (as amended).

2. Composition of the Strategy Committee as at 31/12/2019

Name and surname	Function
Grażyna Ciużyńska	Chair of the Strategy Committee
Zbigniew Hajłasz	Vice-Chairman of the Strategy Committee
Mirosław Barszcz	Member of the Strategy Committee
Adam Budnikowski	Member of the Strategy Committee
Dariusz Górski	Member of the Strategy Committee until 29 January 2020
Elżbieta Mączyńska-Ziemacka	Member of the Strategy Committee
Krzysztof Michalski	Member of the Strategy Committee
Piotr Sadownik	Member of the Strategy Committee

3. Changes in the composition of the Strategy Committee in 2019

On 6 May 2019, Mr Janusz Ostaszewski was dismissed from the Supervisory Board of PKO Bank Polski S.A., and he also ceased performing the function of Strategy Committee member on the same date.

On 6 May 2019, Mr Dariusz Górski was appointed member of the Supervisory Board of PKO Bank Polski S.A.

On 27 June 2019, Mr Dariusz Górski was appointed member of the Strategy Committee.

On 23 January 2020, Mr Dariusz Górski resigned as member of the Supervisory Board of PKO Bank Polski S.A. and member of the Strategy Committee as of 29 January 2020 (EOB).

On 17 September 2019, Mr Krzysztof Michalski was appointed member of the Supervisory Board of PKO Bank Polski S.A. On 22 October 2019, Mr Krzysztof Michalski was appointed member of the Strategy Committee.

4. Number of meetings of the Committee in 2019:

In 2019, as part of fulfilling its statutory duties, the Strategy Committee held seven meetings on the following dates: 24 January, 4 April, 27 June, 12 August, 26 September, 22 October and 5 November 2019. The number of members of the Strategy Committee participating in the individual meetings of the Strategy Committee in 2019 warranted the proper course of all the meetings of the Strategy Committee in 2019.

5. Topics addressed by the Committee:

The most important issues which the Strategy Committee worked on in 2019 were those connected with updating the Strategy of PKO Bank Polski S.A. for the years 2020-2022. Three strategic workshops were held during the Strategy Committee's meetings on the following dates: 12 August, 26 September and 22 October 2019.

During those workshops the Strategy Committee:

1. became acquainted with the diagnosis of the market environment, macroeconomic forecasts and key market trends, and addressed the issue of the shape and contents of the Strategy of PKO Bank Polski S.A. for the years 2020-2022. This strategy will be realized in the period of advanced digitization of financial services, entry of new technologies, process automation and the growing number of regulations;

2. discussed the financial projection until 2022, the regulatory risks in the areas of consumer protection, risk management, finance, taxes and IT, and became acquainted with a draft list of the Bank's priority initiatives;
3. heard and discussed presentations on the key initiatives to be executed as part of the PKO Bank Przyszłości Strategy for 2020-2022 and read and discussed the updated PKO Bank Polski S.A. Strategy for 2020-2022 in its three main areas: competitive position of PKO Bank Polski S.A., market trends and challenges for PKO Bank Polski S.A. and vision and strategic goals for 2020-2022.

The Strategy Committee:

1. on 5 November 2019, adopted the communication "PKO Bank Przyszłości. We Support the Development of Poland and Poles". Updating the PKO Bank Polski S.A. Strategy for 2020-2022 after discussing the changes made to the document, the implementation schedule and the publication of the updated strategy "PKO Bank Przyszłości. We Support the Development of Poland and Poles";
2. on 14 November 2019, provided a positive opinion on PKO Bank Polski S.A. Strategy for 2020-2022.

Moreover, in 2019 the tasks addressed by the Strategy Committee included supporting the Supervisory Board in overseeing the implementation of PKO Bank Polski S.A. Strategy for 2016-2020 "We Support the Development of Poland and Poles", in particular by analysing the level of execution of the strategic goals contained in the cyclical Reports on the execution of PKO Bank Polski S.A. Strategy.

The Strategy Committee analysed and approved the Report on the execution of PKO Bank Polski S.A. Strategy for 2016-2020 as of: 30 September 2018, 31 December 2018 and 31 March 2019. Moreover, on 24 January 2019, the Strategy Committee read and approved the material concerning Updating the strategic initiatives for 2019. The Committee analysed the competitive position of PKO Bank Polski S.A. and changes in the market environment on an on-going basis, especially with a view to risks affecting the Strategy.

As a result of the periodic review of the Rules of Procedure of the Strategy Committee, on 5 November 2019 the Strategy Committee recommended to the Supervisory Board introducing amendments to the Rules of Procedure of the Strategy Committee specified in the resolution on the said recommendations.

#### 6. Assessment of the effectiveness of the Strategy Committee in 2019

On 23 January 20, the Strategy Committee assessed the effectiveness of the Committee in 2019.

The Strategy Committee assessed that the members of the Strategy Committee have appropriate competencies and experience to effectively perform the function of Strategy Committee members.

In 2019, all members of the Strategy Committee actively participated in the meetings of the Strategy Committee and showed great commitment to the correct performance of their duties.

The number and duration of the meetings, and access to resources were sufficient to enable the Strategy Committee to fulfil its duties, and the documents prepared for the Committee contained material information and were prepared sufficiently in advance.

In 2019, the Strategy Committee performed its statutory tasks and, at the same time, was committed to continuously improving its work in this regard. The discussions held at the Strategy Committee's meetings were characterized by a high level of technical knowledge.

The cooperation of the Strategy Committee with the Management Board and with other key Bank executives was positive; the Strategy Committee responded to the information received in a constructive manner to ensure transparency and correctness of the communication process.

Warsaw, 30 March 2020