

**REPORT ON ACTIVITIES OF
THE SUPERVISORY BOARD
OF BANK BGŻ BNP PARIBAS S.A.
AND ITS COMMITTEES
IN 2018,**

**together with the assessments indicated in rule
II.Z.10 of the 2016 Corporate Governance
of Listed Companies and assessment
of the Bank's compliance with the
Principles of Corporate Governance
for the Supervised Institutions
of 22 July 2014 issued by the
Polish Financial Supervision
Authority**

WARSAW, 13 MARCH 2019



BGŻ BNP PARIBAS

**Bank
zmieniającego
się świata**

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1. COMPOSITION OF THE SUPERVISORY BOARD IN 2018

The composition of the Supervisory Board of Bank BGŻ BNP Paribas S.A. as at 1 January 2018 was as follows:

Name and surname	Office held in the Supervisory Board of the Bank
Józef Wancer	Chairman of the Supervisory Board
Jarosław Bauc	Vice-Chairman, Independent Member of the Supervisory Board
Jean-Paul Sabet	Vice-Chairman of the Supervisory Board
Yvan De Cock	Member of the Supervisory Board
Stefaan Decraene	Member of the Supervisory Board
Jacques d'Estais	Member of the Supervisory Board
Alain Van Groenendael	Member of the Supervisory Board
Piotr Mietkowski	Member of the Supervisory Board
Monika Nachyła	Member of the Supervisory Board
Mariusz Warych	Independent Member of the Supervisory Board

Changes in the composition of the Bank's Supervisory Board in 2018:

Changes in the composition of the Bank's Supervisory Board between 1 January and 31 December 2018:

- On 23 January 2018, the Extraordinary General Meeting of the Bank appointed Mr François Benaroya to the Bank's Supervisory Board until the end of the current five-year joint term of office of the Members of the Supervisory Board.
- On 25 May 2018 Mr Alain Van Groenendael stepped down as the member of the Supervisory Board of the Bank effective 25 May 2018.
- On 13 June 2018 Mr Yvan De Cock stepped down as the member of the Supervisory Board of the Bank effective 13 June 2018.
- On 24 August 2018, the Extraordinary General Meeting of the Bank appointed Mr Michel Falvert and Mr Stéphane Vermeire to the Bank's Supervisory Board until the end of the current five-year joint term of office of the Members of the Supervisory Board.

The composition of the Supervisory Board of the Bank as at 31 December 2018 was as follows:

Name and surname	Office held in the Supervisory Board of the Bank
Józef Wancer	Chairman of the Supervisory Board
Jarosław Bauc	Vice-Chairman, Independent Member of the Supervisory Board
Jean-Paul Sabet	Deputy Chairman of the Supervisory Board
François Benaroya	Member of the Supervisory Board
Stefaan Decraene	Member of the Supervisory Board
Jacques d'Estais	Member of the Supervisory Board
Michel Falvert	Member of the Supervisory Board
Piotr Mietkowski	Member of the Supervisory Board
Monika Nachyła	Member of the Supervisory Board

Stéphane Vermeire	Member of the Supervisory Board
Mariusz Warych	Independent Member of the Supervisory Board

2. INDEPENDENCE OF THE SUPERVISORY BOARD MEMBERS

There are two independent members of the Supervisory Board:

Name and surname	
Jarosław Bauc	Vice Chairman of the Supervisory Board
Mariusz Warych	Member of the Supervisory Board

Pursuant to the provisions of the Articles of Association, at least two members should be independent. Mr Jarosław Bauc and Mr Mariusz Warych meet the statutory requirements concerning independent members of the Supervisory Board, including among others:

- they do not hold and have not held, for the last five years, the function of a member of the Management Board or another managerial function, regardless of the legal form of employment, whether in the Bank, its subsidiaries or parent entity;
- they are not and have not been employed in the Bank, its subsidiaries or parent entity, or in associated entities of the Bank, within the last three years;
- they have not received any additional remuneration apart from the compensation due for the membership in the Supervisory Board, or any other financial benefits from the Bank, its subsidiaries or parent entity, with the exception of benefits due to the Supervisory Board member as a consumer who has entered into an agreement on standard terms with the Bank, its subsidiary or parent entity;
- they have not been shareholders or members of the management, managerial personnel or employees of the shareholder holding shares representing more than 5% of the total number of votes at the General Meeting of the Bank, nor have been members of the management, managerial personnel or employees of the shareholder of the Bank holding such number of shares which allows for effective control over the Bank;;
- they have not had, during the year preceding the election for the Supervisory Board and does not currently have, any material commercial or business connections with the Bank, its subsidiaries and parent entity which could significantly affect their independence;
- they are not and have not been for the last three years statutory auditors or employees, members of the management, managerial personnel or shareholders of an entity providing statutory auditor's services to the Bank, its subsidiaries or parent entity;
- they are not members of a management board in another company in which a member of the Bank's Management Board is a member of the supervisory board;
- they do not have any material connections with members of the Bank's Management Board manifested in the joint shareholding in other companies or governing bodies of those companies;
- they are not and have not been, for the last three years, a spouse, partner or a relative of a member of the Bank's Management Board, or an employee holding a position in the Bank which is directly subordinated to the Bank's Management Board or a member of the Bank's Management Board.

The respective Members of the Supervisory Board meet the independence criteria stipulated in Article 129 of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (Journal of Laws of 2017, 1089, consolidated text, as amended).

3. ACTIVITIES OF THE SUPERVISORY BOARD IN 2018

The Supervisory Board of Bank BGŻ BNP Paribas SA has permanently supervised the Bank's business activity in all its areas.

In 2018, five meetings of the Supervisory Board were held. Furthermore, the Supervisory Board passed resolutions in writing. The Supervisory Board adopted a total of 101 resolutions in 2018.

In 2018, the Supervisory Board addressed the following issues:

- passed resolutions on internal division of competence in the Management Board of Bank BGŻ BNP Paribas S.A.
- passed resolution on approval of the Audit Plan for 2018 and Strategic Audit Plan for 2018 – 2022.



- assessed and provided the Ordinary General Meeting with a written report on the results of the assessment of the Bank's financial statements, including the Brokerage House, the Management Board's report on the activity of the Bank, including the Brokerage House, consolidated financial statements of the Bank's Capital Group and the Management Board's Report on the activity of the Bank's Capital Group for 2017; the Supervisory Board also carried out the assessment of the Management Board's conclusions on the distribution of profit for 2017 along with assessment of adequacy and effectiveness of the Bank's internal control system, and recommended that the Ordinary General Meeting should approve the discharge of duties performed by the Bank's Management Board Members in 2017.
- discussed the Bank's interim financial statements and results of each business line.
- passed resolution on the approval of the Internal Capital Adequacy Assessment Process (ICAAP) Methodology at Bank BGŻ BNP Paribas S.A.
- passed resolution on the approval of the Procedure of identifying persons having material impact on the risk profile of Bank BGŻ BNP Paribas S.A.
- passed resolution on the changes in the By-laws of the Human Resources and Remuneration Committee of Bank BGŻ BNP Paribas S.A.
- approved and submitted to the Ordinary General Meeting the motion regarding the share capital increase by the issue of series J ordinary bearer shares and series K ordinary inscribed shares under a private placement, depriving the existing shareholders of full pre-emptive rights to all series J shares and all series K shares, dematerialisation of and application for admitting and introducing the series J shares and rights to series J shares to trading on the regulated market operated by the Warsaw Stock Exchange, and amending the Articles of Association of Bank BGŻ BNP Paribas S.A.
- passed resolution concerning granting of the consent for the minimum issue price of series J shares determined by the Management Board of the Company for the purposes of the bookbuilding process.
- passed resolution on acquisition of Spółdzielcza Kasa Oszczędnościowo-Kredytowa Rafineria.
- passed resolution regarding consent on the execution of the transaction regarding the acquisition by Bank BGŻ BNP Paribas S.A. of the core business of Raiffeisen Bank Polska S.A. through its demerger by spin-off.
- passed resolution regarding adoption of revised 2018 Financial Plan.
- passed resolution concerning the adoption of the consolidated text of the Company's Articles of Association.
- passed resolution on an opinion on the draft resolutions of Extraordinary General Meeting of Bank BGŻ BNP Paribas S.A. planned to be held on 24 August 2018 regarding Demerger of Raiffeisen Bank Polska S.A. assuming an increase of Bank BGŻ BNP Paribas S.A. share capital and amendments to the Bank BGŻ BNP Paribas S.A. Articles of Association.
- passed resolutions on approval of the updated Methodology of analysing stress tests on the sensitivity of IR position, currency position, liquidity position and capital position.
- approved periodic reports on the implementation of the Bancassurance Policy and the principles of Accounting Policy in this area.
- approved the appraisal of rationality of the Sponsorship, Philanthropic and CSR Activities of Bank BGŻ BNP Paribas S.A. for 2017.
- passed resolutions on the sale of the Bank's real estate whose value equalled at least PLN 5,000,000.00.
- passed resolution on recapitalization of BNP Paribas Leasing Services sp. z o.o.
- passed resolution on recapitalization of BNP Paribas Solutions sp. z o.o.
- passed resolution on the consent to enter into the subordinated loan agreement by Bank BGŻ BNP Paribas S.A. with BNP Paribas S.A. with its registered office in Paris
- passed resolution on the approval of Compliance Policy in Bank BGŻ BNP Paribas S.A. and the Regulation for the operation of Compliance Line.
- passed resolution on the approval of Strategy for operational risk management in Bank BGŻ BNP Paribas S.A.
- passed resolution on Remuneration Policy for the Members of the Supervisory Board of Bank BGŻ BNP Paribas S.A.
- passed resolution regarding the approval of the individual KPIs to be achieved by the Management Board Members in 2018.
- passed resolution on the assessment of the functioning of the Remuneration Policy in 2017 in Bank BGŻ BNP Paribas S.A.
- passed resolution on the acceptance of Risk Management Strategy at Bank BGŻ BNP Paribas S.A.
- accepted Report on the review of Bank's internal capital assessment process (ICAAP).
- accepted Report on ILAAP review.
- accepted periodic Reports on Legal Risk in the Activity of Bank BGŻ BNP Paribas S.A.
- passed resolution on the approval of updated Recovery Plan of Bank BGŻ BNP Paribas S.A.
- passed resolution on the approval of the Rules of formulation, monitoring of execution and updating of strategy of Bank BGŻ BNP Paribas S.A.



- discussed and passed resolution regarding adoption of the 2019 financial plan and financial assumptions for the years 2020 – 2021.
- discussed and passed resolution on the approval of the Bank BGŻ BNP Paribas Capital Plan for 2019-2022.
- passed resolution on the approval of the updated Capital Management Policy at Bank BGŻ BNP Paribas S.A.
- passed resolution on the approval of the Bank BGŻ BNP Paribas S.A. Capital Contingency Plan,
- passed resolution on the approval of the Brokerage House Audit Plan for 2019
- passed resolution regarding repealing of the draft of “Long-term plan to raise and maintain stable external funds from Financial Entities”.
- passed resolution on the approval of the Internal Audit Charter of Bank BGŻ BNP Paribas S.A.
- passed resolution on the approval of the updated Strategy of Internal Audit Line for the years 2018-2020.
- passed resolution on approval of the Procedure of identifying persons having material impact on the risk profile of Bank BGŻ BNP Paribas S.A.
- passed resolution on adequacy assessment of the new Members of the Management Board and Supervisory Board of Bank BGŻ BNP Paribas S.A.
- passed resolutions on changes in the composition of the Bank’s Management Board and formulation of the principles and amount of remuneration as well as variable remuneration for the members of the Management Board of Bank BGŻ BNP Paribas S.A., likewise the resolution on the verification of the level of target realisation by the Members of the Bank’s Management Board.
- passed resolution on determination of the maximum level of variable compensation to fixed compensation in Bank BGŻ BNP Paribas S.A.
- passed resolutions on establishing the number of Management Board Members appointed for the new 3-year term of office and on the appointment of the members of the Management Board for another term.
- passed resolutions on amendments to the By-laws of the Management Board and By-laws of the Supervisory Board of Bank BGZ BNP Paribas S.A.
- passed resolutions on establishment of the Nomination Committee, adoption of its By-laws and appointment of the Committee members.
- passed resolution on changes in the composition of the Audit Committee.
- passed resolution on the appointment of the Members of the Human Resources and Remuneration Committee.
- passed resolution regarding changes in the Risk Committee composition.
- passed resolution on potential investments in Riviera TFI investment funds.
- acquainted itself with the topics discussed during the meetings of the Audit Committee, Risk Committee as well as Human Resources and Remuneration Committee.
- acquainted itself with the annual reports on activities of the Compliance Line and Internal Audit Line.
- passed resolution on determination of Initial Period and Final Period.
- passed resolution on the pay-out of a protection allowance for application of the fixed exchange rate.

The Supervisory Board monitored the financial results and capital situation of the Bank. The great emphasis was placed on the level of the capital ratios of the Bank and measures aimed at maintaining the capital ratios at the required level, taking into consideration new regulatory requirements.

4. COMMITTEES AT THE SUPERVISORY BOARD IN 2018

There are internal committees of advisory and consulting character operating at the Supervisory Board:

- Audit Committee,
- Risk Committee,
- Human Resources and Remuneration Committee
- Nomination Committee

4.1. Audit Committee

Number of meetings held: 6

In line with its competences, in 2018, the Audit Committee acquainted itself with, among others, financial reports of the Bank and the Bank’s Capital Group for the year 2017, quarterly and half-year reports for 2018, reviewed and assessed the adopted accounting policy, including the changes introduced over the year, likewise it reviewed and assessed the process of financial information communication. Furthermore, the Audit Committee carried out activities that entailed monitoring of



the effectiveness of the internal control system and risk management system as it analysed the Report on internal control mechanisms and procedures functioning in the Bank in 2017, gave its approval and recommendation to the Supervisory Board for adopting the updated Compliance Policy and the Rules of Operation of the Compliance Line, reviewed the Annual report on the Compliance Line's activities as well as Quarterly reports on the Compliance Line's activities, including information on compliance risk. The Committee examined and approved the Report on the Internal Audit Line activity for 2017 and Periodic Reports on Internal Audit Line activity, periodic information on recommendations under scrutiny and the execution of recommendations issued by the Polish Financial Supervision Authority (KNF). In addition, the Audit Committee reviewed and recommended adoption of the Audit Charter and Audit Strategy to the Supervisory Board; it also examined the Report on Brokerage House Audit and Compliance activities for 2017. Moreover, the Audit Committee pondered over the information on adherence to the Best Practice for GPW Listed Companies by the Bank and information on implementation of IFRS 9 and IFRS 16.

Composition of the Audit Committee of the Bank in 2018:

Mariusz Warych – Committee Chairman

Jarosław Bauc – Committee Member

Jean-Paul Sabet (until 13 March 2018 due to his resignation)

Francois Benaroya – Committee Member (since 13 March 2018)

4.2. Risk Committee

Number of meetings held: 4

Performing its tasks in 2018, the Risk Committee familiarised itself and approved the following documents: Quarterly Credit and Operational Risk Dashboards, ALMT Risk Dashboard together with information on market risk, liquidity and counterparty risk, likewise capital requirements. The Committee examined and recommended to the Supervisory Board passing the relevant resolutions with respect to the updated Methodology of analysing stress tests on the sensitivity of IR position, currency position, liquidity position and capital position, approval of the model risk tolerance level, Methodology of Internal Liquidity Adequacy Assessment Process in Bank BGŻ BNP Paribas SA, and ILAAP Review Rules, Risk Management Strategy in Bank BGŻ BNP Paribas SA, Capital Management Policy at Bank BGŻ BNP Paribas S.A., Liquidity Emergency Plan at Bank BGŻ BNP Paribas S.A., Rules of review of the internal capital adequacy assessment and maintenance process (ICAAP) and Report on the review of Bank's internal capital assessment process (ICAAP).

Composition of the Risk Committee in 2018:

Jean-Paul Sabet – Chairman (until 13 March 2018 due to his resignation)

Francois Benaroya – Chairman (since 13 March 2018)

Monika Nachyła – Member

Mariusz Warych – Member

4.3. Human Resources and Remuneration Committee

Number of meetings held: 3

When performing its tasks in 2018, the Human Resources and Remuneration Committee, among others, discussed the changes in the composition of the Management Board, verified the level of target achievement by the specific Management Board members and determination of the base amount of variable remuneration for 2017, the amount of non-deferred part of variable remuneration and the share of a financial instrument, acquainted itself with the new terms and conditions for employing the Management Board members, discussed the remuneration rules and remuneration for new members of the Management Board, information on employment and remuneration, information on monitoring of variable remuneration at managerial positions in the risk and compliance functions, performed the analysis of variable remuneration components of persons responsible for control functions at the Bank, i.e. managing the internal audit unit, compliance unit, organisational units in charge of risk management, familiarised itself with issues regarding discretionary bonuses, achievement of targets by the Management Board members for the previous year and determination of targets for 2018, matters related to remuneration and Remuneration Policy for persons who have material impact on the risk profile of Bank BGŻ BNP Paribas S.A. and Regulations of awarding and payment of variable remuneration components to members of the Management Board of Bank BGŻ BNP Paribas S.A., likewise the agreement amending the employment contracts of the Management Board members. Furthermore, the Committee reviewed the Remuneration Policy and discussed the Procedure of identifying persons having material impact on the risk profile of Bank BGŻ BNP Paribas S.A.

Composition of the Human Resources and Remuneration Committee in 2018:

- Jean-Paul Sabet – Chairman
- Stefaan Decraene – Member (until 13 March 2018 due to his resignation)
- Józef Wancer – Member
- Francois Benaroya – Member (since 13 March 2018)

4.4. Nomination Committee

- Number of meetings held: 1

On 26 September 2018 the Nomination Committee was formed by the Supervisory Board. The mission of the Committee is to assist the Supervisory Board in fulfilment of its responsibilities with respect to making the assessment of qualifications of candidates for members of the Bank's Management Board and candidates for members of the Supervisory Board, to define the scope of the responsibilities of a candidate for the Management Board of the Bank, likewise the requirements as to the knowledge and competences, and expected commitment in terms of time devoted to performance of the relevant function, and to assess periodically, at least once a year, the structure, size, composition and effectiveness of the Management Board's operations, and recommend relevant changes to the Supervisory Board.

The detailed scope of activities and manner of operation of the Committee are set forth in the By-laws passed by the Supervisory Board.

The Committee includes at least three members of the Supervisory Board.

Composition of the Nomination Committee in 2018:

Jean-Paul Sabet – Chairman

Józef Wancer – Member

Francois Benaroya – Member

5. SELF-ASSESSMENT OF THE SUPERVISORY BOARD WORK IN 2018

The Supervisory Board of Bank BGŻ BNP Paribas SA states that in 2018 it adequately supervised the Bank's business activities in all its areas in a continuous manner, pursuant to the applicable law and the Bank's Articles of Association. It is the view of the Supervisory Board that it fulfils its obligations diligently and effectively, constantly overseeing the Company's operations and development in all areas of its activity. In the opinion of the Supervisory Board, professional experience and diversified competences of the members of the Supervisory Board enable them to scrutinize and provide opinions on presented issues, and to express a wide range of views while assessing the work of the Management Board and functioning of Bank BGŻ BNP Paribas S.A.

The Supervisory Board positively assessed the cooperation with the Management Board, stressing reliability and accuracy of the information provided by the Management Board. Furthermore, the Supervisory Board recognized active participation of the Management Board in meetings of the Supervisory Board (presentation of motions submitted to the Supervisory Board and provision of relevant clarifications).

In 2018 all the Members of the Supervisory Board actively participated in the Board's meetings and showed commitment to duly perform their duties, whilst the current situation of the company, market changes as well as best practices and standards were taken into consideration during discussions.

The number and duration of meetings, paired with access to resources, were sufficient for the Supervisory Board to fully meet its obligations, whilst the documents prepared for the Supervisory Board contained important information and were provided for the meetings sufficiently in advance.

The value of the documents submitted for meetings of the Supervisory Board, in terms of their substance, was assessed highly.

6. ASSESSMENTS PERFORMED BY THE SUPERVISORY BOARD IN 2018

6.1. Assessment of the company's standing including an assessment of the internal control, risk management and compliance systems and the internal audit function; such assessment should cover all significant control mechanisms, in particular financial reporting and operational activity

The Supervisory Board positively assessed the Bank's standing. At the same time, the Supervisory Board asserts that the system of internal control mechanisms is effective and efficient, except for gaps detected during the control processes. With respect to material deficiencies of the internal control system, the Supervisory Board monitored implementation of actions plans addressing the identified gaps in effectiveness and efficiency. As for the risk management, compliance and internal audit function systems, including control mechanisms covering financial reporting and operational activity, it is the view of the Supervisory Board that the respective systems operate correctly and match the Bank's activity level and complexity, as well as they comply with the adopted principles.

6.2. Assessment of the Bank's compliance with the Principles of Corporate Governance for the Supervised Institutions of 22 July 2014 issued by the Polish Financial Supervision Authority.

In the opinion of the Supervisory Board, the Bank and its authorities complied in 2018 with the adopted Principles of Corporate Governance for the Supervised Institutions. The Supervisory Board did not identify any violations by the Bank of the Principles of Corporate Governance for the Supervised Institutions in the period covered by this report.

6.3. Assessment of the Bank's compliance with the disclosure obligations concerning compliance with the corporate governance principles specified in the Good Practices of Companies listed on Warsaw Stock Exchange 2016

In the opinion of the Supervisory Board, the Bank's Management Board adequately performed disclosure obligations under the principles specified in the Good Practices of Companies Listed on Warsaw Stock Exchange 2016, duties defined in the Stock Exchange By-laws and provisions on disclosure obligations by companies traded on the public market.

6.4. Assessment of the rationality of sponsorship, philanthropic and CSR activity pursued by the Company

The Supervisory Board positively assessed the rationality of the sponsorship policy, philanthropic and CSR activity pursued by Bank BGŻ BNP Paribas S.A. The activity that is conducted rationally enables the company to accomplish its mission and business strategy, and it accommodates needs of the company's stakeholders (clients, employees, local communities, business partners and sector organisations etc.).

6.5. Assessment of the adequacy policy regarding the election of Members of the Bank's Management Board or Supervisory Board, in particular as regards ensuring versatility and diversity of such authorities, including with respect to gender, education, age and professional experience.

The Supervisory Board positively assessed best practices adopted by the Bank in the field of diversity policy with respect to all the Bank's employees, regardless of their position, with particular emphasis on the Bank's authorities and its key managers, in terms of effectiveness.

As regards the appropriate composition of the Management Board and Supervisory Board in terms of education and experience, the Bank applied the rules arising from the Bank's Articles of Association, that is:

- at least two Management Board Members, including the President, should have knowledge and experience that allow for a stable and prudent management of the Bank. While at least half of the Bank's Management Board Members have good knowledge of the banking market in Poland, i.e. they have permanent residence in Poland, have a good command of Polish and appropriate experience on the Polish market (Article 21 para. 3-4 of the Bank's Articles of Association).

- at least half of the Bank Supervisory Board members have good knowledge of the banking market in Poland, i.e. they have a good command of Polish and appropriate experience on the Polish market (Article 16 para. 1 of the Bank's Articles of Association).

