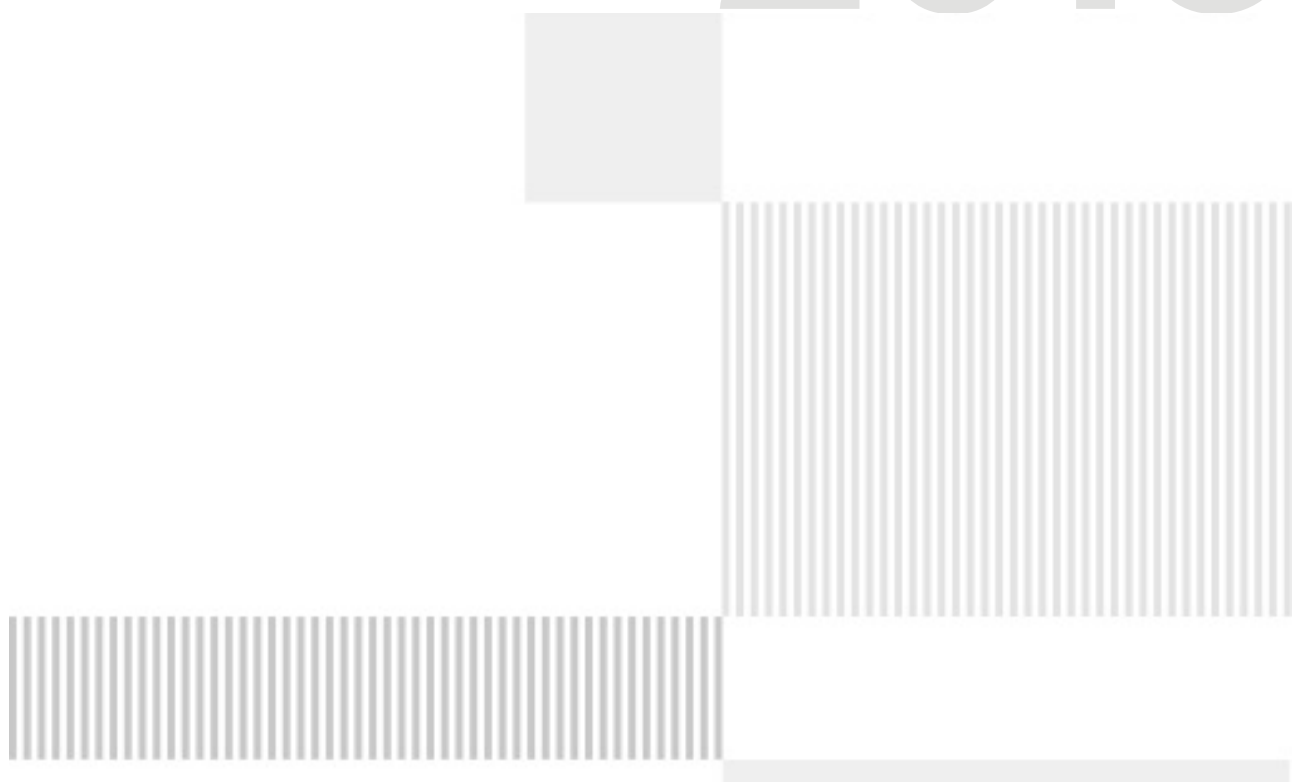


CORPORATE GOVERNANCE STATEMENT 2013

2013



Bank Zachodni WBK

 Grupa Santander

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Statement on Corporate Governance in 2013

1. Introduction

Corporate Governance Statement 2013 was prepared in accordance with § 91 section 5 point 4 of the Finance Minister's Ordinance of 19 February 2009 on current and financial reports published by the issuers of securities and the rules of equal treatment of the information required by the laws of a non-member state. The information included in this chapter fulfils the requirements of corporate governance report set out in § 29 section 5 of the Terms of Reference of the Warsaw Stock Exchange (WSE) and § 1 of WSE Management Board Resolution no. 1013/2007 of 11 December 2007.

In relation to the above and pursuant to WSE Management Board Resolution no. 718/2009 of 16 December 2009, preparation of this Corporate Governance Statement 2013 in line with the foregoing regulations and its incorporation into the annual report ensures fulfilment of the requirement to provide the WSE with a corporate governance report.

2. Code of Best Practice

Corporate governance rules applicable to Bank Zachodni WBK in 2013 are set forth in "Code of Best Practice for WSE Listed Companies" which constitutes an appendix to WSE Supervisory Board Resolution no. 19/130/2012 of 21 November 2012 and is available at the WSE website (<http://corp-gov.gpw.pl/>) and the bank's website (www.inwestor.bzwbk.pl). It is an updated code of best practice which became effective on 1 January 2013. The changes are related mainly to general meetings held by public companies via electronic channels. The original code was introduced by virtue of WSE Supervisory Board Resolution no. 12/1170/2007 of 4 July 2007 on introduction of "Code of Best Practice for WSE Listed Companies".

The updated code of best practice was approved for use in Bank Zachodni WBK by virtue of BZ WBK Management Board Resolution no. 9/2013 of 18 January 2013, and accepted by BZ WBK Supervisory Board.

Bank Zachodni WBK has complied with the official corporate governance rules since 2002 when the first version of the code of best practice was published ("Best Practice for Public Companies in 2002").

3. Management Board's Statement on Corporate Governance

In 2013, Bank Zachodni WBK duly complied with all the corporate governance rules set forth in the binding version of "Code of Best Practice for WSE Listed Companies". During that period, no corporate governance breaches occurred.

4. Equity Securities Issued by the Bank

Ownership Structure of Share Capital

Shareholder	Number of Shares Held		% in the Share Capital & Voting Power at AGM	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Banco Santander S.A.	65 481 563	70 334 512	70,0%	94,2%
Others	28 063 526	4 303 119	30,0%	5,8%
Total	93 545 089	74 637 631	100,0%	100,0%

According to the information held by BZ WBK Management Board as at 31 December 2013, the shareholder having minimum 5% of the total number of votes at the BZ WBK General Meeting of Shareholders was Banco Santander S.A. The company's interest in the share capital and the voting power of Bank Zachodni WBK was 70.0%, and decreased by 24.2 p.p. YoY as a result of the following events:

- Increasing the share capital of Bank Zachodni WBK following the merger with Kredyt Bank (4 January 2013) by a transfer of the entire assets of Kredyt Bank to Bank Zachodni WBK in exchange for 18,907,458 newly issued series J shares allotted to all of the existing shareholders of Kredyt Bank at a stated exchange ratio.
- A secondary offering for the shares of Bank Zachodni WBK to fulfil the obligations of the "Investment Agreement" concluded on 27 February 2012 between Banco Santander and KBC Bank NV in anticipation of the merger of Bank Zachodni WBK with Kredyt Bank. The offering (announced on 22 March 2013) was for 19,978,913 shares, representing 21.4% of the bank's share capital, with 4,852,949 owned by Banco Santander.

Other information on the Bank Zachodni share capital is presented in section "Changes in the Share Capital Structure After the Legal Merger", Chapter IV "Legal Merger and Integration Process".

Rights and Restrictions Attaching to the Issuer's Securities

The shares of Bank Zachodni WBK are ordinary bearer shares. Each share carries one vote at the General Meeting of Shareholders.

The nominal value of a share is PLN 10. All the issued shares have been fully paid-up.

The structure of share capital of Bank Zachodni WBK in 2012 and 2013.

Date of change	Series /issue	Type of share	Type of preferences	Limitation of rights to shares	Number of shares	Nominal value of series/issue (in PLN)
until 9.08.2012	A	bearer	none	none	5 120 000	51 200 000
	B	bearer	none	none	724 073	7 240 730
	C	bearer	none	none	22 155 927	221 559 270
	D	bearer	none	none	1 470 589	14 705 890
	E	bearer	none	none	980 393	9 803 930
	F	bearer	none	none	2 500 000	25 000 000
	G	bearer	none	none	40 009 302	400 093 020
	H	bearer	none	none	115 729	1 157 290
	I	bearer	none	none	1 561 618	15 616 180
	J	bearer	none	none	18 907 458	189 074 580
from 4.01.2013						
until 4.01.2013						
	Total				93 545 089	935 450 890

The bank did not issue any series of shares that would give their holders any special control rights or would limit their voting power or other rights. Likewise, there are no restrictions on the transfer of title to the Issuer's shares.

The control rights of Banco Santander as a parent entity of Bank Zachodni WBK arise from the number of shares and the resulting share of the voting power at the General Meeting of Shareholders of Bank Zachodni WBK.

5. Governing Bodies

General Meetings of Shareholders

Extraordinary General Meetings

On 13 February 2013, the Extraordinary General Meeting of Shareholders of Bank Zachodni WBK appointed two new Supervisory Board members proposed by the shareholders of the European Bank for Reconstruction and Development and KBC Bank NV (see the "Supervisory Board" section for more details).

Annual General Meetings

The Annual General Meeting of Shareholders of Bank Zachodni WBK held on 17 April 2013 (AGM) approved the 2012 unconsolidated and consolidated financial statements of Bank Zachodni WBK and Kredyt Bank and the BZ WBK Supervisory Board report on the activities in 2012, along with the Supervisory Board's assessment of the financial statements of the bank and the group. The AGM granted discharge to the Management and Supervisory Board members for the performance of their duties in the previous year and resolved on distribution of the net profit and dividend payment of PLN 7.60 per share. The AGM also amended the bank's Statutes by defining new independence criteria for Supervisory Board members and extending the bank's objects to include brokerage services in anticipation of acquisition of Dom Maklerski BZ WBK. The former change was approved by the Polish Financial Supervision Authority (KNF) and entered in the National Court Register on 3 June 2013, while the latter change has not become effective in the absence of the respective KNF's decision.

Organisation and Powers of the General Meeting of Shareholders

The General Meeting of Bank Zachodni WBK Shareholders (GM) is held as provided for in the Commercial Companies Code of 15 September 2000, BZ WBK Statutes and Terms of Reference for BZ WBK GM. The Statutes as well as the Terms of Reference are available at the bank's website.

The GM resolves on the issues within its remit, as defined by the above laws and internal regulations.

The resolutions are voted on using an electronic voting system which returns the number of votes ensuring that they correspond to the number of shares held, and in the case of secret ballot - allows shareholders to stay anonymous. Each share carries one vote.

Candidates for the Supervisory Board are voted upon on an individual basis, in an alphabetical order.

The General Meeting is broadcast live online to all interested parties and the recording is available at the bank's website for later use.

Shareholders' Rights

The rights of the shareholders of Bank Zachodni WBK are set out in the Terms of Reference of BZ WBK GM in line with the Commercial Companies Code.

In particular, the shareholders have the following rights with respect to GM:

- Each shareholder may request that the list of shareholders be e-mailed free-of-charge to the indicated address. Each shareholder may have access to the list of shareholders in the bank's MB office and request a copy of the list at their expense.
- Shareholders may:
 - ✓ a week before the GM, demand copies of requests included in the GM agenda;
 - ✓ have access to minutes of the GM and request copies of resolutions confirmed by the bank's Management Board as true copies;
 - ✓ request voting by secret ballot;
 - ✓ appeal against resolutions made by the GM in cases permitted in the Commercial Companies Code;
 - ✓ seek information from the Management Board on issues on the GM agenda, as provided for by the Commercial Companies Code;
 - ✓ exercise their voting rights (each share gives one vote at the GM).
- Shareholders may attend the GM and vote personally or through proxies. In line with the Terms of Reference, shareholders may also participate in the GM via electronic communication channels.

Method of Changing the Statutes

Bank Zachodni WBK changes its Statutes in a method prescribed by the applicable law.

In 2013, the Statutes of Bank Zachodni WBK were changed by two AGM resolutions of 17 April 2013. The changes included:

- Modification of the independence criteria of Supervisory Board members (§ 25 section 2 of the Statutes), which took effect on 3 June 2013.
- Expansion of the bank's objects to include brokerage activities (§ 7 section 2, item 7b of the Statutes) – this change has not become effective due to the lack of the respective KNF's decision.

Supervisory Board

Below is the composition of the Bank Zachodni WBK Supervisory Board as at 31.12.2013 and 31.12.2012:

Role in the Supervisory Board	Ref.	Composition as at 31.12.2013	Composition as at 31.12.2012
Chairman of the Supervisory Board:	1.	Gerald Byrne	1. Gerald Byrne
Vice-Chairman of the Supervisory Board:	2.	José Manuel Varela	2. José Manuel Varela
Members of the Supervisory Board:	3.	José Antonio Alvarez	3. José Antonio Alvarez
	4.	David R. Hexter	-
	5.	Witold Jurcewicz	4. Witold Jurcewicz
	6.	José Luis de Mora	5. José Luis de Mora
	7.	John Power	6. John Power
	8.	Jerzy Surma	7. Jerzy Surma

In 2013, the membership of the Supervisory Board was changed as follows:

- On 13 February 2013, the Extraordinary General Meeting of Shareholders of Bank Zachodni WBK appointed two new Supervisory Board members proposed by the shareholders of the European Bank for Reconstruction and Development and KBC Bank NV: Mr David R. Hexter and Mr Guy Libot.
- As KBC Bank NV disposed of all its shareholdings in Bank Zachodni WBK of 2 April 2013, Mr Guy Libot resigned from the Supervisory Board effective from 2 April 2013.

As at 31 December 2013, the following members of the Supervisory Board held an independent status: Mr. David R. Hexter, Mr. Witold Jurcewicz, Mr. John Power and Mr. Jerzy Surma. All of them confirmed in writing their independent status of the bank and its connected entities.

In the period from 1 January to 31 December 2013, 10 Supervisory Board meetings were held at which 68 resolutions were passed. Average attendance was 94.6%.

Role of the Supervisory Board

The Supervisory Board of Bank Zachodni WBK operates particularly under the Banking Law of 29 August 1997, the Commercial Companies Code of 15 September 2000, the bank's Statutes and the Terms of Reference of the Supervisory Board, available at the bank's website.

The Supervisory Board consists of at least five members appointed for a joint, three-year term of office. The Supervisory Board members, including the Chairman of the Supervisory Board, are appointed and removed by the General Meeting of Shareholders. The Management Board notifies the Polish Financial Supervisory Authority about the membership of the Supervisory Board.

Pursuant to the bank's Statutes, at least half of the Supervisory Board members should have an independent status.

The Supervisory Board exercises on-going supervision over all the aspects of the bank's activities. The Supervisory Board takes decisions in the form of resolutions which are adopted by absolute majority of votes in an open voting. Resolutions are voted upon in a secret ballot in the cases stipulated by law, in personal matters or at the request of any Supervisory Board member accepted by the Supervisory Board in a secret voting. The Supervisory Board meetings are held as needed, however at least three times in any financial year. The Supervisory Board Members convene at the same time in a single location or in different locations communicating via telephone or video links.

Supervisory Board Committees

The Supervisory Board may establish committees and designate individuals responsible for managing the work of such committees. These committees are designed to facilitate the current activities of the Supervisory Board by preparing draft Supervisory Board decisions with regard to their own motions or the motions presented to the Management Board.

The following Supervisory Board committees operate in Bank Zachodni WBK: Audit and Compliance Committee, Risk Oversight Committee and Remuneration and Nominations Committee.

Composition of Supervisory Board Committees as at 31.12.2013

Role in the Supervisory Board	Ref.	Composition as at 31.12.2013	Supervisory Board Committees as at 31.12.2013		
			Audit and Compliance Committee	Risk Oversight Committee	Remuneration and Nominations Committee
Chairman of the Supervisory Board:	1.	Gerald Byrne			●
Vice-Chairman of the Supervisory Board:	2.	José Manuel Varela	●	●	
Members of the Supervisory Board:	3.	José Antonio Alvarez			●
	4.	David R. Hexter	●	●	
	5.	Witold Jurcewicz	●	●	
	6.	José Luis de Mora			●
	7.	John Power	●	●	
	8.	Jerzy Surma	●	●	

● Chairman

● Members

The Audit and Compliance Committee evaluates the adequacy, scope and effectiveness of the accounting and internal control systems. Together with the Management Board and internal auditors, it reviews the Group's internal controls and the internal control and (financial and non-financial) risk management systems. The Committee monitors the bank's financial reporting process, ensuring adequate quality of financial reports and disclosure practices and their compliance with the law, KNF requirements and accounting principles. Furthermore, the Committee reviews the work performed by the statutory auditor, ensuring that the entity is independent and effective. Also, it reviews the actions undertaken by the Management Board in terms of their compliance with the legal and regulatory requirements and the bank's by-laws. The Audit and Compliance Committee is composed of independent Supervisory Board members.

The Risk Oversight Committee presents the Supervisory Board with the conclusions and recommendations on the general risk management framework and the risk appetite, in accordance with the applicable policies and limits. The Committee reviews the Risk Appetite Statement, assesses business strategy in terms of its adequacy for the risk exposure as well as goals and financial plans of the organisation, verifies the risk profile and KPIs, and monitors internal controls. The Committee is composed of independent Supervisory Board members.

Throughout a year, the **Audit and Compliance Committee** and **Risk Oversight Committee** convene at least four times at the dates adjusted to the reporting and audit cycle. Additional meetings are held if the Chairman or the members find it necessary.

The Remuneration and Nominations Committee presents the Supervisory Board with recommendations about remuneration policies and practices. It defines the remuneration policy and the individual pay packages for Management Board members and performs annual reviews of the remuneration payable to the Management and Supervisory Board members. The Committee also has oversight over the bonus scheme for Management Board members, and analyses the incentive solutions and other remuneration schemes proposed for implementation in the bank and subsidiaries.

The Remuneration and Nominations Committee convenes at least three times a year. Additional meetings are held at the request of the Chairman.

The annual reports on activities of the Supervisory Board and its Committees as well as the Supervisory Board's reports on examination of the bank's and the Group's annual report along with the assessment of the Group's operations, including internal control and risk management system, are published in current reports which convey the resolutions passed by the AGM of Bank Zachodni WBK.

Management Board

The table below presents the composition of Bank Zachodni WBK Management Board as at 31.12.2012 and 31.12.2013 together with the roles and responsibilities of its members.

Role in the Management Board	L.p.	Composition as at 31.12.2013 i 31.12.2012	Reporting Areas in 2012 and 2013
President	1.	Mateusz Morawiecki	Units reporting directly to the President: Internal Audit Area, Corporate Communications & Marketing Area
	2.	Andrzej Burliga	Risk Management Division
	3.	Eamonn Crowley	Financial Management Division
	4.	Michael McCarthy	Business & Corporate Banking Division
	5.	Piotr Partyga	Human Resources Management Division
	6.	Juan de Porras Aguirre	Global Banking & Markets Division
	7.	Marcin Prell	Legal and Compliance Division
	8.	Marco Antonio Silva Rojas	Financial Accounting & Control Division
	9.	Miroslaw Skiba	Retail Banking Division
	10.	Feliks Szyszkowiak	Business Support Division

In 2013, no changes were made to the BZ WBK Management Board.

Appointment and Removal of Executives

The members of the Bank Zachodni WBK Management Board are appointed and removed in accordance with the Commercial Companies Code, the Banking Law and the bank's Statutes.

The bank's Management Board consists of at least three persons (including the Management Board President) appointed by the Supervisory Board for a joint three-year term of office. At least half of the Management Board members, including the President, should have higher education, be permanent residents of Poland, speak Polish, have good knowledge of the Polish banking market and sufficient experience of the home market to manage the Polish banking institution. Two Management Board members, including the Management Board President, are appointed with the approval of the Polish Financial Supervision Authority (KNF). Management Board members may be removed by the Supervisory Board or the General Meeting at any time.

Powers of Executives

The Bank Zachodni WBK Management Board manages and represents the bank. The Management Board has all powers that are not restricted by law or Statutes to the remit of other governing bodies of the bank.

The Management Board takes decisions to raise obligations or transfer assets whose total value for one entity exceeds 5% of the bank's own funds. The Management Board can also, by way of resolution, delegate its powers to take such decisions to other committees or persons in the bank. The Management Board members run the bank's affairs jointly, and in particular: define the bank's mission, set long-term action plans and strategic objectives, prepare assumptions for the bank's business and financial plans, approve the plans and monitor their performance, regularly report to the Supervisory Board on the bank's position in the scope and at the dates agreed with the Supervisory Board, appoint permanent and ad hoc committees and designate individuals responsible for managing the work of such committees. The committees are composed of both Management Board members and persons from outside the Management Board.

Permanent committees operative in the bank include: Risk Management Committee, Credit Committee, Provisions Committee, Risk Management Forum, Credit Policy Forum for Retail Portfolios, Credit Policy Forum for SME Portfolios, Credit Policy Forum for Business and Corporate Portfolios, Assets and Liabilities Committee (ALCO), Operational Risk Management Committee, Deposit Working Group, CRM Committee, Settlement Committee, Anti-Money Laundering and Terrorist Financing Committee, Urban Regeneration Fund Investment Committee, Procurement Investment Forum, Procurement Investment Committee, Compliance Committee, Local Product Marketing and Monitoring Committee, Monitoring Committee and Public Policy Committee.

Management Board members acting severally do not have any specific powers. They cannot take decisions on issuing or redeeming shares.

Role of the Management Board

The Management Board operations are primarily governed by the Banking Law, the Commercial Companies Code, the bank's Statutes and the Terms of Reference of the Management Board, available on the bank's website.

The Management Board is responsible for running the affairs of and representing the bank. According to the bank's Statutes, the following individuals are authorized to represent and bind the bank: a) the Management Board President acting individually, and b) two members of the Management Board acting jointly, or a member of the Management Board acting jointly with a commercial representative (prokurent), or two commercial representatives acting jointly. Representatives authorized to act severally or jointly with any of the persons listed in letter b) or with another authorized representative can be appointed.

The Management Board resolves on all issues which have not been restricted to the remit of the General Meeting of Shareholders or Supervisory Board. The Management Board takes decisions in the form of resolutions which are adopted by absolute majority of votes in an open voting. Secret ballot is held in the cases stipulated by law, in personal matters or at the request of any Management Board member accepted by the Management Board in a secret voting. The Management Board meetings are held as needed. The Management Board Members convene at the same time in a single location or in different locations communicating via telephone or video links.

Other Information on the Management and Supervisory Boards

Remuneration of the Supervisory and Management Board Members

Pursuant to the Statutes of Bank Zachodni WBK the remuneration of the Supervisory Board members is set by the General Meeting of Shareholders of Bank Zachodni WBK. As at 31 December 2012, the remuneration for the Supervisory Board of Bank Zachodni WBK was set by virtue of Resolution no. 35 of the General Meeting of Shareholders of Bank Zachodni WBK of 20 April 2011.

Pursuant to the Statutes of Bank Zachodni WBK, the remuneration of the President and members of the Management Board is set by the Supervisory Board, having due regard to recommendations of the Remuneration and Nominations Committee. The Remuneration and Nominations Committee defines the remuneration policy in respect of the Management Board members and individual terms and conditions as part of remuneration packages for each Management Board member. It also performs annual reviews of the remuneration of Management Board members.

Information on the remuneration of the BZ WBK Supervisory and Management Board members for 2013 and the comparable period is presented in Note 46 to the Consolidated Financial Statements of Bank Zachodni WBK Group for 2013.

Agreements between Bank Zachodni WBK and its Executive Directors

Bank Zachodni WBK Management Board members signed agreements prohibiting competition after termination of their role on the Management Board. A Management Board member who is not appointed for a new term of office or is removed from the Board is entitled to a one-off severance pay. The severance pay does not apply if the Management Board member accepts a new job role in the bank/Group.

Shares and Conditional Rights Held by the Supervisory and Management Board Members

As at 31 December 2013 and 31 December 2012, none of the members of the Supervisory Board held any shares of Bank Zachodni WBK.

Under the 1st BZ WBK Performance Share Programme launched in 2006, members of the Management Board were allocated 23,084 out of 115,729 H series shares issued as part of the conditional increase in the share capital. Under the 2nd and 3rd Incentive Scheme, which expired in 2010 and 2011, respectively, no rights were exercised. The Management Board members have conditional rights to acquire shares under the 4th Incentive Scheme. The table below shows the number of the BZ WBK shares and the share entitlements held by the Management Board members as at 31 December 2013 and 31 December 2012.

Management Board Members	31.12.2013		31.12.2012	
	No. of BZ WBK shares	Rights	No. of BZ WBK shares	Rights
Mateusz Morawiecki	3 591	10 120	3 591	10 120
Andrzej Burliga	606	4 282	1 606	4 282
Eamonn Crowley	-	4 003	-	4 003
Michael McCarthy	-	4 875	-	4 875
Juan de Porras Aguirre	-	-	-	-
Piotr Partyga	-	2 855	-	2 855
Marcin Prell	2 530	3 704	2 530	3 704
Marco Antonio Silva Rojas	-	-	-	-
Mirosław Skiba	1 575	4 282	1 575	4 282
Feliks Szyszkowiak	1 755	4 449	1 755	4 449
Total	10 057	38 570	11 057	38 570

6. Control System of Financial Statements

Internal Control System and Risk Management

Bank Zachodni WBK Group operates an internal control system which supports the decision-making processes and contributes to efficient operation of the organisation, reliability of financial reporting and compliance with laws, international standards, internal regulations and best practice. The internal control system is adjusted to the organisational structure and risk management system and covers the Business Support Centre, branches, Partner outlets and subsidiaries. Development, implementation and maintenance of the written strategies and procedures of the internal control system is the responsibility of the bank's Management Board. Oversight over the internal control and risk management system is exercised by the Audit and Compliance Committee of the Supervisory Board of Bank Zachodni WBK.

The bank has adopted the Internal Control Policy in Bank Zachodni WBK which defines, inter alia, the structure, purpose and scope of the internal control and lists the related roles and responsibilities. In particular, the Policy and other regulations describe the bank's Internal Control Model (ICM), defining the rules and organisation of the process of identifying the risks that are material from the point of view of the control environment, along with their controls. The ICM includes monitoring, testing and reporting to ensure effective control environment, both in terms of design and operation of the controls, and to strengthen the control culture at all levels within the organisation. The elements of the Internal Control Model include: risk models, controls, sub-processes, processes and activities.

The internal control system and risk management system are based on three lines of defence:

- first line - controls embedded in processes delivered by each staff member and their line manager;
- second line – units supporting the management team in risk identification and management as well as units assessing the effectiveness of the first line;
- third line - internal audit unit, which reviews the adequacy and efficiency of the first and second lines.

Each organisational unit operates in line with their Terms of Reference approved by the head of the division. The document defines the roles and responsibilities within each business area, including quality and processing of financial data. The internal control model in place allows for a systematic verification of controls in terms of their effectiveness. The results are regularly escalated to and reviewed by the bank's Management Board and Audit and Compliance Committee of the Supervisory Board of Bank Zachodni WBK Group.

One of the key objectives of the internal control framework is to ensure full credibility of financial reporting.

Financial data preparation for the purpose of reporting is automated and based on the consolidated General Ledger and Data Warehouse. The underpinning IT systems are strictly controlled in terms of integrity and security of information.

Data inputs in the source systems are subject to formal operational and approval procedures which state responsibilities of individual staff members. Data processing for the purpose of financial reporting is subject to a suite of specialist controls. Any manual corrections or management overrides are under strict control as well. BZ WBK Group has a BCM plan in place, which covers all IT systems used to prepare financial reports. The plan is updated on an ongoing basis.

The bank follows legal and regulatory changes related to reporting and updates its accounting rules and disclosures accordingly. The bank, through its representatives sitting on supervisory boards of individual subsidiaries, exercises oversight of its consolidated subsidiaries.

The financial statements are approved by the Disclosure Committee, which is responsible for ensuring that the financial disclosures of BZ WBK Group comply with the legal and regulatory requirements.

The bank's management confirms that the controls in place effectively mitigate the risk of failure to identify material errors in the financial statements.

The effectiveness of controls in financial reporting is additionally assessed by an independent external auditor as part of the annual certification process for compliance with Sarbanes-Oxley Act.

Internal Control Compliant with the Sarbanes-Oxley Act

In the light of the Sarbanes-Oxley Act, Bank Zachodni WBK Group operates as a material and independent organisation within the structure of Santander Group and as such is required to implement, maintain and assess the effectiveness of the internal control environment pursuant to the abovementioned act.

As agreed with the Internal Control Department of Santander Group and the External Auditor, the certification process for compliance with Sarbanes-Oxley Act in 2013 covered all key business areas of Bank Zachodni WBK and was carried out using solutions and methodology based on the Santander Group's approach. The scope of testing included risk factors which were particularly significant for the reliability and accuracy of financial statements, taking into account the local control environment, including that of the former Kredyt Bank. The design and effectiveness of controls was tested by a dedicated second line unit. The effectiveness tests covered processes and key controls in the business and IT areas as well as entity level controls (Global Framework). A particular challenge for the assessment of control environment in 2013 was the integration of the two banks in terms of organisation, processes and personnel. The assessment did not show any negative impact of the integration on the effectiveness of the bank's internal control system.

Results of the assessments and tests are the basis for the bank's management to make representations on the effectiveness of the control environment.

As part of the SOX certification process for 2013, the bank's management confirmed that no incidents were identified in Bank Zachodni WBK Group which could significantly affect the relevant processes and threaten the effectiveness of the internal control of financial reporting.

Selection of Auditor

In accordance with § 32 (10) of the Statutes of Bank Zachodni WBK, applicable regulations and industry practice, on 12 June 2013 the bank's Supervisory Board passed a resolution appointing Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. (formerly: Deloitte Audyty Sp. z o.o.) as an entity to review and audit the bank's stand-alone and the Group's consolidated financial statements for H1 2013 and the entire year 2013. The bank also contracted Deloitte Polska and other companies from Deloitte Group for consulting and tax advisory services. In the bank's view, the above advisory services do not affect impartiality and independence of the auditor.

Retaining the same auditor both by Bank Zachodni WBK and Banco Santander S.A. ensures a consistent approach to the audit process across Santander Group, including certification for compliance with the American Sarbanes-Oxley Act. Banco Santander S.A. selects auditors for a fixed period of time, from three to nine years, starting from the beginning of the first financial year.

Remuneration of Auditor

The table below shows the remuneration paid to Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. (formerly: Deloitte Audyty Sp. z o.o.) for audit/review of the financial statements of Bank Zachodni WBK Group pursuant to agreements concluded in 2012 and 2013.

Remuneration of External Auditors	PLN k	
	Reporting Year ended on 31.12.2013	Reporting Year ended on 31.12.2012
Audit fees in respect of the parent bank ¹⁾	2 620	927
Audit fees in respect of the subsidiaries	650	386
Audit fees related to assurance services, including the review of the parent bank ²⁾	810	1 510
Audit fees related to assurance services, including the review of the subsidiaries	-	74
Fees for non-assurance services ³⁾	2 914	1 675

- 1) Remuneration for the services performed in 2013 based on the agreement of 13 June 2013 on the audit of: 1) interim condensed unconsolidated and consolidated financial statements for 6 months; 2) unconsolidated and consolidated financial statements for 12 months; 3) consolidation package for 6 and 12 months. Remuneration for the services rendered in 2012 based on the agreement for the audit of: 1) consolidation package for 6 months of 10 May 2012; 2) unconsolidated and consolidated financial statements for 12 months of 12 October 2012.
- 2) The fee for 2013 contains the remuneration payable for the audit of the internal control system (in particular for SOX purposes) under Annex 1 to the agreement on the audit of the consolidation package. The fee for 2012 contains the remuneration for: 1) agreement on the limited review of the unconsolidated and consolidated financial statements of 10 May 2012; 2) agreement on the limited review of the interim consolidated financial statements for 9 months of 5 November 2012; 3) review of the disclosure arising from IFRS 3 based on the agreement of 22 January 2012 and 4) review of the internal audit system (in particular for SOX purposes) under Annex 1 to the agreement of 12 October 2012.
- 3) The table includes an additional line "Remuneration for non-assurance services", starting from the 2013 financial statements. The fee for 2013 includes, e.g. the agreement on support with the intended acquisition. The fee for 2012 relates, among others, to IPO support services.

7. Pending Court Proceedings

As at 31 December 2013, no case were pending before any court or state administration agencies with relation to any claims made by or against the bank or its subsidiaries amounting to a minimum of 10% of the Group's equity.

	PLN m	
Court Proceedings with BZ WBK Group as a Party	31.12.2013	31.12.2012
Amounts claimed by the Group	79,4	44,4
Claims against the Group	200,2	81,3
Receivables due to bankruptcy or arrangement cases	60,8	9,7
Value of all litigation	340,4	135,4
Share [%] of all litigation in equity	2,4%	1,5%
Completed significant court proceedings	91,2	100,0