

**Draft resolutions of the Annual General Meeting of BOŚ S.A.**

**Resolution No. /2012  
of the Annual General Meeting of Bank Ochrony Środowiska S.A.  
of 28 June 2012  
on appointing a Chairman of the General Meeting**

This Annual General Meeting of BOŚ S.A. hereby appoints .....  
Chairman of the General Meeting.

**Resolution No. /2012  
of the Annual General Meeting of Bank Ochrony Środowiska S.A.  
of 28 June 2012  
on appointing a Secretary of the General Meeting**

This Annual General Meeting of BOŚ S.A. hereby appoints ..... Secretary  
of the General Meeting.

**Resolution No /2012  
of the Annual General Meeting of Bank Ochrony Środowiska S.A.  
of 28 June 2012  
on adoption of Agenda**

The Annual General Meeting adopts the following Agenda:

1. Open the Meeting.
2. Choose the Chairman of the General Meeting.
3. Confirm the legality of calling the General Shareholders' Meeting and its capacity to pass resolutions.
4. Choose the of the Secretary of the General Meeting.
5. Adoption of the agenda.
6. Presentation of the Management Board Bank activity report for 2011 and the Bank financial statements for the period from 1 January 2011 to 31 December 2011.
7. Presentation of the Management Board BOŚ S.A. Group activity report for 2011 and BOŚ S.A. Group consolidated financial statements for the period from 1 January 2011 to 31 December 2011.
8. Presentation of a motion regarding the Bank profit distribution for 2011.
9. Presentation of the Bank Supervisory Board activity report for 2011 with a brief assessment of the Bank situation and an assessment of Supervisory Board activities in 2011.
10. Discussion.
11. Adoption of resolutions regarding the following matters:
  - a) approving the Management Board Bank activity report for 2011,
  - b) approving the Bank financial statements for the period from 1 January 2011 to 31 December 2011,
  - c) approving the BOŚ S.A. Group activity report for 2011,

- d) approving the BOŚ S.A. Group consolidated financial statements for the period from 1 January 2011 to 31 December 2011,
  - e) the Bank profit distribution for 2011,
  - f) approving the discharge of duties individually by members of the Bank Management Board in 2011,
  - g) approving the Bank Supervisory Board activity report for 2011 with a brief assessment of the Bank situation and an assessment of Supervisory Board activities in 2011,
  - h) approving the discharge of duties individually by members of the Bank Supervisory Board in 2011.
12. Adoption of a resolution on the abolition of “Bank Ochrony Środowiska S.A. Workforce Fund”.
13. Adoption of a resolution on amendments to the Articles of Association of the Bank.
14. Adoption of a resolution authorising the Supervisory Board to approve a consolidated text of the Articles of Association of the Bank.
15. Adoption of a resolution to amend Resolution No. 6/2011 of the Extraordinary General Meeting of Bank Ochrony Środowiska S.A. of 23 September 2011 on approval and determination of terms of a three-year options program directed to the Management Board and persons in management level positions at the Bank.
16. Changes in the Supervisory Board:
- a. pass resolutions on the dismissing of members of the Supervisory Board,
  - b. pass resolutions on the appointment of members of the Supervisory Board.
17. Closing the meeting.

**Resolution No. /2012  
of the Annual General Meeting of Bank Ochrony Środowiska S.A.  
of 28 June 2012  
on approving the Management Board report on the Bank’s activity in 2011**

Acting pursuant to the provisions of art. 393 point 1 and art. 395 § 2 point 1 of the Code of Commercial Companies, in connection with § 9 subpara. 4 point 1 and § 10 point 1 of the Articles of Association of the Bank, the Annual General Meeting of BOŚ S.A. resolves to approve the Management Board report on the Bank’s activity in 2011 laid before Shareholders by the Bank Management Board at the Annual General Meeting on 28 June 2012.

*An assessment „The Management Board report the Bank’s activity in 2011” approved by the Supervisory Board at a meeting on 13 March 2012 is attached as Appendix No. 1 to this Report.*

**Resolution No. /2012  
of the Annual General Meeting of Bank Ochrony Środowiska S.A.  
of 28 June 2012  
on approving the financial statements of the Bank  
for the period from 1 January 2011 to 31 December 2011**

Acting pursuant to the provisions of art. 393 point 1 and art. 395 § 2 point 1 of the Code of Commercial Companies, and also pursuant to the provisions of art. 53 subpara. 1 of the Accounting Act, in connection with § 9 subpara. 4 point 1 and § 10 point 1 of the Articles of Association of the Bank, the Annual General Meeting of Bank Ochrony Środowiska S.A. resolves to approve the audited financial statements of the Bank for the year 2011, containing:

- the income statement for the financial year 2011, with net profit amounting to 58 745 thousand zlotys;
- the statement of comprehensive income for the financial year 2011, with a total comprehensive income amounting to 74 874 thousand zlotys;
- the balance sheet as at 31 December 2011, with assets and liabilities representing the amount of 15 505 426 thousand zlotys;
- the statement of changes in equity for the financial year 2011, with a net increase in equity amounting to 74 874 thousand zlotys,
- the cash flow statement for the financial year 2011, with a net cash outflow amounting to 120 537 thousand zlotys;
- the summary of significant accounting policies and other explanatory notes.

*The financial statements of Bank Ochrony Środowiska S.A. for the period from 1 January 2011 to 31 December 2011 were published in the Annual Report of BOŚ S.A. (R/2011) on 28 February 2012.*

*An assessment of „The financial statements of Bank Ochrony Środowiska S.A. for the period from 1 January 2011 to 31 December 2011” approved by the Supervisory Board at a meeting on 13 March 2012 is attached as Appendix No. 2 to this Report.*

**Resolution No. /2012  
of the Annual General Meeting of Bank Ochrony Środowiska S.A.  
of 28 June 2012  
on approving the BOŚ S.A. Group activity report for 2011**

Acting pursuant to the provisions of art. 395 § 5 point 1 of the Code of Commercial Companies, in connection with § 10 point 2 of the Articles of Association of the Bank, the Annual General Meeting of BOŚ S.A. resolves to approve the BOŚ S.A. Capital Group activity report for 2011 laid before Shareholders by the Bank Management Board at the Annual General Meeting on 28 June 2012.

*The Management Board report on the BOŚ S.A. Group activity in 2011 was published in the Annual Report of the BOŚ S.A. Group BOŚ S.A. (RS/2011) on 28 February 2012.*

*An assessment of „The Management Board report on the BOŚ S.A. Group activity in 2011” adopted by the Supervisory Board at a meeting on 13 March 2012 is attached as Appendix No. 3 to this Report.*

**Resolution No. /2012  
of the Annual General Meeting of Bank Ochrony Środowiska S.A.**

**of 28 June 2012**  
**on approving the BOŚ S.A. Group consolidated financial statements**  
**for the period from 1 January 2011 to 31 December 2011**

Acting pursuant to the provisions of art. 395 § 5 of the Code of Commercial Companies, and also pursuant to the provisions of art. 63c subpara. 4 of the Accounting Act, in connection with and § 10 point 2 of the Articles of Association of the Bank, the Annual General Meeting of BOŚ S.A. resolves to approve the audited consolidated financial statements of the BOŚ S.A. Group for the year 2011, containing:

- the consolidated income statement for the financial year 2011, with net profit amounting to 63 418 thousand zlotys;
- the consolidated statement of comprehensive income for the financial year 2011, with a total comprehensive income in the amount of 78 547 thousand zlotys;
- the consolidated statement of financial position as at the date of 31 December 2011, with assets and liabilities representing the amount of 15 637 117 thousand zlotys;
- the consolidated statement of changes in equity for the financial year 2011 with a net increase in equity amounting to 78 547 thousand zlotys;
- the consolidated cash flow statement for the financial year 2011, with a net cash outflow amounting to 117 229 thousand zlotys;
- the summary of significant accounting policies and other explanatory notes.

*The consolidated financial statements of the Bank Ochrony Środowiska S.A. Group for the period from 1 January 2011 to 31 December 2011 was published in the Annual Report of the BOŚ S.A. Group (RS/2011) on 28 February 2012.*

*An assessment of the „Consolidated financial statements of the Bank Ochrony Środowiska S.A. Group for the period from 1 January 2011 to 31 December 2011” adopted by the Supervisory Board at a meeting on 13 March 2012 is attached as Appendix No. 4 to this Report.*

**Resolution No. /2012**  
**of the Annual General Meeting of Bank Ochrony Środowiska S.A.**  
**of 28 June 2012**  
**on the allocation of profit of 2011**

Acting pursuant to the provisions of art. 395 § 2 point 2 of the Code of Commercial Companies, in connection with § 9 subpara. 4 point 2 of the Articles of BOŚ S.A. and Resolution No. /2012 of the Annual General Meeting of 28 June 2012 on approving the financial statements of the Bank for the period of 1 January 2011 to 31 December 2011, the Annual General Meeting of Bank Ochrony Środowiska S.A. resolves to allocate the net profit of the Bank of 2011 in the total amount of PLN 58 745 585,07 to recognise it with supplementary capital.

*The Supervisory Board opinion*

*The Bank Supervisory Board – at a meeting on 18 May 2012 – expressed their positive opinion on the draft of this resolution, and recommended approval thereof to the General Meeting.*

**Resolution No. /2012  
of the Annual General Meeting of Bank Ochrony Środowiska S.A.  
of 28 June 2012  
on granting Mr Mariusz Klimczak the vote of approval  
for performance of duties in 2011**

Acting pursuant to the provisions of art. 395 § 2 point 3 of the Code of Commercial Companies, in connection with § 9 subpara. 4 point 3 and § 10 point 5 of the Articles of Association of the Bank, the Annual General Meeting of BOŚ S.A. resolves to grant Mr Mariusz Klimczak, President of the Bank Management Board, the vote of approval for performance of duties in the period of 1 January 2011 to 31 December 2011.

*The Supervisory Board opinion*

*Having considered the Management Board report on the Bank's activities in 2011 the Supervisory Board recommends to the General Meeting approval of granting Mr M. Klimczak the vote of approval for performance of duties in 2011.*

**Resolution No. /2012  
of the Annual General Meeting of Bank Ochrony Środowiska S.A.  
of 28 June 2012  
on granting Mr Adam Zbigniew Grzebieluch the vote of approval  
for performance of duties in 2011**

Acting pursuant to the provisions of art. 395 § 2 point 3 of the Code of Commercial Companies, in connection with § 9 subpara. 4 point 3 and § 10 point 5 of the Articles of Association of the Bank, the Annual General Meeting of BOŚ S.A. resolves to grant Mr Adam Zbigniew Grzebieluch, Vice-President the Bank Management Board, the vote of approval for performance of duties in the period of 1 January 2011 to 31 December 2011.

*The Supervisory Board opinion*

*Having considered the Management Board report on the Bank's activities in 2011 the Supervisory Board recommends to the General Meeting approval of granting Mr A. Z. Grzebieluch the vote of approval for performance of duties in 2011.*

**Resolution No. /2012  
of the Annual General Meeting of Bank Ochrony Środowiska S.A.  
of 28 June 2012  
on granting Mr Stanisław Kolasiński the vote of approval  
for performance of duties in 2011**

Acting pursuant to the provisions of art. 395 § 2 point 3 of the Code of Commercial Companies, in connection with § 9 subpara. 4 point 3 and § 10 point 5 of the Articles of Association of the Bank, the Annual General Meeting of BOŚ S.A. resolves to grant Mr Stanisław Kolasiński, Vice-President the Bank Management Board, the vote

of approval for performance of duties in the period of 15 December 2011 to 31 December 2011.

The Supervisory Board opinion

*Having considered the Management Board report on the Bank's activities in 2011 the Supervisory Board recommends to the General Meeting approval of granting Mr S.Kolasiński the vote of approval for performance of duties in 2011.*

**Resolution No. /2012  
of the Annual General Meeting of Bank Ochrony Środowiska S.A.  
of 28 June 2012  
on granting Mr Jacek Pierzyński the vote of approval  
for performance of duties in 2011**

Acting pursuant to the provisions of art. 395 § 2 point 3 of the Code of Commercial Companies, in connection with § 9 subpara. 4 point 3 and § 10 point 5 of the Articles of Association of the Bank, the Annual General Meeting of BOŚ S.A. resolves to grant Mr Jacek Pierzyński, Vice-President First Deputy President the Bank Management Board, the vote of approval for performance of duties in the period of 1 January 2011 to 15 December 2011.

The Supervisory Board opinion

*Having considered the Management Board report on the Bank's activities in 2011 the Supervisory Board recommends to the General Meeting approval of granting Mr J.Pierzyński the vote of approval for performance of duties in 2011.*

**Resolution No. /2012  
of the Annual General Meeting of Bank Ochrony Środowiska S.A.  
of 28 June 2012  
on granting Mr Marek Kazimierz Serafiński the vote of approval  
for performance of duties in 2011**

Acting pursuant to the provisions of art. 395 § 2 point 3 of the Code of Commercial Companies, in connection with § 9 subpara. 4 point 3 and § 10 point 5 of the Articles of Association of the Bank, the Annual General Meeting of BOŚ S.A. resolves to grant Mr Marek Kazimierz Serafiński, Vice-President the Bank Management Board, the vote of approval for performance of duties in the period of 1 January 2011 to 21 September 2011.

The Supervisory Board opinion

*Having considered the Management Board report on the Bank's activities in 2011 the Supervisory Board recommends to the General Meeting approval of granting Mr M. K. Serafiński the vote of approval for performance of duties in 2011.*

**Resolution No. /2012  
of the Annual General Meeting of Bank Ochrony Środowiska S.A.  
of 28 June 2012  
on granting Mr Krzysztof Wojciech Telega the vote of approval  
for performance of duties in 2011**

Acting pursuant to the provisions of art. 395 § 2 point 3 of the Code of Commercial Companies, in connection with § 9 subpara. 4 point 3 and § 10 point 5 of the Articles of Association of the Bank, the Annual General Meeting of BOŚ S.A. resolves to grant Mr Krzysztof Wojciech Telega, Vice-President the Bank Management Board, the vote of approval for performance of duties in the period of 1 January 2011 to 31 December 2011.

The Supervisory Board opinion

*Having considered the Management Board report on the Bank's activities in 2011 the Supervisory Board recommends to the General Meeting approval of granting Mr K. W. Telega the vote of approval for performance of duties in 2011.*

**Resolution No. /2012  
of the Annual General Meeting of Bank Ochrony Środowiska S.A.  
of 28 June 2012  
on approving the report on the Bank Supervisory Board activity in 2011  
with a brief assessment of the situation of the Bank  
and of the work of the Supervisory Board in 2011**

Acting pursuant to the provisions of § 10 point 4 of the Articles of Association of the Bank, the General Meeting of BOŚ S.A. resolves to approve the report on the activity of the Bank Supervisory Board in 2011 with a brief assessment of the situation of the Bank and an assessment of the work of the Supervisory Board in 2011 laid before Shareholders at the Annual General Meeting of Bank Ochrony Środowiska S.A. on 28 June 2012.

*The Supervisory Board activity report is attached hereto as Appendix No. 5.*

**Resolution No. /2012  
of the Annual General Meeting of Bank Ochrony Środowiska S.A.  
of 28 June 2012  
on granting Mr Marcin Likierski the vote of approval  
for performance of duties in 2011**

Acting pursuant to the provisions of art. 395 § 2 point 3 of the Code of Commercial Companies, in connection with § 9 subpara. 4 point 3 and § 10 point 5 of the Articles of Association of the Bank, the Annual General Meeting of BOŚ S.A. resolves to grant Mr Marcin Likierski, Chairman of the Supervisory Board, the vote of approval for performance of duties in the period of 1 January 2011 to 31 December 2011.

**Resolution No. /2012  
of the Annual General Meeting of Bank Ochrony Środowiska S.A.  
of 28 June 2012  
on granting Mr Jacek Maciej Bajorek the vote of approval  
for performance of duties in 2011**

Acting pursuant to the provisions of art. 395 § 2 point 3 of the Code of Commercial Companies, in connection with § 9 subpara. 4 point 3 and § 10 point 5 of the Articles

of Association of the Bank, the Annual General Meeting of BOŚ S.A. resolves to grant Mr Jacek Maciej Bajorek, Deputy Chairman of the Supervisory Board, the vote of approval for performance of duties in the period of 1 January 2011 to 31 December 2011.

**Resolution No. /2012  
of the Annual General Meeting of Bank Ochrony Środowiska S.A.  
of 28 June 2012  
on granting Mr Marian Adam Pigan the vote of approval  
for performance of duties in 2011**

Acting pursuant to the provisions of art. 395 § 2 point 3 of the Code of Commercial Companies, in connection with § 9 subpara. 4 point 3 and § 10 point 5 of the Articles of Association of the Bank, the Annual General Meeting of BOŚ S.A. resolves to grant Mr Marian Adam Pigan, Secretary Chairman of the Supervisory Board, the vote of approval for performance of duties in the period of 1 January 2011 to 31 December 2011.

**Resolution No. /2012  
of the Annual General Meeting of Bank Ochrony Środowiska S.A.  
of 28 June 2012  
on granting Mr Józef Koziół the vote of approval  
for performance of duties in 2011**

Acting pursuant to the provisions of art. 395 § 2 point 3 of the Code of Commercial Companies, in connection with § 9 subpara. 4 point 3 and § 10 point 5 of the Articles of Association of the Bank, the Annual General Meeting of BOŚ S.A. resolves to grant Mr Józef Koziół, Member of the Supervisory Board, the vote of approval for performance of duties in the period of 1 January 2011 to 31 December 2011.

**Resolution No. /2012  
of the Annual General Meeting of Bank Ochrony Środowiska S.A.  
of 28 June 2012  
on granting Mr Michał Juliusz Machlejd the vote of approval  
for performance of duties in 2011**

Acting pursuant to the provisions of art. 395 § 2 point 3 of the Code of Commercial Companies, in connection with § 9 subpara. 4 point 3 and § 10 point 5 of the Articles of Association of the Bank, the Annual General Meeting of BOŚ S.A. resolves to grant Mr Michał Juliusz Machlejd, Member of the Supervisory Board, the vote of approval for performance of duties in the period of 1 January 2011 to 31 December 2011.

**Resolution No. /2012  
of the Annual General Meeting of Bank Ochrony Środowiska S.A.  
of 28 June 2012**

**on granting Mr Marcin Malicki the vote of approval  
for performance of duties in 2011**

Acting pursuant to the provisions of art. 395 § 2 point 3 of the Code of Commercial Companies, in connection with § 9 subpara. 4 point 3 and § 10 point 5 of the Articles of Association of the Bank, the Annual General Meeting of BOŚ S.A. resolves to grant Mr Marcin Malicki, Member of the Supervisory Board, the vote of approval for performance of duties in the period of 1 January 2011 to 31 December 2011.

**Resolution No. /2012  
of the Annual General Meeting of Bank Ochrony Środowiska S.A.  
of 28 June 2012  
on granting Mr Ryszard Ochwat the vote of approval  
for performance of duties in 2011**

Acting pursuant to the provisions of art. 395 § 2 point 3 of the Code of Commercial Companies, in connection with § 9 subpara. 4 point 3 and § 10 point 5 of the Articles of Association of the Bank, the Annual General Meeting of BOŚ S.A. resolves to grant Mr Ryszard Ochwat, Member of the Supervisory Board, the vote of approval for performance of duties in the period of 1 January 2011 to 31 December 2011.

**Resolution No. /2012  
of the Annual General Meeting of Bank Ochrony Środowiska S.A.  
of 28 June 2012  
on granting Mr Janusz Marek Topolski the vote of approval  
for performance of duties in 2011**

Acting pursuant to the provisions of art. 395 § 2 point 3 of the Code of Commercial Companies, in connection with § 9 subpara. 4 point 3 and § 10 point 5 of the Articles of Association of the Bank, the Annual General Meeting of BOŚ S.A. resolves to grant Mr Janusz Marek Topolski, Member of the Supervisory Board, the vote of approval for performance of duties in the period of 1 January 2011 to 31 December 2011.

**Resolution No. /2012  
of the Annual General Meeting of Bank Ochrony Środowiska S.A.  
of 28 June 2012  
on granting Mr Michał Jacek Wysocki the vote of approval  
for performance of duties in 2011**

Acting pursuant to the provisions of art. 395 § 2 point 3 of the Code of Commercial Companies, in connection with § 9 subpara. 4 point 3 and § 10 point 5 of the Articles of Association of the Bank, the Annual General Meeting of BOŚ S.A. resolves to grant Mr Michał Jacek Wysocki, Member of the Supervisory Board, the vote of approval for performance of duties in the period of 1 January 2011 to 31 December 2011.

**Resolution No. /2012**

**of the Annual General Meeting of Bank Ochrony Środowiska S.A.  
of 28 June 2012  
on the abolition of „Bank Ochrony Środowiska S.A. Workforce Fund”**

Acting pursuant to the provisions of § 36 subpara. 1 of the Articles of Association of the Bank, the General Meeting of BOŚ S.A. resolves as follows:

1. The fund designated „Bank Ochrony Środowiska S.A. Workforce Fund”, which is not comprised in Bank Ochrony Środowiska S.A. own funds, and which was established by Resolution No. 35/2003 of the General Meeting of BOŚ S.A. of 12 June 2003 on the abolition of the Workforce Fund of Bank Ochrony Środowiska S.A. established as a special fund and the establishment instead of the fund designated „Bank Ochrony Środowiska S.A. Workforce Fund”, which is not comprised in Bank Ochrony Środowiska S.A. own funds, is hereby abolished.
2. Resolution No. 35/2003 of the General Meeting of BOŚ S.A. of 12 June 2003 on the abolition of the Workforce Fund of Bank Ochrony Środowiska S.A. established as a special fund and the establishment instead of the fund designated „Bank Ochrony Środowiska S.A. Workforce Fund”, which is not comprised in Bank Ochrony Środowiska S.A. own funds, shall be repealed as of the date of adoption of this resolution.

*The Supervisory Board opinion*

*The Bank Supervisory Board – at a meeting on 18 May 2012 – expressed their positive opinion on the draft of this resolution, recommending approval thereof to the General Meeting.*

(proposed amendments are shown in bold print)

**Resolution No. /2012  
of the Annual General Meeting of Bank Ochrony Środowiska S.A.  
of 28 June 2012  
on amendments to the Articles of Association of the Bank**

§ 1

Acting pursuant to the provisions of art. 430 § 1 of the Code of Commercial Companies and in connection with § 10 point 7) of the Articles of Association of the Bank, the General Meeting of BOŚ S.A. resolves to approve the following amendments to the Articles of the Bank:

1. in § 5 subpara. 2 point 10), the word: „**units**” is replaced with the word: „**titles**”.
2. in § 20, subpara. 3 is reworded to read:  
„3. The Supervisory Board shall appoint, **from among** its members, an Internal Audit Committee and a **Remuneration Committee**. The composition and detailed list of responsibilities of **the Committees** shall be laid down by the Supervisory Board **in separate resolutions.**”
3. in § 20, subpara. 4 is reworded to read:  
„4. Responsibilities of the Internal Audit Committee shall include in particular:
  - 1) the monitoring of the risk management system and the internal control system for efficiency,
  - 2) the monitoring of financial reporting processes at the Bank,

- 3) **the monitoring of performance of finance audits,**
  - 4) **the monitoring of independence of certified auditor and entity authorised to audit financial statements,**
  - 5) **the overseeing of activity of the internal audit unit, and in particular:**
    - a) **ensuring the appropriate situation of the internal audit unit in the organisational structure of the Bank, to keep its independence in work, in accordance with supervisory regulations,**
    - b) **approving the internal audit agenda.”.**
4. in § 20, a new subpara. 5 is inserted to read:  
**„5. Responsibilities of the Remuneration Committee shall include in particular:**
    - 1) **expression of opinion on variable remuneration component policies, including amounts and components of remuneration of persons in management level positions at the Bank,**
    - 2) **expression of opinion on, and monitoring of variable remuneration of persons in management level positions at the Bank related to risk management and ensuring compliance by the Bank with regulations of the law and internal regulations.”.**
  5. in § 20, subparas. 5 to 9 are renumbered, respectively, 6 to 10.
  6. in § 20, a new subpara. 10 point 11) is inserted to read:  
**„11) issuing or approving regulations and written policies stipulated in the Articles of Association, except the Rules of organisation of the Bank, the Rules of organisation of Branch and Operation branch, and rules of organisation of Head Office organisational units,”.**
  7. in § 20 subpara. 10 point 18), the concluding full-stop is replaced with a comma and point 19) is inserted to read:  
**„19) approving variable remuneration component policies applicable to remuneration of persons in management level positions at the Bank and performing periodic reviews of such policies.”.**
  8. in § 21, subpara. 6 point 3) is reworded to read:  
**„3) to adopt resolutions on the organisational structure of the Bank and on establishing and liquidating branches and operation branches,”.**
  9. in § 21 subpara. 6 point 5), the words: **„legal instruments”** is replaced with the words: **„internal regulations”**.
  10. in § 21 subpara. 6 point 6), the concluding comma is followed by the words: **„subject to provisions of § 20 subpara. 10 point 13,”.**
  11. in § 21 subpara. 6 point 14), the concluding full-stop is replaced with a comma and point 15) is inserted to read:  
**„15) to approve, by resolution, variable remuneration component policies applicable to remuneration of persons in management level positions at the Bank.”.**
  12. in § 22 subpara. 2 point 3), the word: **„functional”** is replaced with the word: **„internal”**.
  13. in § 24, subpara. 1 is reworded to read:  
**„1. The basic organisational framework of the Bank is composed of the Head Office and branches.”.**

14. in § 24 subpara. 4, the concluding sentence: „Branches shall perform their tasks directly as well as through operation branches.” is deleted.
15. in § 24, subpara. 5 is reworded to read:  
**„5. Internal regulatory acts of the Bank shall be issued in forms of:**
  - 1) **resolution – by the Supervisory Board and the Management Board of the Bank,**
  - 2) **Management Board President regulation – by the president of the Management Board,**
  - 3) **circular notes having the status of implementing regulations to Management Board resolutions and Management Board President regulations – by Management Board members / managing directors,**
  - 4) **regulation binding upon the relevant branch – by branch directors.”.**
16. in § 24 subpara. 7, the word: „branches” and the comma are followed by the words: „**operation branches**” and a comma.
17. in § 25, subpara. 7 is reworded to read:  
**„7. Internal control** is a fundamental control service at the Bank and shall be performed by all employees of the Bank. Management Board members shall oversee **internal** control job delivery in their respective areas of supervision.”.

## **§ 2**

This resolution shall come into force as of the date the respective amendments have been registered by the District Court for the Capital City of Warsaw Commercial Department XII National Court Register.

**Resolution No. /2012  
of the Annual General Meeting of Bank Ochrony Środowiska S.A.  
of 28 June 2012  
authorising the Supervisory Board to approve a consolidated text  
of the Articles of Association of the Bank**

Acting pursuant to the provisions of art. 430 § 5 of the Code of Commercial Companies, the Annual General Meeting of BOŚ S.A. hereby authorises the Supervisory Board to approve the consolidated text of the Articles of Association of the Bank.

*The Supervisory Board opinion*

*The Supervisory Board – at a meeting on 18 May 2012 – expressed their positive opinion on the proposed General Meeting resolution authorising the Supervisory Board to approve a consolidated text of the Articles of Association of the Bank, and recommended adoption thereof by the General Meeting.*

**Resolution No. .. /2012  
of the Annual General Meeting of Bank Ochrony Środowiska S.A.  
of 28 June 2012**

**to amend Resolution No. 6/2011 of the Extraordinary General Meeting of Bank Ochrony Środowiska S.A. of 23 September 2011 on approval and determination of terms of a three-year options program directed to the Management Board and persons in management level positions at the Bank**

Acting pursuant to provisions of art. 393 point 5, art. 433 § 2, art. 448 § 1 and 2 point 3 and 453 § 2 and 3 of the Code of Commercial Companies and § 10 point 15 of the Articles of Association of Bank Ochrony Środowiska S.A. („the Bank”), the Annual Meeting of the Bank resolves as follows:

§ 1

Resolution No. 6/2011 of the Extraordinary General Meeting of Bank Ochrony Środowiska S.A. of 23 September 2011 on approval and determination of terms of a three-year options program directed to the Management Board and persons in management level positions at the Bank, as amended by Resolution No. 5/2011 of the Extraordinary General Meeting of Bank Ochrony Środowiska S.A. of 23 November 2011, is amended as follows:

1) subpara. 2 is reworded to read:

„2. The Program will be available to members of the Bank Management Board, members of Dom Maklerski brokerage Management Board, and members of the Management Board Eko Profit, as well as chosen members of the executive management of the Bank, Dom Maklerski and Eko Profit (**„Authorised Persons”**). The Authorised Persons will be appointed by the Bank Management Board, except for Authorised Persons who are members of the Bank Management Board, who will be appointed by the Bank Supervisory Board. The total number of Authorised Persons eligible for the Program shall not be greater than 200, in accordance with the terms set forth in subpara. 5 hereof.”,

2) in subpara. 5, point (i) is reworded as follows:

„(i) Each of the Appointing Bodies will approve, by resolution, their lists of Authorised Persons admitted to participation in the Program (collectively: „List of Authorised Persons”);”,

3) in subpara. 14, point (iii) is reworded as follows:

„(iii) the following conditions are met: (a) the Bank's shares have gained on the Warsaw stock exchange [Giełda Papierów Wartościowych w Warszawie S.A.]; (b) the Bank's net profit per share for the year; with details regarding determination and values of financial ratios referred to herein to be specified in the Rules of Procedure;”,

4) subpara. 15 is reworded as follows:

„15. Within 30 days on approval by the General Meeting of the financial statements for the year covered by the Program, the Bank Management Board shall review delivery by the Authorised Persons, of their individual objectives specified under subpara. 14 point (iv) hereof, and determine, by resolution, the number of Warrants of the series allotted for acquisition by individual Authorised Persons.”.

§ 2

This resolution shall come into force as of the date of adoption.

The Supervisory Board opinion

*The Bank Supervisory Board – at a meeting on 18 May 2012 – expressed their positive opinion on the draft of this resolution to amend Resolution No. 6/2011 of the Extraordinary General Meeting of Bank Ochrony Środowiska S.A. of 23 September 2011 on approval and determination of terms of a three-year options program directed to the Management Board and persons in management level positions at the Bank, recommending approval thereof to the General Meeting.*

**Resolution No. /2012  
of the Annual General Meeting of Bank Ochrony Środowiska S.A.  
of 28 June 2012  
on dismissing a member of the Supervisory Board**

Pursuant to provisions of art. 385 §1 of the Code of Commercial Companies and § 10 point 6 of Articles of Association of the Bank, the Annual General Meeting of BOŚ S.A. hereby dismisses, by secret ballot, Mr. .... from his post of member of the Supervisory Board.

**Resolution No. /2012  
of the Annual General Meeting of Bank Ochrony Środowiska S.A.  
of 28 June 2012  
on the appointment a member of the Supervisory Board**

Acting under Art. 385 Par. 1 of the Commercial Companies Code and Par. 10 Item 6 of the Bank's Articles of Association, the BOŚ SA Annual General Meeting hereby appoint, by secret ballot, Mr. .... as a member of the Supervisory Board.

*Appendix No. 1  
to draft resolutions  
of the Annual General Meeting of BOŚ S.A. convened for 28 June 2012*

The Supervisory Board  
Bank Ochrony Środowiska S.A.

To the General Meeting of BOŚ S.A.

Assessment of the Management Board Report  
on Bank Ochrony Środowiska S.A. Activities in 2011

The Supervisory Board of the Bank, acting pursuant to Art. 382 § 3 of the Code of Commercial Companies and § 43 subpara. 1 of the Articles of Association of BOŚ S.A., has considered details of the Management Board Report on Bank Ochrony Środowiska S.A. activities in 2011, including, but not limited to:

- information on the Bank's financial results in 2011, including the income statements, the balance sheet and basic products and services, and areas of activity of the Bank,
- information related to:
  - factors and events that affected the Bank's financial standing in 2011,
  - management of financial risks and the internal control system at the Bank,
- information regarding lines and factors of development of the Bank,
- supplementary information concerning, among other things:
  - parties related by capital and management to the Bank, and contracts the Bank concluded,
  - the ownership structure of the Bank,
  - directing bodies of the Bank and its employees,
  - promotional activities and social responsibility commitments of the Bank,
- the statement on compliance with corporate governance rules.

Following examination of the directors' report the Supervisory Board:

- declared the report to be compliant with the binding regulations of the law and the Articles of BOŚ S.A., and to be a clear and accurate presentation of all significant data required for the assessment of the Bank's operations in the period from 1 January 2011 to 31 December 2011,
- requests approval of the Management Board report by the General Meeting of BOŚ S.A.

For the Supervisory Board of  
BOŚ S.A.  
The Chairman  
/-/ Marcin Likierski

Warsaw, 13 March 2012

*Appendix No. 2  
to draft resolutions  
of the Annual General Meeting of BOŚ S.A. convened for 28 June 2012*

The Supervisory Board  
Bank Ochrony Środowiska S.A.

**To the General Meeting  
of BOŚ S.A.**

**Assessment of the Financial Statements of Bank Ochrony Środowiska S.A.  
for the period of 1 January 2011 to 31 December 2011**

Acting pursuant to Art. 382 § 3 of the Code of Commercial Companies and § 43 subpara. 1 of the Articles of BOŚ S.A., the Supervisory Board considered in detail financial statements of Bank Ochrony Środowiska S.A. for 2011 containing:

- the income statement for the financial year 2011, with net profit amounting to 58 745 thousand zlotys;
- the statement of comprehensive income for the financial year 2011, with a total comprehensive income amounting to 74 874 thousand zlotys;
- the balance sheet as at 31 December 2011, with assets and liabilities representing the amount of 15 505 426 thousand zlotys;
- the statement of changes in equity for the financial year 2011, with a net increase in equity amounting to 74 874 thousand zlotys,
- the cash flow statement for the financial year 2011, with a net cash outflow amounting to 120 537 thousand zlotys;
- the summary of significant accounting policies and other explanatory notes.

The Supervisory Board, having heard the chartered auditor's report on the course and results of the financial statements and on the economic and financial situation of the Bank:

- expressed a positive opinion on the draft resolution of the Annual General Meeting of BOŚ S.A. on approving the financial statements of Bank Ochrony Środowiska S.A. for the period of 1 January 2011 to 31 December 2011;
- requests the Annual General Meeting of BOŚ S.A. approval of the financial statements.

For the Supervisory Board of  
BOŚ S.A.  
The Chairman  
/-/ Marcin Likierski

Warsaw, 13 March 2012

*Appendix No. 3  
to draft resolutions  
of the Annual General Meeting of BOŚ S.A. convened for 28 June 2012*

The Supervisory Board  
Bank Ochrony Środowiska S.A.

**To the General Meeting  
of BOŚ S.A.**

## **Assessment of the Management Board Report on Bank Ochrony Środowiska S.A. Group Activities in 2011**

The Supervisory Board of the Bank, acting pursuant to Art. 382 § 3 of the Code of Commercial Companies and § 43 subpara. 2 of the Articles of Association of BOŚ S.A., has considered details of the Management Board 2011 activity report of the Bank Ochrony Środowiska S.A. Group, which is composed of:

- Bank Ochrony Środowiska S.A., the parent entity,
- Dom Maklerski Bank Ochrony Środowiska S.A., a direct subsidiary,
- BOS Finance AB (publ) with seat in Stockholm, a direct subsidiary,
- BOŚ Eko Profit S.A. , an indirect subsidiary (as a subsidiary of Dom Maklerski BOŚ S.A.).

Following examination of the directors' report including, but not limited to:

- information on the Group's financial results, including the income statements, the balance sheet and basic products and services, and areas of activity,
- information related to:
  - factors and events that affected the Group's financial standing,
  - management of financial risks in the Group and the internal control system,
  - lines and factors of development of the Group,
  - organisation of the Group,

the Bank Supervisory Board:

- declared the report to be compliant with regulations of the law applicable to the Group operations, and to be a clear and accurate presentation of all significant data required for the assessment of the BOŚ S.A. Group operations in the period from 1 January 2011 to 31 December 2011,
- requests approval of the Management Board report by the General Meeting of BOŚ S.A.

For the Supervisory Board of  
BOŚ S.A.

The Chairman

/-/ Marcin Likierski

Warsaw, 13 March 2012

*Appendix No. 4  
to draft resolutions  
of the Annual General Meeting of BOŚ S.A. convened for 28 June 2012*

The Supervisory Board  
Bank Ochrony Środowiska S.A.

**To the General Meeting**

of BOŚ S.A.

**Assessment of the consolidated financial statements  
of the Capital Group of Bank Ochrony Środowiska S.A.  
for the period of 1 January 2011 to 31 December 2011**

Acting pursuant to Art. 382 § 3 of the Code of Commercial Companies and § 43 subpara. 2 of the Articles of BOŚ S.A., the Supervisory Board considered in detail the consolidated financial statements of the Capital Group of Bank Ochrony Środowiska S.A. for 2011, containing:

- the consolidated income statement for the financial year 2011, with net profit amounting to 63 418 thousand zlotys;
- the consolidated statement of comprehensive income for the financial year 2011, with a total comprehensive income in the amount of 78 547 thousand zlotys;
- the consolidated statement of financial position as at the date of 31 December 2011, with assets and liabilities representing the amount of 15 637 117 thousand zlotys;
- the consolidated statement of changes in equity for the financial year 2011 with a net increase in equity amounting to 78 547 thousand zlotys;
- the consolidated cash flow statement for the financial year 2011, with a net cash outflow amounting to 117 229 thousand zlotys;
- the summary of significant accounting policies and other explanatory notes.

The Supervisory Board, having heard the auditor express their opinion on the audit of the financial statements and the economic and financial situation of the Capital Group of the Bank:

- expressed a positive opinion on the draft resolution of the Annual General Meeting of BOŚ S.A. on approving the consolidated financial statements of the Capital Group of Bank Ochrony Środowiska S.A. for the period of 1 January 2011 to 31 December 2011;
- requests the Annual General Meeting of BOŚ S.A. approval of the financial statements.

For the Supervisory Board of  
BOŚ S.A.

The Chairman

/-/ Marcin Likierski

Warsaw, 13 March 2012

*Appendix No. 4  
to draft resolutions  
of the Annual General Meeting of BOŚ S.A. convened for 28 June 2012*

**Bank Ochrony Środowiska S.A.  
Supervisory Board 2011 Activity Report**

**with:**

- **a brief assessment of the Bank standing in 2011, and of the Bank's significant risk management and internal control systems, and**
- **a self-appraisal of performance by the Bank Supervisory Board for 2011**

Warsaw, March 2012

In the report period, the Bank Supervisory Board exercised its supervisory function at Bank Ochrony Środowiska S.A. as required under the relevant regulations and the Bank's Articles of Association.

### **1. Supervisory Board membership structure, number of meetings, in 2011**

In the report period, the Supervisory Board membership, unchanged through the year, was as follows:

- 1) Marcin Likierski (Chairman of the Supervisory Board)
- 2) Jacek Bajorek (Deputy Chairman of the Supervisory Board)
- 3) Marian Pigan (Secretary of the Supervisory Board)
- 4) Józef Koziół
- 5) Michał Machlejd
- 6) Marian Malicki
- 7) Ryszard Ochwat
- 8) Janusz Topolski
- 9) Michał Wysocki.

In the exercise of their duties of ongoing supervision of activities of the Bank, the Supervisory Board held 15 meetings in 2011 (including three two-day meetings).

### **2. Main activities of the Supervisory Board in 2011**

In 2011, the Supervisory Board adopted altogether 43 resolutions, including resolutions:

- 1) to approve the "Yearly Internal Audit Agenda for 2011" (Resolution No. 2/2011 of 27 January 2011);
- 2) to approve:
  - amendments to the "Bank Ochrony Środowiska S.A. going concern principle management policy" (Resolution No. 1/2011 of 27 January 2011) and to „Bank Ochrony Środowiska S.A. lack of compliance risk management policy" (Resolution No. 3/2011 of 2 March 2011);
  - "Bank Ochrony Środowiska S.A. Rules (Strategy) of prudential and stable management" (Resolution No. 10/2011 of 23 March 2011);
  - "Bank Ochrony Środowiska S.A. liquidity risk management policy", „Bank Ochrony Środowiska S.A. market risk in trading book management policy" and „Bank Ochrony Środowiska S.A. interest rate risk in banking book management policy" (Resolution No. 11/2011 of 28 April 2011);
  - „Bank Ochrony Środowiska S.A. operating risk management policy" (Resolution No. 21/2011 of 29 June 2011);
  - "Bank Ochrony Środowiska S.A. going concern principle management policy" (Resolution No. 22/2011 of 29 June 2011);
  - "Bank Ochrony Środowiska S.A. safety management policy" (Resolution No. 23/2011 of 5 July 2011);

- “Bank Ochrony Środowiska S.A. policy in respect of money laundering and financing terrorism” (Resolution No. 28/2011 of 27 October 2011);
  - “Bank Ochrony Środowiska S.A. policy in respect of capital management and ICAAP process management” (Resolution No. 34/2011 of 19 December 2011);
- 3) to pronounce a positive opinion on guaranteeing repurchase, with any accrued interest, of ordinary bonds of up to EUR 500 million nominal value issued by a special purpose vehicle the Bank created and registered in Sweden (Resolution No. 9/2011 of 10 March 2011);
  - 4) to choose a statutory auditor to review financial statements of the Bank and consolidated financial statements of the BOŚ S.A. Group and to audit financial statements of the Bank and consolidated financial statements of the BOŚ S.A. Group for report periods 2011 and 2012 (Resolution No. 12/2011 of 28 April 2011);
  - 5) to establish a consolidated text of the Articles of Association of Bank Ochrony Środowiska S.A. (Resolution No. 18/2011 of 10 June 2011);
  - 6) to approve a Management Board resolution on changes in the organisational structure of Bank Ochrony Środowiska S.A. (Resolution No. 24/2011 Supervisory Board of 21 July 2011 and Resolution No. 39/2011 Supervisory Board of 19 December 2011);
  - 7) to sign off Rules of Procedure of the Supervisory Board of Bank Ochrony Środowiska S.A. (Resolution No. 41/2011 of 19 December 2011).

In 2011, the Supervisory Board focused in particular on the following issues:

- Approving updates to the “BOŚ S.A. Strategy of activity for the years 2009–2013” for the period 2011–2014.

A number of modifications had to be made to the Bank’s Strategy paper, specifically where methods and time-lines of arriving at targets are laid down in the document. Modifications became inescapable after the initial underlying assumptions turned out to be outdated, which in turn resulted mainly from a major shift in market conditions.

The Supervisory Board in a number of meetings discussed the lines of development of the Bank as specified in the Strategy – not only with a view to changing market conditions, but also in connection with the amended Public Finance Act which came into force early in 2011 and which affects the Bank strongly, especially the liabilities side of its balance sheet and liquidity risk levels.

Following a series of discussions with the Management Board the Supervisory Board found the Bank had to update its Strategy of activity. The Supervisory Board resolution to approve the updated Strategy of the Bank was adopted on 24 May 2011 (Resolution No. 13/2011).

- Shaping the composition of the Bank Management Board.

On 2 March 2011, the Supervisory Board made a decision to reappoint the incumbent Members of the Bank Management Board to a next term of office. That decision was taken with the intent to secure stability of the Bank and to send participants in financial markets as potential investors a clear signal that the Bank abides by its declared directions of development as well as to meet expectations resulting from Best Practices of Public Companies the chief purpose whereof is

strengthen transparency of activities of listed companies and to improve communication with investors.

The resolutions to appoint Members of the Management Board came into force as of 25 May 2011, i.e., as of the day the BOŚ S.A. Annual General Meeting approved financial statements of the Bank for 2010 and acknowledged fulfilment by Management Board Members of their duties in 2010.

On 21 September 2011, the mandate of the Management Board Vice-President overseeing the retail banking area expired following his resignation presented to the Chairman of the Supervisory Board.

On 15 December 2011, the Supervisory Board made the following changes in the Bank Management Board:

- it dismissed Mr Jacek Pierzyński as Member of the Management Board;
  - it appointed Mr Stanisław Kolasiński Vice-President of the Management Board overseeing the risk and planning area. Along with that, acting pursuant to provisions of art. 22b subpara. 1 of the Banking Law Act, the Supervisory Board applied to the Polish Financial Supervision Authority to express their consent to appointing Mr Stanisław Kolasiński Member of the Bank Management Board;
  - it appointed Mr Przemysław Lech Figarski Vice-President of the Management Board overseeing the retail banking area. The resolution came into force as of 2 January 2012.
- Regular review of progress in implementation of post-audit recommendations issued following an on-site inspection the Office of the Polish Financial Supervision Authority [UKNF] carried out at BOŚ S.A. between 23 August 2010 and 1 October 2010.

The Supervisory Board examined details and discussed both the protocol of the inspection and the post-audit recommendations, along with the Management Board time-line of implementation of the UKNF recommendations (at meetings of 20 January and 2 March 2011). Every quarter the Supervisory Board then met to consider information contained in progress reports. The Supervisory Board sought to be sure that realisation of the recommendations did help improve safety at the Bank and that the recommendations are being put in effect in a proper manner, in keeping with the approved time schedules.

- Approving internal regulations designed to enact organisational changes in the reporting pattern of the internal audit unit. Implementation of such changes was one of the above-mentioned post-audit recommendations of the UKNF.

The internal audit unit was exempted from any direct organisational subordination to the Supervisory Board and made to report to the President of the Management Board (which was reflected in the respective amendments to the Articles of the Bank, the Management Board resolution concerning the organisational structure of the Bank, and the Management Board President regulation concerning the rules of organisation of the Bank). In keeping with art. 9e subpara. 2 of the Banking Law Act, general supervision of activity of the internal audit unit was assigned as a duty to the Supervisory Board Internal Audit Committee. Following these changes to the Articles appropriate internal regulations were issued to accommodate the changes, including, among other things, the following ones:

- “Procedure for appointing and dismissing the director of the internal audit unit and determining his/her remuneration” (Management Board Resolution

No. 161/2011 of 12 July 2011, approved by Supervisory Board Resolution No. 25/2011 of 21 July 2011);

- “Internal control system at BOŚ S.A.” (Management Board Resolution No. 299/2011 of 6 December 2011, approved by Supervisory Board Resolution Resolution No. 38/2011 of 19 December 2011),
  - Rules of Procedure “Organisation and responsibilities of the Internal Audit Committee” (Supervisory Board Resolution No. 40/2011 of 19 December 2011),
  - Rules of Procedure of the Supervisory Board of BOŚ S.A. (Supervisory Board Resolution No. 41/2011 of 19 December 2011).
- Consideration and assessment of financial statements of the Bank and the BOŚ S.A. Group for 2010 and of the Management Board 2010 activity reports for the Bank and the Group – in accordance with provisions of the Code of Commercial Companies and the Articles of Association of the Bank.
  - Consideration and expression of opinion on materials addressed to general meetings of the company – the Annual General Meeting of BOŚ S.A. on 25 May 2011 and the Extraordinary General Meetings held on 23 September 2011 and 23 November 2011.

Apart from that, the Supervisory Board discussed and assessed on a regular basis, in keeping with its adopted agenda for 2011, the following matters:

- management of basic financial risks at the Bank, including: liquidity risk, credit risk, interest rate risk, foreign exchange risk;
- the financial situation of the Bank after the months and/or quarters, with a progress report on the 2011 financial plan implementation and a forecast of results of the coming months,
- BOŚ S.A. standing in the banking sector and compared with the peer group,
- results of the Bank’s lending activity, with emphasis on loan portfolio quality and debt recovery effectiveness,
- credit financing environment friendly projects and the environmental effect secured, with emphasis on co-operation with the National Fund for Environmental Protection and Water Resource Management [NFOŚiGW] and its regional counterparts [Wojewódzkie Fundusze Ochrony Środowiska i Gospodarki Wodnej],
- progress in the Central Information System project implementation,
- quarterly results of internal audit control activities.

### **3. Brief assessment of the Bank standing in 2011, with assessments of the risk management system and the internal control system**

The Supervisory Board made its assessment of the Bank’s activity in 2011 on the basis of:

- current reports on the economic situation and financial situation of the Bank the Supervisory Board considered at meetings during the year;
- reports of the internal audit unit on audits and ad hoc inspections performed by it;
- an analysis of the Management Board 2011 activity report for the Bank;
- an analysis of BOŚ S.A. financial statements for 2011,

- the opinion of the auditors on the course and findings of audits of the financial statements of the Bank.

It is important to note that 2011 was an extraordinarily tough year for the Bank. On the one hand, the Bank worked in a difficult situation of the economy generally, which was to do with the financial crisis (the Polish economy, even though quite resilient amidst the crisis, was not spared certain adverse consequences of difficulties elsewhere in the world and in Europe, for instance the Polish currency weakened noticeably, as inflation and interest rates rose), and on the other, the Bank had to accommodate to legislative changes in Poland which did affect the banking sector generally. Bank Ochrony Środowiska was hit hard by the amended Public Finance Act, which changed substantially the Bank's liabilities balances. Certain organisations in the public finance sector were obligated under the Act to change their finance management rules, with the consequence to the Bank that they withdrew their deposits from the Bank, thus reducing the Bank's liabilities balance by a total of well above PLN 2 billion. BOŚ S.A. saw itself forced to substitute the withdrawn deposits with funding taken from the financial markets, to ensure adequate financing of its operations. The Supervisory Board expressed their positive opinion of actions the Management Board last year in order to rebuild the liabilities side of the balance sheet and to ensure stability of the Bank's liquidity policies. The fact that the Bank managed to win more than PLN 900 mn in deposits from retail clients, EUR 250 mn from an issue of eurobonds, PLN 100 mn from an issue of its own subordinate bonds and PLN 380 mn from an issue of its own bonds has to be acknowledged as a respectable accomplishment. The Supervisory Board acknowledged that as a result of the measures taken the Bank, on the one hand, succeeded in improving its financing structure owing to a deconcentration of deposits, an extension of maturities and better currency structure adjustments, yet, on the other, it had to pay a higher price for money. Stark reality showed the assumptions the Bank adopted in its planning for 2011 were just too optimistic (for example, interest rates on bonds in EUR and currency rates had turned out higher than was assumed, which effectively lowered net interest income of the Bank and boosted capital requirement nearly by PLN 30 mn).

Furthermore, as it had to buy money in the market as substitute for the funds withdrawn by public sector entities the Bank, keeping by its principle of safe and stable management was forced to slow down lending activities.

The increased mandatory contribution to the Bank Guarantee Fund [BFG] (PLN 4.6 mn more than the amount the Bank paid in 2010) and the introduction by Poland of a 23% rate for VAT were two more factors that encumbered the Bank's earnings in 2011.

The above factors made it substantially more difficult for BOŚ S.A. to attain its main strategic goals the Bank set itself for 2011.

These tough market conditions notwithstanding:

- BOŚ S.A. posted a net profit of PLN 58.7 mn, a 9% increase on the previous year;
- the Bank balance sheet value was more than PLN 15.5 billion, nearly 3% above the end 2010 figure;
- BOŚ S.A. posted a higher net interest income figure (by 10.5%) and net operating income (nearly 13%);
- net earnings of the Bank increased in total by 28%,

- BOŚ S.A. continued implementing its key information technology project, dubbed Central Banking System,
- the Bank succeeded in holding:
  - its most important return rates and effectiveness ratios at levels close to figures of 31 December 2010,
  - a lead position on the growing market of environment-friendly project financing and management,
  - a good position in independent rankings, often among the top three.

Yet at the same time:

- BOŚ S.A. saw its share of the commercial banking sector shrink. At end December 2011, its share was:
  - 1.12% in respect of total balance sheet value, from 1.22% at end 2010;
  - 1.11% in respect of total liabilities, from 1.32% at end 2010;
  - 1.14% in respect of total assets, from 1.25% at end 2010.
- Because of the volatile markets, the principal assumption of the Strategy of the Bank and of its Financial Plan 2011, including in particular an increase of the Bank's equity capital through an issue of shares could not be put in place. This is grounds for the Bank to update its Strategy document for the next several years; consequences of the fact that the Bank had not managed to increase its own funds on a scale it set itself in its plans last year found also reflection in the Financial Plan the Bank adopted for 2012.

In its assessment of the situation of the Bank in 2011, and criticising the Bank's shrinking share of the banking sector, the Supervisory Board noted that:

- the failure to implement the tasks adopted for the year 2011 in full came as a result of external and internal factors (crisis in financial markets, public finance consolidation, no increase of own funds, high operating expense of the Bank, in connection among other things with implementation of the Bank's Central Banking System);
- one unquestionable success of the Bank last year was that, in the tough market situation, Fitch Ratings agency reaffirmed in its yearly rating study its appraisal of the Bank's creditworthiness at the previous level, unchanged (BBB long-term rating; with a stable prospect).

The Supervisory Board has noted that 2012 will be key for the Bank's development, not least because of the implementation of its new information technology system envisaged in plans for this year. Further, successful realisation of assumptions underlying the Bank's Financial Plan the Bank adopted for 2012 and for the safe development of the Bank in future, including maintenance of liquidity norms and reserves at requisite safe levels and keeping the Bank's capital adequacy ratio at levels not lower than 12% – especially in the tough unstable market conditions – will largely depend on the Bank's ability to get hold of extra funding (especially from a projected issue of shares).

### **3.1. An assessment of the risk management system**

The risk management system working at the Bank consists of a whole array of internal regulations, which are in compliance with external regulations adopted by the Management Board and approved by the Supervisory Board in keeping with provisions of the Articles of Association of the Bank.

The basic document describing the system of risk management at the Bank is the “Bank Ochrony Środowiska S.A. Rules (Strategy) of prudential and stable management”. The purpose of that document is for the Bank to comply with external regulatory requirements in respect of prudential risk management, and also to define the level of tolerance in respect of capital adequacy and the Bank’s appetite for types of significant risks – within the limits set by prudential practice and stable risk management – and taking into account experiences of the banking sector, in connection with market and internal conditions of work of the Bank.

Within the framework of the risk management system, in order to ensure realisation of its goals:

- 1) definitions have been provided of roles, duties and entitlements of governing bodies and organisational units and offices at the Bank in the risk management process and mutual interactions between entities involved in the process. In particular, responsibilities have been defined of the particular bodies of the Bank, i.e., the Supervisory and Management Boards, as well as of Members of the Management Board overseeing organisational units of the Bank Head Office responsible for risk identification and measurement, and the relevant Committees at the Bank Head Office, including in particular: the Assets and Liabilities Committee, the Operating Risk Committee, and the Credit Committee;
- 2) a series of internal regulations, adopted by the Management Board and the Supervisory Board as compliant with external regulations, have been enacted and are functioning at the Bank (including, e.g., “Bank Ochrony Środowiska S.A. liquidity risk management policy”, „Bank Ochrony Środowiska S.A. market risk in trading book management policy” and “Bank Ochrony Środowiska S.A. interest rate risk in banking book management policy”, “Bank Ochrony Środowiska S.A. operating risk management policy” or “Bank Ochrony Środowiska S.A. policy in respect of capital management and ICAAP process management”).

Risks classed significant are being under constant monitoring at the Bank. Any relevant information is transmitted – within the working management information system – to the Management Board, and the Management Board regularly advises the Supervisory Board of developments in this respect.

The risk management process at the Bank operates based on a batch of quantitative internal risk limits. The batch includes internal limits, set up to reflect the scale and complexity of the Bank’s operations, to mitigate the respective risks. Levels of internal limits are adjusted to what the Supervisory Board defines as acceptable risk appetite for the Bank.

The Supervisory Board, based on materials supplied by the Management Board and on information from the Internal Audit Committee and the external auditor, states hereby that:

- the Bank continues to manage, successively and effectively, processes designed to warrant risk identification, quantification and management at the Bank;
- the risk management system working at the Bank provides good possibilities of risk identification, ongoing monitoring and reporting, and so, if necessary, of taking remedial action in due time.

### **3.2. An assessment of the internal control system**

The aim of the internal control system is to support decision-making processes to ensure:

- efficiency and effectiveness of the Bank activities,
- reliability of finance data reporting,
- compliance of the Bank activities with the law and with internal regulations.

As a tool designed to ensure efficient control of the process and protection of the Bank's interest the internal control system comprises the following functions:

- risk control mechanisms, which operate in particular as internal rules, limits, procedures, enacted on motions of the particular governing bodies of the Bank and subsequently as checks of compliance therewith,
- watching the Bank's operations for compliance with regulations of the law and internal regulations, and checking any risk control mechanisms implemented for effectiveness. The internal control system operates based on the compliance function which is responsible for the implementation of procedures for the identification, assessment, monitoring and reporting on the lack of compliance risk,
- internal audit, a function reporting – from mid-2011 – directly to the President of the Management Board and being an essential element of the Bank management process.

The main responsibility of internal audit is to watch and evaluate – in an independent and objective manner – the internal control system for adequacy, compliance with rules, and effectiveness, and to express opinions on the risk management system in connection with activities of the Bank and its subsidiaries.

The internal control system at BOŚ S.A. works on the basis of internal regulations, in particular written policies, rules of procedure and position papers signed off by the Management Board and approved by the Supervisory Board.

The Supervisory Board appoints certain of its members to sit on the Internal Audit Committee, which supports the Supervisory Board as an opinion-forming body in respect of the risk management system and internal control system, and monitors and appraises the internal control system for efficiency. In performing this job the Committee relies for assistance and basic support on the internal audit service.

In its review of internal audit activities in 2011 the Supervisory Board found that the audit unit performed 12 scheduled audits and 4 unscheduled audits (special audits and ad hoc control inspections), and completed its projected work agenda.

The 2011 audits probed the highest risk business areas and risks resulting from supervisory regulations, specifically:

- the charging of fees and commissions on sales of certain banking products;
- certain elements of the process of lending to clients in the corporate and public finance division and the process of lending in granting advances in checking and savings account and credit card limits;
- implementation of the MiFID (Markets in Financial Instruments) Directive at the Bank;
- certain elements of debt recovery operations at the Bank;
- liquidity risk management;
- operating risk management in respect of sales effected by financial intermediaries and partnership advisers;

- quality of management of retail client exposures against requirements set out in Recommendation T and Recommendation S;
- safety levels of certain information systems operated in the Bank;
- maintenance and processing client accounts in the corporate and retail divisions for assessment of actions taken to counteract money laundering and financing terrorism;
- enterprise resource management at the Bank.

Results of the particular audits and control inspections, in a form of reports possibly with post-audit recommendations, were immediately presented to the Chairman of the Internal Audit Committee, the President of the Management Board, and also to members of the Bank Management Board and to interested directors of Head Office Departments.

The relevant recommendations put forward by auditors following every audit were signed off by the Management Board President and sent out with instructions to put them into effect.

The status of recommendations issued in the last 12 months was the subject of a separate audit (review) for progress, the findings presented to the Management Board, the Internal Audit Committee and the Supervisory Board.

The internal audit unit submitted quarterly reports on audits/inspections performed in the quarter to the Management Board, the Internal Audit Committee and the Supervisory Board.

Findings of the internal audit service in 2010 reaffirmed the need for further efficiency actions to be taken for the improvement of processes/procedures of direction, sales management, and risk assessment and control mechanisms..

In 2011, the Supervisory Board approved a Management Board proposed design to create a new approach to culture and quality of control at the Bank. The internal control system was revamped and enriched with new elements such as may ensure better integrity of its constituent elements and greater efficiency and effectiveness of control functions realised at the Bank.

Some of the most important actions carried out in 2011 in the internal control system:

- new system solutions were implemented for follow-up control inspections in the distribution network and operational inspection in the Bank outlets,
- mechanisms and procedures functioning in the Bank control were submitted to verification, following an information action to alert the managerial staff to the need to create and apply efficient control mechanisms,
- the management procedure in respect of lack of compliance risk was amended, specifically with a more precise definition of the area lack of compliance risk, and an allocation of powers and responsibilities to the particular specialised units of the Bank,
- organisational position of the internal audit service was changed, as internal audit structures were reinforced by taking on experienced auditors specialising in audits of IT systems, operating and compliance risks, and enterprise resource planning,
- work was initiated on developing a Risk Map for the Bank, to design audit plans (yearly and multi-year) based on risk analysis in processes,

- internal control system support was strengthened by including specialised units of the Bank in the process, the Bank Safety Department, the Accounting Department and the Settlements Department.

The changes made to the internal control system as approved by the Supervisory Board were put in place in keeping with a document called *A Concept of Functioning of the Internal Audit Department*. Implementation of the concept was preceded by a study of the UKNF recommendations, a self-assessment of the Department, and the Management Board President approved *Program to ensure and improve the quality of work of the Internal Audit Department*, which will be continued in the coming years.

In 2011, monitoring of the internal control system continued at the Bank as well as in its subsidiaries, which carried out by internal audit in the Bank and by duly authorised staff in the subsidiaries. A consolidated uniform internal control system is designed for implementation and operation in the Bank as well as in the subsidiaries.

The internal control system in respect of financial reporting was verified for validity by a chartered auditor at half-yearly intervals.

The Supervisory Board, based on materials supplied by the Management Board, periodic reports from the internal audit unit, and opinions from the Internal Audit Committee:

- states hereby that internal control system operating at the Bank fulfils its main functions and contributes to a more efficient management of risks connected with the Bank's activities,
- findings of audits and recommendations are used in day-to-day management policies and decisions; implementation of recommendations was conducive to lowering the level of risk the Bank faced, and to development and implementation of efficient functional control mechanisms,
- implementation of the audit unit's recommendations on a systematic basis makes possible a precise definition of acceptable risk levels at the Bank.

#### **4. Supervisory Board Self-Appraisal of performance in 2011**

As provided for in the "Best Practice Code of Companies Listed at the Warsaw Stock Exchange [GPW]", the Supervisory Board reviewed their own activities last year for presentation to the General Meeting.

The Supervisory Board held 13 meetings in 2010, which means the number of Supervisory Board meetings was well above the requirements set out in § 19 subpara. 2 of the Bank Articles of Association and art. 389 § 3 of the Code of Commercial Companies. The Supervisory Board activities concerned matters on the Supervisory Board agenda for the year and any business emerging in the current work of the Bank.

As a matter of principle, all Supervisory Board members attended board meetings. The few cases of absence were always explained and justified. Each of the Board members watched the developments at the Bank, in fulfilment of their duties as members but also in connection with their education, experience and interests. Several valuable observations and opinions expressed by members were recorded in minutes from Supervisory Board meetings.

The Supervisory Board delivered all duties that are vested in this Bank directing body on time and with utmost diligence. The Supervisory Board took its decisions only



- Janusz Topolski            Member of the Committee (appointed by Supervisory Board Resolution No. 26/2011 of 21 July 2011)

In 2011, the Committee performed the duties defined for it in the relevant Supervisory Board Resolution and in the Auditors and their Self-Governing Body, Entities Entitled to Carry Out Audits of Financial Statements, and Public Supervision Act, reporting to the Supervisory Board the topics considered and opinions issued.

In its seven meetings in 2011, the Committee discussed, amongst other things, the following matters:

- a draft “Internal Audit Agenda for 2011” and a yearly “Audit Agenda for 2012 with an Audit Agenda for the years 2013 and 2014”,
- a draft written policy paper called “Rules of procedure in functional control inspections at Bank Ochrony Środowiska S.A.”,
- progress in implementation of UKNF post-audit recommendations, issued following a full-scale inspection the UKNF performed at BOŚ S.A. in the latter half of 2010, with quarterly progress reports,
- a motion of approval of a Management Board resolution to introduce “Bank Ochrony Środowiska S.A. lack of compliance risk management policy”,
- the report and opinion of the auditors on the course and findings of audits of the financial statements of the Bank and the BOŚ S.A. Group for 2010,
- regular reports on results of quarterly internal audits,
- a recommendation in the matter of adoption of a Supervisory Board resolution to choose a statutory auditor to review financial statements of the Bank and of the BOŚ S.A. Group,
- an information note on progress of work on the internal audits agenda in the former half of 2011 and shifts in the scope of Q3 and Q4 2011 scheduled audits,
- a Management Board President request of opinion on a candidate for the post of director of the internal audit service at the Bank Head Office,
- an information note on findings of a special audit called “Assessment of performance of management functions in the retail area at the Bank”,
- a concept of operation of the Internal Audit Department,
- a draft Supervisory Board resolution on the “BOŚ S.A. internal control system”.
- a draft Supervisory Board resolution on enacting a document on rules of procedure of the Internal Audit Committee,
- a draft work agenda of the Internal Audit Committee for 2012.

In the light of the above facts and data, the results of work of the BOŚ S.A. Supervisory Board in 2010 in pursuit of goals set for it deserve, in the Board’s opinion, to be described as positive.

## **5. Recommendations**

Acting pursuant to Art. 382 § 3 of the Code of Commercial Companies and § 43 of the Articles of Association of BOŚ S.A., the Supervisory Board, following consideration of:

- the Management Board activity report for the Bank in 2011,

- financial statements of the Bank for the period from 1 January 2011 to 31 December 2011,
- the Management Board activity report for the BOŚ S.A. Group in 2011,
- the consolidated financial statements of the BOŚ S.A. Group for the period from 1 January 2011 to 31 December 2011,

recommends them to the Annual General Meeting BOŚ S.A. for approval.

The relevant Supervisory Board assessments were appended to each document.

In submitting this report, with an assessment of the situation of the Bank in 2011, along with an assessment of the Bank internal control system and its risk management system, as well as a self-assessment of the Supervisory Board activity in 2011, the Supervisory Board requests the General Meeting:

- to approve this report,
- to approve the Management Board activity reports for the Bank and for the BOŚ S.A. Group in 2011,
- to approve the financial statements of the Bank and the BOŚ S.A. Group for 2011.

For the Supervisory Board of Bank Ochrony Środowiska S.A.  
Chairman of the Supervisory Board

/-/Marcin Likierski

Warsaw, 13 March 2012