

REMUNERATION POLICY FOR MEMBERS OF THE MANAGEMENT BOARD AND MEMBERS OF THE SUPERVISORY BOARD OF BANK HANDLOWY W WARSZAWIE S.A.

Chapter I. Introduction

1. This Policy sets out the principles for remunerating Members of the Management Board and Members of the Supervisory Board of Bank Handlowy w Warszawie S.A.
2. It implements provisions regarding shaping of the rules of remuneration set forth in the provisions of Act of 29 July 2005 on public offering, conditions governing the introduction of financial instruments to organised trading, and on public companies.
3. The General Meeting of Shareholders authorises the Supervisory Board to provide detailed remuneration solutions for the Management Board Members, within the limits set out by the General Meeting of Shareholders in this Policy and the laws applicable to the Bank, in particular to determine:
 - a) financial and non-financial criteria concerning the award of variable remuneration components, upon considering the provisions of the point 27 and the point 36;
 - b) deferral periods and vesting conditions;
 - c) vesting periods in case of remuneration in the form of financial instruments, the rules of disposal of those financial instruments.

Chapter II. Definitions

4. For the purposes of this Policy the below listed terms mean:
 - 1) **the Act** – the Act of 29 July 2005 on public offering, conditions governing the introduction of financial instruments to organised trading, and on public companies;
 - 2) **the Bank** – Bank Handlowy w Warszawie S.A.;
 - 3) **the Bank's Shares** – ordinary shares of Bank Handlowy w Warszawie S.A. quoted on the Warsaw Stock Exchange, under the symbol BHW;
 - 4) **the Eligible Persons' Remuneration Policy** – the Remuneration Policy for the Persons Whose Professional Activity Significantly Affects the Risk Profile of Bank Handlowy S.A. in Warsaw (*Polityka wynagrodzeń osób, których działalność zawodowa ma istotny wpływ na profil ryzyka Banku Handlowego w Warszawie S.A.*);
 - 5) **the Leadership Standards** – list of measurable skills, abilities and knowledge that employees should demonstrate to succeed at the Bank;
 - 6) **the Long-Term Financial Instrument** – a variable remuneration in the form of a financial instrument deferred for a period of no less than 5 years from the award date, distributed as follows:
 - (a) the Bank's Shares will be transferred to the securities account of the Management Member as soon as practicable after the lapse of the

relevant tranche retention period, provided that: (i) the tranche deferral period has elapsed, (ii) the Long-Term Financial Instrument vesting conditions set out in this Policy and in the Eligible Persons' Remuneration Policy have been fulfilled, and (iii) the Management Board Member has signed the documents necessary to transfer the Long-Term Financial Instrument to the Management Board Member, such as the Management Board Member's statement of acceptance of the offer to acquire the Bank's Shares and details of the securities account to which the Bank's Shares should be transferred, and those documents have been delivered to the Bank;

(b) the Phantom Shares will be paid after the lapse of the relevant tranche retention period, provided that: (i) the tranche deferral period has elapsed, and (ii) the Long-Term Financial Instrument vesting conditions set out in this Policy and in the Eligible Persons' Remuneration Policy have been fulfilled, no later than in the month immediately following the month in which the applicable retention period elapses;

- 7) **the Members of the Management Board or the Management Board Members** – jointly the President of the Management Board and other Members of the Management Board of Bank Handlowy w Warszawie S.A.;
- 8) **the Members of the Supervisory Board or the Supervisory Board Members** – jointly the Chairman of the Supervisory Board and other Members of the Supervisory Board of Bank Handlowy w Warszawie S.A.;
- 9) **the Phantom shares** – financial instruments value of which is linked to the value of the Bank's Shares; they are not actual shares of the Bank, are not redeemable for actual shares of the Bank, and are not entitled to vote or to receive dividends or other distributions from the Bank to which holders of actual shares of the Bank may be entitled to receive; they do not represent an ownership interest of any kind in the Bank or any other entity nor in any assets; they have no independent value, they only stand as a measure of the cash value of Variable Remuneration by reference to the market price of the Bank's Shares;
- 10) **the Policy** – this Remuneration Policy for Members of the Management Board and Members of the Supervisory Board of Bank Handlowy w Warszawie S.A.;
- 11) **the Short-Term Financial Instrument** – a variable remuneration in the form of a financial instrument that is granted unconditionally and distributed as follows:
 - (a) the Bank's Shares will be transferred to the securities account of the Eligible Person as soon as practicable after the retention period ends, and the Eligible Person signs and delivers to the Bank the documents necessary to transfer the Short-Term Financial Instruments to that Management Board Member;
 - (b) the Phantom Shares will be paid in the month immediately following the month in which the retention period elapses.

Chapter III. Governance of the Policy

5. The Management Board of the Bank is responsible for drafting and implementing the Policy.
6. The Policy is subject to approval by the Supervisory Board of the Bank following recommendation of the Remuneration and Nomination Committee.
7. The Policy is adopted by way of resolution of the General Meeting of Shareholders. The resolution of the General Meeting of Shareholders regarding the Policy is adopted at least every 4 years. Material change of the Policy requires resolution of the General Meeting of Shareholders.
8. Implementation of the Policy is subject to review by the Supervisory Board of the Bank at least once a year. Assessment of the functioning of the Policy is presented to the General Meeting of Shareholders.
9. Variable remuneration of the Management Board Members is monitored by the Nomination and Remuneration Committee of the Supervisory Board.

Chapter IV. General remuneration rules

10. The Policy contributes to implementation of the strategy of the Bank, effective risk management, it's long-term interest and stability. The objectives of the Policy and remuneration practices adopted by the Bank are to:
 - a) Align compensation practices, structures and decisions with shareholder interest,
 - b) Reinforce a culture based on the high ethical standards,
 - c) Effectively manage risk by encouraging prudent decision-making,
 - d) Reflect regulatory guidance,
 - e) Attract and retain talent to support Bank's development and lead the Bank to success.
11. The Bank promotes its stakeholders' understanding of the Bank's design and implementation of incentive compensation by public disclosures of description of compensation policies, procedures and practices. Therefore, the Bank publishes, on its website, the Policy and the resolution of the General Meeting of Shareholders on its approval, along with the date of resolution adoption and voting results.
12. Within the Policy, the Bank makes a distinction between fixed remuneration and variable remuneration. Both monetary and non-monetary benefits are taken into account when making the above distinction.
13. For the avoidance of doubt, cost of benefits related to improving professional skills related to the duties on the job (in particular tuition fees) covered by the Bank does not constitute remuneration.
14. Remuneration is fixed where the conditions for its award and its amount:
 - a) are not discretionary, i.e. reflect in particular the relevant professional experience and responsibility of an individual as set out in an individual's job description as part

- of the terms of employment and is set according to competences, place in the organizational structure and role in the management process;
- b) are permanent, i.e. maintained over a period tied to the specific role and organisational responsibilities of an individual;
 - c) cannot be reduced, suspended or cancelled by the Bank;
 - d) do not provide incentives for an employee for risk-taking;
 - e) do not depend on individual's performance.
15. Where the allocation of a component to the fixed remuneration is not possible based on the criteria mentioned in point 14, it is considered variable remuneration component.
16. Variable remuneration may be granted in the form of cash, non-cash awards or financial instruments and be subject to partial deferral.
17. Remuneration rules encourage to act honestly, fairly, transparently and professionally, taking account of rights and interests of the Bank's shareholders and clients, in the short, mid and long term. Therefore, remuneration is designed in such a way so as not to create incentives that may lead to favour individual's own interest or the Bank's interests, to the potential detriment of shareholders or clients.
18. General remuneration rules provided for in this Policy are consistent with the remuneration rules for employees who are neither Management Board nor Supervisory Board Members. In particular, employees of the Bank should be treated equally in terms of entering into and terminating an employment relationship, employment conditions, promotion and access to training in order to improve professional qualifications, in particular regardless of gender, age, disability, race, religion, nationality, political beliefs, belonging to trade union, ethnic origin, religion, sexual orientation, and regardless of employment for a definite or indefinite period or for full-time or part-time work.

Chapter V. Rules for the Supervisory Board Members

Fixed and variable remuneration

19. The rules of remunerating and the amounts of remuneration of the Members of the Supervisory Board of the Bank are regulated by the resolutions adopted by the General Meeting of Shareholders.
20. Supervisory Board Members may be awarded the following, fixed remuneration components:
- a) Monthly remuneration for the Chairman of the Supervisory Board and for other Members of the Supervisory Board,
 - b) Remuneration for participation in each of the committees of the Supervisory Board, either as a chairman or as a member of the committee,

c) reimbursement of expenses related to participation in the work of the Supervisory Board, including travel and accommodation costs.

21. For the avoidance of conflict of interest, no variable compensation (subject to performance) should be granted to the Supervisory Board Members.

Pension plans

22. The Supervisory Board Members are not entitled to participate in any additional pension plans.

Other terms of employment

23. The Supervisory Board Members may hold their functions based on appointment by the General Meeting of Shareholders.

24. Members of the Supervisory Board may be elected for a common term of office of three years. A Supervisory Board member may be recalled from his/ her function at any time by way of a resolution of the General Meeting of Shareholders. Furthermore, the Supervisory Board member mandate expires in other cases set out in the Commercial Companies Code and in the Bank's Articles of Association.

Chapter VI. Rules for Management Board Members

Key remuneration principles

25. Recognising that lasting growth is what builds shareholder value, the Bank believes that the Management Board Members should be compensated based i.a. on their competencies, contributions and performance over a period of time exceeding one financial year.

26. Amount of remuneration of the Members of the Management Board of the Bank should be sufficient to attract, retain and appropriately motivate the persons necessary for the proper management of the Bank.

27. The Bank's compensation philosophy is also to differentiate individual compensation based on quantitative and qualitative criteria, such as risk and compliance behaviour, to reflect individuals' contributions and support effective risk management controls by reducing incentives to create imprudent risks for the Bank and its activities, and by rewarding a thoughtful balance of risk and return.

28. Structure of remuneration of the Management Board Members supports long-term stability of the Bank and is aligned with the Bank's strategy, objectives, values and long-term interests, such as, in particular, sustainable growth of the Bank, and is also aimed at eliminating the potential negative impact of the remunerations systems on the proper risk management.

29. The Management Board Members may be granted both fixed and variable remuneration. Remuneration structure of a given Management Board Member is determined individually by the Supervisory Board and it depends i.a. on the position

held by the Management Board Member and a scope of responsibility and duties entrusted to him/her as well as the level of experience of that person as well as individual's performance.

30. The Bank sets out the appropriate balance of fixed remuneration and variable remuneration to allow the operation of a fully flexible remuneration policy, including the possibility not to grant the variable remuneration.
31. The ratio of variable to fixed remuneration components for the Management Board Members is set at the maximum level of 2:1.

Fixed remuneration

32. Bearing in mind points 14 and 15, in case of the Members of the Management Board of the Bank, in particular the following components are considered fixed remuneration:
 - a) base salary,
 - b) benefits that are required by law,
 - c) benefits that are not subject to performance, in particular the ones to which other employees of the Bank are entitled,
 - d) severance pay which is not subject to performance,
 - e) benefits connected with participation in the pension plan,
 - f) benefits connected with the relocation package indicated in the employment contract or in the letter of intent,
 - g) compensation payable on the basis of non-compete agreements.

Variable remuneration

33. The Bank promotes sound and effective risk management and does not encourage risk-taking that exceeds level of risk tolerated by the Bank. To this effect, remuneration which is performance-driven does not reward excessive risk in decision-making. In particular, the variable remuneration of the Management Board Members should be determined in such a way that it rewards prudent management of the Bank, reflects performance and does not reward failure.
34. Variable remuneration should reflect sustainable and risk-adjusted performance. Therefore it is granted and paid out where the Bank has a sound and strong capital base, it does not limit the Bank's ability to increase its capital base and it is sustainable according to the financial standing of the Bank. In particular, the pool allocated for annual awards for the Management Board Members (together with the pool allocated for annual discretionally awards for other employees) for a given year depends i.a. on:
 - a) assessment if risks identified as significant are covered with the allocated internal capital; capital limits for significant types of risk and organisational units set for a given year are utilized as expected, providing the opportunity for business growth;

the risk taken, defined within the Bank's risk profile, is not excessive in relation to the capital and liquidity, i.e. is maintained at a level determined by the overall risk appetite, and monitoring of thresholds for risk measures defined within risk appetite shows no excesses, confirming effective risk management;

- b) risk-adjusted financial results of the Bank;
- c) assessment if it does not have a negative impact on the liquidity of the Bank.

35. In case of Members of the Management Board of the Bank variable remuneration means in particular an annual discretionary bonus granted by way of an individual decision of the Supervisory Board. Annual discretionary bonus may be granted subject to demonstrated the Leadership Standards and realization of objectives set for an individual. The process of setting performance objectives starts at the beginning of a calendar year and takes into account i.a. business strategy adopted by the Bank.

36. For the purpose of defining the amount of the variable remuneration, in particular the following is taken into account:

- a) Bank's performance in the area of an individual's liability, where the performance of the Bank is adjusted for current and future risks;
- b) Performance of an organisational unit in which an individual is employed;
- c) Performance of an individual, where in the assessment of individual performance the financial and non-financial criteria in particular such as, demonstrated competencies and the way the performance goals are achieved measured with the level of fulfilment of the Leadership Standards, are taken into account. In particular, at least one of them should be connected to risk management.

37. The assessment made for the purpose of determining the amount of variable remuneration takes into account the current and future risks associated with that performance.

38. Subject to the proportionality principle, the Bank awards portion of variable remuneration (if granted):

- a) in the form of equity or equity linked instruments in order to foster partnership behaviour and to align Management Board Members interests with those of shareholders,
- b) on a deferred basis.

Variable remuneration in the form of financial instrument

39. For annual awards exceeding a threshold approved by the Supervisory Board of the Bank at least 50% of the variable remuneration should be awarded in the form of non-cash instruments value of which depends on the financial results of the Bank. This condition is fulfilled by the Bank's shares or phantom shares, value of which fluctuates depending on the market value of the Bank's shares.

40. Financial instruments may be granted in the form of:

- a) Short-Term Financial Instruments, or
 - b) Long-Term Financial Instruments, the vesting of which depends on meeting certain criteria (referred to in the point 43 and in the Eligible Persons' Remuneration Policy).
41. During the retention period, Management Board Members may be entitled to dividend equivalent payments in respect of any dividends that are declared and paid to ordinary holders of Bank's shares.

Deferred variable remuneration

42. For annual awards exceeding a threshold approved by the Supervisory Board of the Bank, part of the Management Board Members' variable remuneration is subject to deferral for a period no shorter than 5 years and may be subject to a retention period defined by the Supervisory Board.
43. Deferred variable remuneration may be subject to ex-post risk adjustment in order to align variable remuneration to additional risks that have been identified or materialised after the award has been conditionally granted and before it vested. Therefore, the amount of deferred portion of the variable remuneration to be paid out may be decreased or completely reduced based on decision of the Supervisory Board of the Bank made with application of criteria previously defined by the Supervisory Board.
44. Guaranteed variable remuneration is exceptional. With the consideration of conditions provided for in the point 34, it may only occur when hiring new staff, and is limited to the first year of employment of performing a function.

Pension plans

45. Management Board Members are entitled to participate in pension plan on the same terms and conditions as any other employee of the Bank.
46. Within the remuneration framework, the Bank does not grant the discretionary pension benefits referred to in Art. 4 sec. 1 point 73 of the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

Other terms of employment

47. A Management Board Member may be employed based on employment contract or other contract allowed by the law, for a definite or indefinite period of time.
48. Notice period is set up by the Supervisory Board and cannot be shorter than the one required by the law. It should not exceed 6 months. In justified cases Supervisory Board may decide on other period of time. Terms of terminating an employment contract concluded with a Management Board Member are consistent with those provided for in the Labour Code.

Chapter VII. Final provisions

49. With respect to Members of the Management Board and Members of the Supervisory Board of the Bank, any amendments made to the remuneration documents and the introduction of any new remuneration regulations at the Bank must be compliant with the rules provided for in this Policy.