

re: item 2 of the agenda

RESOLUTION OF THE ANNUAL GENERAL MEETING OF BANK ZACHODNI WBK S.A.

(draft)

re. appointing Chairman of the Meeting

§ 1

Annual General Meeting shall elect the Chairman of the Meeting in the person of

§ 2

This resolution shall come into force on the day of its adoption.

re: item 4 of the agenda

RESOLUTION OF THE ANNUAL GENERAL MEETING OF BANK ZACHODNI WBK S.A.

(draft)

re. adopting the meeting's agenda

Annual General Meeting shall adopt the following agenda of the meeting:

1. Opening of the General Meeting.
2. Electing the Chairman of the General Meeting.
3. Establishing whether the General Meeting has been duly convened and has the capacity to adopt resolutions.
4. Adopting the agenda for the General Meeting.
5. Reviewing and approving the Bank's Zachodni WBK S.A. financial statements for 2016.
6. Reviewing and approving the consolidated financial statements of the BZ WBK Group for 2016.
7. Reviewing and approving the Management Board's report on the Bank's Zachodni WBK S.A. activities and the Management Board's report on the BZ WBK Group activities.
8. Adopting resolutions on distribution of profit, the dividend day and dividend payment date.
9. Giving discharge to the members of the Bank Zachodni WBK S.A. Management Board.
10. Reviewing and approving the Supervisory Board's report on its activities in 2016 and the Supervisory Board's report on the assessment of the financial statements of the Bank and the BZ WBK Group as well as the reports on the Bank's and the BZ WBK Group's activities; and applicable remuneration policy assessment.
11. Giving discharge to the members of the Bank Zachodni WBK S.A. Supervisory Board.
12. Appointing the Supervisory Board Members for a new term of office.
13. Appointing the Chairman of the Supervisory Board for a new term of office.
14. Determining the remuneration of the Supervisory Board Members.
15. Amendments to the Bank's Statutes.
16. Adopting the resolution regarding the increase of the Bank's share capital through the issuance of series M ordinary bearer shares, the waiver of the existing shareholders' pre-emptive rights with respect to the series M shares in their entirety, the amendment of the Statutes of the Bank, the application for the admission and introduction of the series M shares to trading on the regulated market operated by the Warsaw Stock Exchange and the dematerialisation of the series M shares, as well as authorisations for the Supervisory Board and for the Management Board.
17. Adopting the Incentive Scheme VI.
18. Expressing consent to apply higher maximum ratio of variable remuneration components to fixed remuneration components for managers in BZ WBK Group.
19. Closing the General Meeting.

re: item 5 of the agenda

RESOLUTION OF THE ANNUAL GENERAL MEETING OF BANK ZACHODNI WBK S.A.

(draft)

re: approval the Bank's financial statements for 2016

Pursuant to art. 393 point 1 and art. 395 § 2 point 1 of the Commercial Companies Code, the following is hereby resolved:

§ 1

The Annual General Meeting has considered and hereby approves, submitted by the Bank's Management Board, financial statements of Bank Zachodni WBK S.A. seated in Wrocław for the period beginning on the first day of January of the year two thousand and sixteen /1.01.2016/ and finishing on the thirty first day of December of the year two thousand and sixteen /31.12.2016/, including:

- statement of financial position prepared as at the thirty first of December two thousand and sixteen /31.12.2016/ which on the assets and liabilities and equity side shows the amount of PLN 131 417 988 k,
- income statement for the accounting year from the first of January two thousand and sixteen /1.01.2016/ until the thirty first of December two thousand and sixteen /31.12.2016/ which shows profit-after-tax in the amount of PLN 2 081 720 k,
- statement of comprehensive income for the accounting year from the first of January two thousand and sixteen /1.01.2016/ until the thirty first of December two thousand and sixteen /31.12.2016/ which shows total comprehensive income in the amount of PLN 1 594 227 k,
- statement of cash flows for the accounting year from the first of January two thousand and sixteen /1.01.2016/ until the thirty first of December two thousand and sixteen /31.12.2016/ which shows a decrease of PLN (175 348) k in the net cash balance,
- statement of changes in equity showing as at the thirty first of December two thousand and sixteen /31.12.2016/ the equity of PLN 19 029 520 k,
- explanatory notes;

§ 2

The resolution becomes effective as of the date of its adoption.

re: item 6 of the agenda

RESOLUTION OF THE ANNUAL GENERAL MEETING OF BANK ZACHODNI WBK S.A.

(draft)

re. approval of the Consolidated Financial Statements of Bank Zachodni WBK Group for the year 2016

Pursuant to art. 395 § 5 of the Commercial Companies Code, the following is hereby resolved:

§ 1

Annual General Meeting of Shareholders of Bank Zachodni WBK S.A. has reviewed and hereby approves, submitted by the Bank's Management Board, consolidated financial statements of Bank Zachodni WBK Group for the period beginning on the first day of January of the year two thousand and sixteen /1.01.2016/ until the thirty first day of December of the year two thousand and sixteen /31.12.2016/, including:

- consolidated statement of financial position prepared as at the thirty first of December two thousand and sixteen /31.12.2016/ which on the assets and liabilities and equity side shows the amount of PLN 150 099 716 k,
- consolidated profit and loss account for the accounting year from the first of January two thousand and sixteen /1.01.2016/ until the thirty first of December two thousand and sixteen /31.12.2016/ which shows profit-after-tax in the amount of PLN 2 384 092 k (of which PLN 217 245 k is attributable to non-controlling interests),
- consolidated statement of comprehensive income for the accounting year from the first of January two thousand and sixteen /1.01.2016/ until the thirty first of December two thousand and sixteen /31.12.2016/ which shows total comprehensive income in the amount of PLN 1 879 584 k (of which PLN 213 497 k is attributable to non-controlling interests),
- consolidated statement of cash flows for the accounting year from the first of January two thousand and sixteen /1.01.2016/ until the thirty first of December two thousand and sixteen /31.12.2016/ which shows the decrease in net cash balance of PLN (838 893) k,
- statement of changes in consolidated equity showing as at the thirty first of December two thousand and sixteen /31.12.2016/ the amount of PLN 21 018 476 k,
- explanatory notes;

§ 2

The resolution becomes effective as of the date of its adoption.

re: item 7 of the agenda

RESOLUTION OF THE ANNUAL GENERAL MEETING OF BANK ZACHODNI WBK S.A.

(draft)

**re. approval Management Board Report on Bank Zachodni WBK Group Performance in 2016
including Management Board Report on Bank Zachodni WBK Performance**

Pursuant to art. 393 point 1, art. 395 § 2 point 1 and § 5 of the Commercial Companies Code, the following is hereby resolved:

§ 1

The Annual General Meeting of Shareholders has considered and hereby approves the Management Board Report on Bank Zachodni WBK S.A. Group Performance in 2016 including Management Board Report on Bank Zachodni WBK Performance.

§ 2

The resolution becomes effective as of the date of its adoption.

re: item 8 of the agenda

**RESOLUTION OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

re: profit distribution, dividend registration day and dividend payment day

Pursuant to art. 348 §3 and 4 and art. 395 § 2 point 2 of the Commercial Companies Code, the following is hereby resolved:

§ 1

1. Annual General Meeting has divided the net profit generated by Bank Zachodni WBK S.A. ("the Bank) in the accounting year commenced on 01.01.2016 and ended on 31.12.2016 in the amount of PLN 2,081,719,895.69 in the following way:
 - PLN 1,040,859,947.85 shall be allocated to the reserve capital,
 - PLN 1,040,859,947.84 shall be left undivided.

2. General Meeting of Shareholders has divided the undivided net profit generated by the Bank:
 - 1) in the accounting year commenced on 01.01.2014 and ended on 31.12.2014 and
 - 2) in the accounting year commenced on 01.01.2015 and ended on 31.12.2015in the amount of PLN 540,707,638.09 in the following way:
 - PLN 535,866,483.60 shall be allocated to the dividend for shareholders,
 - PLN 4,841,154.49 shall be allocated to the reserve capital.

3. The number of shares eligible for the dividend is 99,234,534 (say: ninety nine million two hundred thirty four thousand five hundred and thirty four) series A, B, C, D, E, F, G, H, I, J, K and L.

Dividend per share is PLN 5.4.

The dividend will be paid to the shareholders eligible as at the end of the dividend registration day.

The dividend registration day is 31st May 2017.

The dividend will be paid on 14th June 2017.

§ 2

The resolution becomes effective as of the date of its adoption.

Bank's Management Board recommendation regarding proposed dividend payment

The following are arguments to support the notified proposals, i.e. paying dividends from the undistributed net profit of the Bank for the year 2014 and 2015.

The Management Board would like to present following arguments, supporting this proposal. The following indicators achieved on the day 31.12.2016 confirm the good capital standing of the Bank and the Group of Bank Zachodni WBK S.A.:

- Tier I capital ratio of the Bank 16,08%,
- Total capital ratio TCR of the Bank 16,52%,
- Tier I capital ratio of the Group 14,56%,
- Total capital ratio TCR of the Group 15,05%.

Capital ratios on an individual and consolidated basis are above the minimum capital ratios resulting from decisions and recommendations of Polish Financial Supervision Authority (PFSA).

The Management Boards considers that:

- level of retained profits is sufficient to conduct the strategy of the Bank/Group and provides adequate balance between efficient capital utilisation and growth;
- accumulated capital base reflects prudent approach to acceptable risk level associated to current and future Bank business and ensuring safeness of placed deposits.

re: item 9 of the agenda

**RESOLUTION OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

on giving discharge to the President of the Management Board for performance of his duties

Pursuant to art. 395 §2 point 3 of the Commercial Companies Code, the following is hereby resolved:

§ 1

Mr. Michał Gajewski, the Management Board President, is granted the word of approval for performance of his duties in the period from 29.11.2016 to 31.12.2016.

§ 2

The resolution becomes effective as of the date of its adoption.

**RESOLUTION OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

on giving discharge to the Member of the Management Board for performance of his duties

Pursuant to art. 395 §2 point 3 of the Commercial Companies Code, the following is hereby resolved:

§ 1

Mr. Andrzej Burliga, the Management Board Member, is granted the word of approval for performance of his duties in the period from 1.01.2016 to 31.12.2016.

§ 2

The resolution becomes effective as of the date of its adoption.

**RESOLUTION OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

on giving discharge to the Member of the Management Board for performance of his duties

Pursuant to art. 395 §2 point 3 of the Commercial Companies Code, the following is hereby resolved:

§1

Mr. Michael McCarthy, the member of the Management Board, is granted the word of approval for performance of his duties in the period from 1.01.2016 to 31.12.2016.

§ 2

The resolution becomes effective as of the date of its adoption.

**RESOLUTION OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

on giving discharge to the Member of the Management Board for performance of his duties

Pursuant to art. 395 §2 point 3 of the Commercial Companies Code, the following is hereby resolved:

§ 1

Mr. Eamonn Crowley, the Management Board Member, is granted the word of approval for performance of his duties in the period from 1.01.2016 to 31.12.2016.

§ 2

The resolution becomes effective as of the date of its adoption.

**RESOLUTION OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

on giving discharge to the Member of the Management Board for performance of her duties

Pursuant to art. 395 §2 point 3 of the Commercial Companies Code, the following is hereby resolved:

§1

Ms. Beata Daszyńska-Muzyczka, the member of the Management Board, is granted the word of approval for performance of her duties in the period from 1.01.2016 to 31.10.2016.

§ 2

The resolution becomes effective as of the date of its adoption.

**RESOLUTION OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

on giving discharge to the Member of the Management Board for performance of his duties

Pursuant to art. 395 §2 point 3 of the Commercial Companies Code, the following is hereby resolved:

§1

Mr. Juan de Porras Aguirre, the member of the Management Board, is granted the word of approval for performance of his duties in the period from 01.01.2016 to 31.12.2016.

§ 2

The resolution becomes effective as of the date of its adoption.

**RESOLUTION OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

on giving discharge to the Member of the Management Board for performance of his duties

Pursuant to art. 395 §2 point 3 of the Commercial Companies Code, the following is hereby resolved:

§1

Mr. Marcin Prell, the member of the Management Board, is granted the word of approval for performance of his duties in the period from 1.01.2016 to 31.12.2016.

§ 2

The resolution becomes effective as of the date of its adoption.

**RESOLUTION OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

on giving discharge to the Member of the Management Board for performance of his duties

Pursuant to art. 395 §2 point 3 of the Commercial Companies Code, the following is hereby resolved:

§1

Mr. Carlos Polaino Izquierdo, the member of the Management Board, is granted the word of approval for performance of his duties in the period from 1.01.2016 to 31.12.2016.

§ 2

The resolution becomes effective as of the date of its adoption.

**RESOLUTION OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

on giving discharge to the Member of the Management Board for performance of his duties

Pursuant to art. 395 §2 point 3 of the Commercial Companies Code, the following is hereby resolved:

§ 1

Mr. Mirosław Skiba, the Management Board Member, is granted the word of approval for performance of his duties in the period from 1.01.2016 to 31.12.2016.

§ 2

The resolution becomes effective as of the date of its adoption.

**RESOLUTION OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

on giving discharge to the Member of the Management Board for performance of his duties

Pursuant to art. 395 §2 point 3 of the Commercial Companies Code, the following is hereby resolved:

§1

Mr. Feliks Szyszkowiak, the member of the Management Board, is granted the word of approval for performance of his duties in the period from 1.01.2016 to 31.12.2016.

§ 2

The resolution becomes effective as of the date of its adoption.

**RESOLUTION OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

on giving discharge to the Member of the Management Board for performance of his duties

Pursuant to art. 395 §2 point 3 of the Commercial Companies Code, the following is hereby resolved:

§1

Mr. Paweł Wieczorek, the member of the Management Board, is granted the word of approval for performance of his duties in the period from 1.01.2016 to 20.06.2016.

§ 2

The resolution becomes effective as of the date of its adoption.

**RESOLUTION OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

on giving discharge to the Member of the Management Board for performance of his duties

Pursuant to art. 395 §2 point 3 of the Commercial Companies Code, the following is hereby resolved:

§1

Mr. Artur Chodacki, the member of the Management Board, is granted the word of approval for performance of his duties in the period from 22.06.2016 to 31.12.2016.

§ 2

The resolution becomes effective as of the date of its adoption.

re: item 10 of the agenda

**RESOLUTION OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

on approval of the Supervisory Board reports and remuneration policy assessment

Pursuant to art. 382 §3 and 395 §5 of the Commercial Companies Code, item II.Z.10.3 of the Best Practice for Warsaw Stock Exchange S.A. (Giełda Papierów Wartościowych w Warszawie S.A.) Listed Companies 2016 and § 27, § 28 clause 3 and 4 of the Corporate Governance Rules for Supervised Institutions, the following is hereby resolved:

§ 1

Approval is given for the BZ WBK Supervisory Board's report on its activities in the period from 1.01.2016 to 31.12.2016, report on the examination of: BZ WBK financial statements for 2016; consolidated financial statements of the BZ WBK Group for 2016; report on the BZ WBK Group operations in 2016 including report on Bank Zachodni WBK operations and the Management Board's motion concerning distribution of profit earned in 2016; the BZ WBK Supervisory Board's assessment of the BZ WBK Group's operations in 2016; and also adoption of: the Supervisory Board assessment of the Bank's manner of fulfilling disclosure requirements with regard to the corporate governance rules set out in the Warsaw Stock Exchange Rules and regulations pertaining to current and periodic information published by issuers of securities and (viii) the Supervisory Board evaluation results of applying the Corporate Governance Rules for Supervised Institutions is made (Appendix hereto).

§ 2

1. Supervisory Board of Bank Zachodni WBK S.A. report on assessment of the operation of the remuneration policy which consists of: Remuneration Policy for BZ WBK Supervisory Board Members, Remuneration Policy for BZ WBK Management Board Members, Remuneration Policy for individuals holding managerial positions in Bank Zachodni WBK and Policy on variable components of remuneration paid to individuals holding managerial positions in BZ WBK Group is included in the appendix to this resolution referred to in § 1.
2. Annual General Meeting shall make positive evaluation of remuneration policy indicated in clause 1.

§ 3

The resolution becomes effective as of the date of its adoption.



**REPORT
ON THE SUPERVISORY BOARD ACTIVITY IN 2016**

Warsaw, April 2017

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I. ACTIVITIES OF THE SUPERVISORY BOARD OF BANK ZACHODNI WBK S.A. IN 2016

1. BOARD COMPOSITION; DISCHARGE OF DUTIES AND RESPONSIBILITIES

1.1. In the period from 1 January to 31 December 2016, the Supervisory Board worked in the following composition:

- Supervisory Board Chairman - Mr Gerry Byrne
- Deputy Chairman of the Supervisory Board - Mr José Luis De Mora,
- Members of the Supervisory Board:
 - Mr José Garcia Cantera
 - Ms Danuta Dąbrowska
 - Mr David Hexter
 - Mr Witold Jurcewicz
 - Mr John Power
 - Mr Jerzy Surma
 - Ms Marynika Woroszyńska-Sapieha
 - Mr José Manuel Varela

The Supervisory Board confirms compliance with rules of Policy on selection and suitability assessment of Supervisory Board Members in Bank Zachodni WBK adopted by the Annual General Meeting of Bank Zachodni WBK Shareholders on 20 April 2016.

In the opinion of the Supervisory Board its diversified personal composition, with members having both general business experience as well as expert knowledge in different areas, supported by many years of practical professional experience, ensures adequate and effective discharge of supervisory duties and warrants the due performance of the vested duties and responsibilities.

The curricula vitae of the Supervisory Board members are available at the Bank's website.

1.2. Independence of the Supervisory Board members

In line with the criteria of independence for the Supervisory Board Members set out in paragraph 25 (2) of the Bank's Statutes and the Supervisory Board Regulations, as at 31 December 2016, the following individuals held the status of the independent Members:

- Ms Danuta Dąbrowska,
- Ms Marynika Woroszyńska-Sapieha,
- Mr David Hexter,
- Mr Witold Jurcewicz,
- Mr Jerzy Surma.

To the best of its knowledge, the Supervisory Board hereby confirms that it is not aware of any connections or circumstances that could affect the compliance with the independence criteria of the above listed Supervisory Board Members.

1.3. The Supervisory Board activities and manner of discharging its duties and responsibilities are governed by the Supervisory Board's Regulations available on the Bank's Internet site.

2. STATISTICAL DATA ON THE SUPERVISORY BOARD'S ACTIVITY IN 2016

From 1 January until 31 December 2016, the Supervisory Board held 8 meetings and passed 69 resolutions. Average attendance of the Supervisory Board Members was 87.5%.

3. MAJOR AREAS OF THE SUPERVISORY BOARD'S ACTIVITY IN 2016

The Supervisory Board carried out its activities based on the adopted schedule of meetings and the general work plan. The agenda of each meeting was extended (if required) by current business matters, issues submitted by the Bank's Management Board for consideration and any other issues the Board deemed necessary to be covered by the agenda. The Supervisory Board requested and received from the Bank's Management Board comprehensive materials and reports on issues covered by the agenda of meetings as well as those pertaining to other matters important to the Bank's operations.

In 2016, the Supervisory Board focused both on strategic matters as well as on the supervision of the Bank's day-to-day business. The key issues were:

- Discharging its obligations imposed by Paragraph 32 of the Bank's Statutes, the Supervisory Board made an on-going assessment of the performance of the Bank and BZ WBK Group as well as the current forecasts prepared based on such results, including the underlying business and operational trends, opportunities and threats, deviations from the Plan and management actions taken up by the Bank's Management Board. The assessment background were interim financial statements presented by the Bank's Management Board. As part of the reports presented by the Management Board President, at each meeting the Supervisory Board was updated on the key developments referring to the Bank and its environment, including up-to-date economic and market forecasts and their impact on the Polish economy as well as on the Bank and BZ WBK Group's financial and business performance. Moreover, the Supervisory Board was receiving information about projections and trends in the banking sector and performance of competitors, as well as, BZ WBK's performance benchmarked against the sector. The Supervisory Board was also updated by the Bank's Management Board about current priorities and the approach adopted to funding, liquidity, and management of the capital, risk (including credit risk) and costs. Given the key importance of liquidity and funding, the related information covered the scenarios / strategies developed by the Management Board as well as actions taken to manage liquidity and diversify funding sources.

- Within its powers defined in the Bank's Statutes and pursuant to relevant legislation, the Supervisory Board took decisions with regard to approval or review of the following documents:
 - Policy on selection and suitability assessment of Supervisory Board Members - as recommended by the Supervisory Board the Policy was adopted by the Annual General Meeting of Bank Zachodni WBK Shareholders on 20 April 2016.
 - Bank Zachodni WBK Strategy for 2017-2019 and Business Plan for 2017 – in line with the Policy on strategic, business and financial planning introduced by force of Supervisory Board Resolution no. 47/2015, the Supervisory Board conducted the annual analysis of the implementation of the to-date Strategy of Bank Zachodni WBK Group for the years 2016-2018, specifically taking into account the dynamics and complexity of changes in the macroeconomic environment. Based on the outcome of the conducted analyses, the recommendation with regard to the revision of the Strategy was presented in order to develop another three-year concept for 2017-2019, taking into account new challenges that have emerged in the external environment as well as those resulting from the evolution of the Group's structure and its growth aspirations, including the strategic transformation of its business. The revised Strategy for 2017-2019 approved by the Supervisory Board in December 2016 represents the continuation of the to-date BZ WBK Group business directions, based on the adopted values and assumptions. It promotes customer-centric approach to business management, digital transformation and perfecting both the business model and customer proposition. The delivery of the above targets will be supported by the delivery of mid-term objectives and action plans developed for individual Divisions within the 2017 Business Plan.
 - BZWBK Group's Financial Plan for 2017-2019 and BZWBK Group's Financial Plan for 2017.

- Special Situation Management Policy - the document defines the functional and corporate governance aspects facilitating effective and coordinated engagement of all kinds of visitations which might represent a serious risk for Bank Zachodni WBK.
 - Bank Zachodni WBK Recovery Plan – the Plan adopted by the Management Board and the Supervisory Board was submitted to KNF (Polish Financial Supervision Authority) for approval. Within the statutory timelines, the Bank submitted to KNF also Bank Zachodni WBK Group's Recovery Plan.
 - Motions submitted to the Annual General Meeting of Shareholders by the Bank's Management Board, including the motion with regard to the distribution of profit for 2015 and the non-distributed profit for 2014.
- As recommended by relevant Committees, the Supervisory Board approved changes in the following internal documents required due to the changes in corresponding regulation or as a result of reviews made based on applicable regulatory rules:
 - Bank Zachodni WBK Dividend Policy;
 - Bank Zachodni WBK Information Strategy with regard to capital adequacy;
 - Bank Zachodni WBK Group capital policy;
 - Policy on variable components of remuneration paid to individuals holding managerial positions in Bank Zachodni WBK Group.
 - Remuneration policy for individuals holding managerial positions in Bank Zachodni WBK,
 - Remuneration policy for Members of Bank Zachodni WBK Management Board;
 - Bank Zachodni WBK Risk Management Policy;
 - Rules of assessing the internal capital adequacy in Bank Zachodni WBK;
 - Bank Zachodni WBK Group operational risk management policy;
 - Scenario Analyses Framework;
 - Code of Conduct in Securities Markets; Code of Conduct in the Securities Markets Regulations on investments in financial instruments by persons connected with the Bank - staff dealing rules; Regulations on insider information, professional secrecy and other sensitive information protection and on preventing and detecting market manipulation; Regulations on Conflict of Interest Management in Bank Zachodni WBK S.A.; Code of Conduct to be followed when handling Inside Information related to the Bank as an issuer and to current and interim reports;
 - Bank Zachodni WBK Liquidity Contingency Plan;
 - Bank Zachodni WBK Internal Control Policy;
 - Bank Zachodni WBK Concentration Risk Management Policy;
 - Terms of Reference of the Supervisory Board Risk Oversight Committee - the changes was described in detail in point 1.4.3;
 - Terms of Reference of the Supervisory Board Nominations and Remuneration Committee - the changes was described in detail in point 1.4.1;
 - Supervisory Board Regulations.
- As part of the general supervision over the internal capital adequacy assessment process, the Supervisory Board, based on reviews and recommendations of the Audit & Compliance Committee, approved:
 - Disclosures on BZ WBK capital adequacy – in accordance with the Bank's Disclosure Strategy, approved by the Management Board and the Supervisory Board, the Report presents information on the capital adequacy of BZ WBK Capital Group on a consolidated basis, i.e. taking account of the subsidiaries, including Santander Consumer Bank, and was produced based on data as at 31 December 2015. The document was internally approved and reviewed by the Bank's external auditor, Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k., who independently checked the correctness of the capital requirement measurements presented in the document.
 - Periodical reports on the internal capital adequacy assessment process (ICAAP) – data included in the ICAAP Report as at 31 December 2015 confirmed that BZ WBK Group had own funds adequate for the scale and type of risk. Moreover, the Supervisory Board was given assurance that: (i) capital ratios, including surplus capital, in the forthcoming years remain at the level, ensuring security of the business both for the Bank's shareholders and its customers as compared to the already known regulatory requirements; (ii) BZ WBK Group's objective in the forthcoming years, taking account of

continuing unfavourable external conditions as well as actions taken by KNF and legislators, is to adequately adjust its own funds both to the internal needs as well as regulatory recommendations. This objective will be pursued by optimising the capital level and its mix as well as the reserves level.

- As part of supervision exercised over the risk management system, during each regular meeting the Supervisory Board carried out a review of the main risk areas based on the Risk Dashboard Report and paid special attention to, amongst others, trends, supervision over individual risk types, compliance with applicable internal policies and procedures and the KNF recommendations, the EU and the EBA regulations, as well as, to relevant identification of threats and determination of management actions adjusted to the needs and to the scale of the Bank's business thus ensuring their effectiveness.
- As part of the supervision over credit risk, the Supervisory Board was updated on the current lending strategy and key credit risk factors. In relation to the sectors where was evidence of increasing risk profiles, the information included the strategies adopted by the Bank for financing Customers from these sectors. The Supervisory Board conducted regular reviews of the loan portfolio, also in terms of compliance with the Regulatory Recommendations. Moreover, the Supervisory Board was informed about individual loan portfolios with a breakdown by products/customer segments, focusing on issues related to their quality and profitability.
The Supervisory Board was also regularly updated on the CHF loan portfolio issues, including the information on the risk run in the case of that portfolio as well as assessment of different legislation proposals for restructuring fx mortgage loans along with their potential impact on the Bank.
- The Supervisory Board adopted the recommendation of the Risk Committee to approve the 2016 assessment of the Management Board Members' competencies that was conducted in line with Recommendation M. The results of the said assessment indicated that the Bank Management Board had adequate knowledge and skills to ensure the effective operation of the risk management framework.
- In line with the Compliance Risk Management Policy applicable in Bank Zachodni WBK, the Supervisory Board assessed the effectiveness of compliance risk management in BZ WBK. Its results are presented in the further part of this Report (it. III. 4).
Notwithstanding the above, the Supervisory Board assesses the compliance risk management upon each presentation of the report on the performance of the Compliance Area to the Audit & Compliance Committee.
- Based on the conducted review, the Supervisory Board approved the acceptable risk level for 2017, expressed as limits set out in the Risk Appetite Statement (RAS) for global metrics. BZWBK sets its risk appetite using the system of limits defined for key risks triggered by its business operations. The Review covered the inclusion of new metrics to RAS, primarily for financial and cross-risks as well as the review of thresholds for some existing metrics (primarily relative metrics based on equity volume which has grown and impacts concentration limits). For all metrics in the case of which limits had been exceeded in 2016, risk mitigation plans were set for identified risks and are monitored on an on-going basis. The Supervisory Board was given assurance that the adopted metrics correspond to business and financial targets set out in 2017 Plan.
The Supervisory Board also approved the updated Risk Appetite Statement for 2016 driven among others by the need to include additional metrics for models as per Recommendation W that came into force on 1 July 2016.

In line with the agreed process, the Supervisory Board supervised and monitored the level of internal limits' utilization. As part of this process, the Board got acquainted with periodic review of the credit concentration limits that takes account of BZ WBK's current capital position, including the foreseeable factors and actions planned that will condition that position until the end of 2016, i.e. the conservation buffer being the follow up of deeming BZ WBK other systemically important institution (O-SII), expected KNF's decision on reducing the buffer for fx mortgage loans by 10 bp, KNF's decision on taking the profits earned in H1 2016 to the Bank's capitals.

In the Supervisory Board's opinion, the risk appetite defined by the Bank matches the current market environment. The risk analysis is supported by stress testing and scenario analyses which are to ensure that BZ WBK will continue as a stable and adequately capitalized bank even amid adverse market conditions.

- In line with Recommendation U and the applicable in the bank Bancassurance Policy, the Supervisory Board was provided and conducted a quarterly review of the reports on that business, take cover separately and issues related to the business and issues related to the bancassurance risk. The scope of information included in these reports allows the Supervisory Board to exercise effective oversight of this business area.
- Given the completion of the new auditor selection process, in line with the recommendation of the Audit & Compliance Committee, the Supervisory Board appointed PricewaterhouseCoopers Sp. o.o. to perform the semi-annual audit and annual audit the Bank's financial statements and BZ WBK Group's consolidated financial statements for 2016. The process was conducted in line with the Policy on appointing the External Auditor adopted by the Supervisory Board that complies with KNF's recommendations advised in letter ref # DBK/DBK 2/71111/182/2/2014 of 12 December 2014.
- The Supervisory Board got acquainted with and analysed in detail together with the Management Board: (i) recommendations issued by the Polish Financial Supervision Authority (KNF) in relation to the issue inspection carried out in the Bank in February 2016 and in relation to investigation with regard to the management of information technology and security of the ICT environment conducted by KNF in May 2016; (ii) schedules of implementing the recommendations developed by the Bank's Management Board. As agreed, the process of implementing KNF's recommendation is monitored by the Bank's Management Board, whilst its verification is made by the Internal Audit Area in liaison with the Compliance Area. As part of the exercised oversight exercised, the Supervisory Board focuses its attention on the implementation of KNF's recommendations. Based on verified information, the Supervisory Board was provided with assurance that there were no delays in the scheduled management actions and that their status was reported to KNF as required.
- The Supervisory Board got acquainted with the evaluation assigned to the Bank by the Polish Financial Supervision Authority (KNF) in the BION (Supervisory Review and Evaluation) process as at 31 December 2015 as well as with the quarterly updates of this evaluation, and analysed in detail the information on the areas that drove the evaluation. The Supervisory Board was also informed about the BION process conducted in the Bank as at 31 December 2015 and received confirmation that in line with the requirements of the process the Internal Audit Area and the Compliance Area conducted an independent review of the conformity of drafted documentation with the actual status and that its final version was approved by the Bank's Management Board.
- The Supervisory Board was advised about actions taken to ensure cyber-security of the Bank Zachodni WBK, including information on the delivery of the pending and planned programmes given their critical impact on the security of the Bank and its customers. To reflect the great weight given by the Bank to the IT security issue in the context of the growing threats, given the scale of changes both in the external environment as well as within the Bank, a decision was taken to introduce a revised Cyber-security Strategy for 2017-2019. In order to get aligned to changes in the Bank's business strategy and its environment, BZ WBK IT Strategy for 2017-2019 was introduced.
- The Supervisory Board reviewed the strategies and operations of the Business Segments and other areas of the Bank and its subsidiaries as well as projects and strategic programmes delivered as part of the Bank's Transformation Programme: i) Multichannel CRM; (ii) M1 Multichannel; (iii) K2 Digital; and (iv) Process Digitalisation that are to support Bank Zachodni WBK's vision to become the most digital bank in Poland and the cost-effectiveness improvement assumed in the Financial Plan for 2017-2019 by delivering the projected synergies.

- The Supervisory Board approved the decisions recommended by the Nominations and Remuneration Committee presented in the further part of the report (point 1.4.1), including:
 - Extension of Mr Gerry Byrne's mandate to perform temporarily the function of the Bank's Management Board President;
 - Appointment of Mr Michał Gajewski as President of the Management Board;
 - Introduction of the organisational changes that will support the delivery of the Digital Transformation Programme and the correlated Business Model Transformation, consisting in the establishment of the Digital Transformation Division and the Business Model Transformation Area;
 - Changes in the Bank's Management Board's composition.

4. ACTIVITIES OF THE SUPERVISORY BOARD AND ITS COMMITTEES

Irrespective of the Supervisory Board's meetings, the Supervisory Board Members worked in the following Board's committees:

- Nominations and Remuneration Committee report
- Audit & Compliance Committee
- Risk Committee

The Committees' respective procedures are set out in their Terms of Reference, introduced by relevant resolutions of the Supervisory Board. The Terms of Reference are available in the Supervisory Board Secretariat.

The members of individual Committees have knowledge and experience suitable for their roles and adequate discharge of their responsibilities.

The Committees contribute a lot to improving the effectiveness of the Board's work by supporting it in the discharge of its statutory duties as well as by preparing recommendations and proposed decisions relating to the Board's own motions as well as those submitted by the Bank's Management Board.

In order to enable the Supervisory Board members to appraise in full the Committees' work and give them insight into the Committees' current operations, the Chairpersons present relevant reports at the meetings of the Supervisory Board and the Supervisory Board members are provided with copies of the minutes of each meeting of the Committees. Individual Committees received sufficient, reliable and timely information from the Management Board allowing them to discharge their responsibilities in 2016.

4.1. NOMINATIONS AND REMUNERATION COMMITTEE

Role, tasks and composition of the Nominations and Remuneration Committee

The main role of the Committee is to assist the Supervisory Board in its delivery of tasks stipulated by the law, the corporate governance principles and market standards applicable to the activity of Bank Zachodni WBK bodies and key function holders in the Bank.

In line with the Committee's recommendation, by force of resolution no. 36/2016 of 22 June 2016, the Supervisory Board approved changes in the Terms of Reference of the Nominations and Remuneration Committee to reflect the UE regulations (CRD IV/ CRR package) and changes in the Polish Banking Act.

The main task of the Committee is to issue recommendations to the Supervisory Board with regard to:

- appointing and recalling members of the Supervisory Board, the Management Board and other key function holders by the Bank's relevant body;
- remuneration decided upon by the General Meeting, the Supervisory Board or the Management Board respectively.

The key tasks of the Committee include reviewing and monitoring the Bank's remuneration policy and supporting the General Meeting, the Supervisory Board and the Management Board in developing and implementing that policy. Moreover, the Committee actively participates in the Bank's discharge of its duties related to adopting an adequate internal policy with regard to the assessment of the suitability of the Supervisory Board and Management Board Members as well as the key function holders.

In 2016, the Nominations and Remuneration Committee had the following composition:

- Mr Gerry Byrne – Chairman
- Ms Danuta Dąbrowska
- Mr José Luis de Mora
- Mr Witold Jurcewicz
- Mr Jerzy Surma

Usually, the President of the Management Board is invited to attend the Committee's meetings, while the Business Partnership Division and the Corporate Legal Governance Office support the Committee in preparing papers providing basis for recommendations presented to the Supervisory Board and in acquiring external reports.

The Committee's activity in 2016

In 2016, the Committee held 7 meetings and its activity focused on the following issues:

- Changes in the Bank's Management Board composition:
 - In relation to the process of selecting the candidate for the Management Board President's function, the Committee recommended that the Board should extend Mr Gerry Byrne's mandate to perform temporarily the function of the Bank's Management Board President until the new President of the Bank's Management Board is appointed.
 - After completing the process of selecting the candidate to perform the function of the Management Board President supported by an external specialised agency, the Committee summarised the process and indicated that from the analysed group of individuals comprising both external and internal candidates, the best one to take up the function was Michał Gajewski.
 - Formally, Mr Michał Gajewski took up the function of the Management Board President on 29 November 2016, after his professional commitments to the former employer had expired. At the same time, the temporary mandate of Mr. Gerry Byrne to perform the function of the Bank's acting Management Board President expired.
 - On 20 June 2016, Mr Paweł Wieczorek filed his resignation as the Management Board member in charge of the Technology Division.
 - The Committee decided to recommend that the Supervisory Board should appoint Mr Feliks Szyszkwskiak (performing to date the function of the Head of the Small and Medium Enterprise Banking Division) the Head of the Digital Transformation Division. Taking into account the above, the Committee recommend that the Supervisory Board should appoint Mr Artur Chodacki the Head of the Small and Medium Enterprise Banking Division.
 - Given that as of 31 October 2016, Ms Beata Daszyńska-Muzyczka resigned from the Bank's Management Board Member role in charge of the Business Partnership Division, the Committee took immediate actions to appoint her successor. As a result of the process of identifying an adequate candidate conducted by the Board, the Committee recommended that the Supervisory Board should appoint Ms Dorota Strojowska to perform this function.

For each of the said persons recommended to take up functions on the Bank's Management Board, the Committee presented relevant motions for the Supervisory Board's approval of the assessment of the suitability criteria as per art. 22aa of the Banking Act by each individual. These assessments were conducted in line with the Policy on Selection and Suitability Assessment of Management Board Members and Key Function Holders in Bank Zachodni WBK S.A., based on the competence profiles approved by the Supervisory Board which set out assessment criteria referring to the competencies, skills and knowledge required in the case of the Management Board Members in charge of individual functions.

The conducted assessments took into account all circumstances that could have an impact on proper discharge of the vested duties and were to provide assurance that the individuals recommended by the Committee warranted proper discharge of the Management Board Member duties, capacity to make independent judgements and suitability from the perspective of ensuring adequate skills of the Management Board as a whole.

- Preparation of recommendations for the Supervisory Board with regard to the assessment of the Management Board Members performance in 2015 conducted based on the Performance Evaluation Form for the Management Board Members (Performance Evaluation Form) in line with the procedure of setting objectives for the Management Board Members. In line with the Polish Financial Supervision Authority's recommendation, the said evaluation took into account the three-year horizon of the Bank's performance, cost of risk, capital and liquidity risk as well as quantitative and qualitative metrics.
- Recommendations for the Supervisory Board on bonuses for 2015 for the Bank's Management Board members, based on the Bonus Regulations and in accordance with the Bank's Policy on variable components of remuneration.
- Annual review of the bonus scheme applicable to the Bank's Management Board members and providing the Supervisory Board with recommendations on adopting the 2016 Bonus Regulations specifying the terms and conditions of awarding bonuses and setting bonus pools, with a focus on adequate support in achieving the goals assumed in the Business Plan and in the Financial Plan for 2016 as well as compliance with the KNF Resolution no. 258/2011 with respect to variable components of remuneration of key function holders. The Committee also got acquainted with the assumptions underpinning the incentive schemes and Bonus Policies for other staff groups which are designed in the best way to support the business strategy by focusing the staff attention on the set priorities and expected behaviours. BZ WBK Group and the Bank's strategic targets are reflected accordingly in the objectives set in the incentive schemes for individual staff groups.
- Recommending to the Supervisory Board the approval and submission to the Bank's Annual General Meeting of Shareholders of the Policy on selection and suitability assessment of Supervisory Board Members which was developed based on the European Banking Authority Guidelines on the assessment of the suitability of members of the management body and key function holders of 22 November 2012 and EBA Guidelines on Internal Governance of 27 September 2011, taking account of Banking Act and the Code of Commercial Companies.
This Policy reflects the Bank's drive to ensure that candidates for Supervisory Board roles have professional skills appropriate for their job roles, the required experience and impeccable reputation both in their professional and private lives; they should also hold a wide range of characteristics and skills required for the appropriate discharge of their duties and powers and be able to make independent judgements and opinions.
- Executing the Policy on Selection and Suitability Assessment of Management Board Members and Key Function Holders in Bank Zachodni WBK S.A, the Committee recommended that the Supervisory Board should approve the competence profiles for the Management Board Members together with the additional documentation required under the Policy, including information necessary for assessing the suitability of individual Management Board Members (or individuals applying for these roles) and get confirmation whether the assessed individual meets the suitability criteria set out under art. 22 (aa) of the Banking Act in the full scope, i.e. with regard to knowledge, skills, theoretical and practical experience, independent judgement and whether the individual warrants proper discharge of the Management Board Member duties.
- As part of the conducted succession planning process, the Committee presented to the Supervisory Board a recommendation for the Board's approval of the list of potential successors indicated as the HR reserve for the Bank's Management Board roles. The list was developed in line with Bank Zachodni WBK Nomination and Succession Planning Policy for Management Board Members and Key Function Holders (Succession Policy). The identification of potential successors was made based on the criteria defined in the

Succession Policy and in keeping with the principle of avoiding excessive representation of one gender, the principle of equal treatment and the need to strike balance as regards the knowledge and experience of potential successors for the Bank's Management Board roles.

- Annual review of the Policy on variable components of remuneration paid to individuals holding managerial positions in Bank Zachodni WBK Group (Policy) in line with KNF's resolution no. 258/2011 of 4 October 2011, taking into account the assessment of its execution by the Internal Audit function based on a separate review and recommending to the Supervisory Board approval of its results.
- Assessment of the application of the Remuneration Policy in Bank Zachodni WBK based on the Corporate Governance Rules for Supervised Institutions (Rules) approved by force of Resolution no. 29 of the Bank's Annual General Meeting on 23 April 2015 under which the supervising body should present the governing body with a report on the Remuneration Policy of the supervised institution on an annual basis. The review took into account the provisions of the Act on macro-prudential oversight and crisis management in the financial system of 5 August 2015 (amendment to the Polish Banking Act). Taking into account the outcome of the review, the Committee decided to recommend to the the Supervisory Board that the the Remuneration Policy should be assessed as a document that supports the Bank's growth and security, and in particular as a policy consistent with sound and effective risk management and compatible with its business strategy, objectives, values and long-term interests.
- As a result of reviewing the Policy on variable components of remuneration conducted based on KNF's resolution 258/2011 and the assessment of the Remuneration Policy in Bank Zachodni WBK made based on Corporate Governance Rules for Supervised Institutions, the Committee recommended that the Supervisory Board introduce changes to the Remuneration Policy for Members of Bank Zachodni WBK Management Board.
- Preparation of a recommendation for the Supervisory Board with regard to the introduction of the proposed organisational changes that would support the delivery of the Digital Transformation Programme and the correlated Business Model Transformation consisting in the establishment of the Digital Transformation Division to replace the Technology Division. In line with the earlier Management Board's decision a new unit was established, namely the Business Model Transformation Area.

4.2. AUDIT & COMPLIANCE COMMITTEE

Role, tasks and composition of the Audit & Compliance Committee

The Audit & Compliance Committee's role is to assist the Supervisory Board in discharging its oversight responsibilities to shareholders and other stakeholders in relation to:

1. the quality and integrity of the accounting policies, financial statements and disclosure practices and satisfying itself that any significant financial judgements made by the Bank's Management Board are sound;
2. the monitoring of compliance with relevant laws and regulations, taxation obligations and relevant Codes of Conduct as well as business ethics;
3. the monitoring of independence and performance of internal and external Auditors;
4. the assessment of the effectiveness of the system of internal controls and management of financial and non-financial risks;
5. the on-going discussions with the Head of Internal Audit, the Chief Risk Officer, the Head of Legal and Compliance as well as the External Audit Partner.

The Committee operates under the Terms of Reference, which were updated and approved by force of the Supervisory Board's resolution no 55/2015. The updated Terms of Reference incorporate changes to enhance the safeguards for the independence of the Internal Audit function and the Head of Compliance.

In 2016, the Audit & Compliance Committee operated in the following composition:

- Ms Danuta Dąbrowska - Chairperson of the Committee
- David Hexter
- John Power
- Mr Jerzy Surma

Both the Committee's scope of duties and composition are in accordance with the Polish Chartered Auditors Act of 7 May 2009.

In 2016, there were 7 Audit & Compliance Committee meetings and the turnout was as follows:

- Ms Danuta Dąbrowska (Chairman)	4/7
- David Hexter	7/7
- John Power	7/7
- Mr Jerzy Surma	7/7

In order to ensure effective communication between all relevant parties, the previous External Auditor, Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. (Deloitte), current independent Auditor PricewaterhouseCoopers Sp. z o. o. the Head of BZ WBK Internal Audit, the Chief Risk Officer, the Head of Legal & Compliance Division, the Head of Accounting and Financial Control and the Head of Financial Management were invited to attend all meetings. Other members of the Management Board were also invited to attend the Committee meetings as appropriate in order to present reports on the divisions they manage. In addition, the Committee held separate meetings with members of senior management and the external auditors to discuss issues relevant to the Committee.

The Committee's activity in 2016

The Committee undertook its duties in line with an agreed annual work programme that allows the Committee to monitor and seek assurance on the management of the financial and non-financial risks identified in the Bank's business plan.

The Committee members met privately either before or after the meetings to assess particular issues that may require further review or follow-up actions.

The Committee reviewed key areas of material controls, including those underpinning financial, operational, regulatory compliance, technology compliance control and risk management systems. On an on-going basis, the Committee was receiving reports on risk management, frauds, anti-money laundering, legal, regulatory and corporate governance matters in order to assess the effectiveness of the risk management and control frameworks.

In 2016, these reports included the following:

- Material/significant notifications arising under the Group policy on "whistle blowing";
- Updates on significant projects in the Bank;
- Detailed analyses of capital ratios;
- Adequacy of provisioning, including IBNR provisions;
- Compliance with new ratios from Basel III & Recommendation P;
- Information on the IT Risk Governance Framework, including the new organizational structure of the Digital Transformation Division;
- Assessment and approval of the Internal Capital Adequacy Assessment Process (ICAAP);
- Quality of customer service and complaint handling;
- Review of the Bancassurance business.

Specific matters reviewed in more detail by the Audit & Compliance Committee in 2016:

- Technology Control & Information Security Area - it was area of the specific focus, particularly in view of Recommendation D. Given that, the Committee received: (i) updates on cyber-security developments and the Bank's resilience against cyber-attacks; (ii) detailed reports on the establishment of a new Security Operational Control function to ensure that the scope and resourcing were adequate and implemented in a timely manner; (iii) updates on the KNF's recommendations with regard to the management of IT and ICT Security.
- Review of the control environment in the following business areas:
 - Bancassurance Business, including compliance with Recommendation U;
 - Treasury Risk Management, in terms of compliance with Recommendation P;

- Leasing & Factoring operations;
- Customer Complaint Management;
- Global Corporate Banking Division;
- Retail Banking; Operational risks;
- Santander Consumer Bank;
- New approach to branch auditing;
- Business Partnership Division;
- Business and Corporate Banking - Agri Business.
- Review of the Anti-Money Laundering process and the Code of Conduct for Securities Markets.
- Financial reporting.

The Committee reviewed and discussed the Bank audited Financial Statements for 2016 with the Management Board bearing the primary responsibility for preparing the financial statements. The Committee placed particular emphasis on fair presentation of data therein and the reasonableness of the judgmental factors, in particular:

- the level of IBNR provisions for each credit portfolio, the level of legal risk provisions,
- the specific provisions for the mining sector,
- the appropriateness of significant accounting policies used in the preparation of statements and the basis for the valuation of Level III shareholdings (unquoted assets measured through expert valuation models)
- the impact of one-off material items on the 2016 Financial Statements, in particular, impact of the sale of shareholding in Visa Europe Ltd.

The Committee also reviewed and discussed with PwC their independent review of the 2016 Financial Statements and issues reported to the Bank's Management Board in this respect.

The Committee also continued its detailed review of the Group's capital, liquidity and risk frameworks and the requirements of Basel III, Recommendation P, Recommendation U, and Recommendation D. The Committee members considered the proposed assumptions, methodology and process followed in determining the amount of capital and liquidity required to support the BZ WBK Group's business plans and the adequacy of its capital resources.

In reliance of these reviews, challenges and debates, the Committee concluded to recommend that the Supervisory Board should approve the audited financial statements for inclusion in the Company's annual report for the year ended 31 December 2016. The Board accepted the Committee's recommendations and decided to submit 2016 Financial Statements to the Annual General Meeting of Bank Zachodni WBK Shareholders.

- Internal Audit
The Committee, through BZ WBK Group Internal Auditor, receives objective independent reports on the operation of internal controls in BZ WBK Group. The Committee reviewed the Audit Programme and the work undertaken during the year, the level of training and skills of the resources of the internal audit function as well as changes to the internal audit methodology. BZ WBK Group continued its Internal Audit Quality Assurance reporting in accordance with the International Auditing Standards..
- External Audit
By force of the Bank's Management Board Resolution no. 24/2016 of 22 March 2016, Given the completion of the new auditor selection process, by force of Resolution no. 24/2016 of 22 March 2016, based on the recommendation of the Audit & Compliance Committee, the Supervisory Board appointed PricewaterhouseCoopers Sp. o.o. (PwC) to perform: (i) semi-annual audit of the Bank's financial statements and semi-annual audit of consolidated financial statements of BZ WBK Group for H1 2016; (ii) annual audit of the Bank's financial statements and annual audit of consolidated financial statements of BZ WBK Group for 2016.
There is a process in place whereby the Audit & Compliance Committee reviews and, if considered appropriate, approves, within parameters approved by the Supervisory Board, any non-audit services undertaken by the Auditor, and the related fees. The process ensures that the objectivity and independence of the Auditor is safeguarded.

In 2016, The Group paid PLN 4.9m to PricewaterhouseCoopers Sp. z o.o. (PwC) for audit services, relating to the statutory audit of the Group and Bank financial statements and the audit of Group subsidiaries (including Santander Consumer Bank) and associates pursuant to legislation.

The fees for other services which included advice on accounting, regulatory matters and the fees directly relating to work mentioned above were PLN 0.9m giving a total fee to PwC of PLN 5.8m .

The Committee is satisfied that the Group's external Auditors provided effective, independent challenge to the Supervisory Board and Management Board and that their comprehensive Management Letter provides valuable recommendations for improvement of internal controls. As part of the process of approving Financial Statements for 2016, the Committee was advised by PwC Polska about arrangements it put in place to maintain its independence and objectivity as BZ WBK Group Auditor.

- Other matters
The Committee conducts a continuous review of its process and performance. The form of the review involved a discussion on the format of the meetings and the effectiveness of the reporting processes.
- Focus for 2017
In 2017, the Committee's areas of focus will continue to be influenced by the changing regulatory environment both in Poland and Europe, the continuous improvement of the Bank's IT Risk framework and detailed reviews of the subsidiary entities, the Bancassurance business in particular.

4.3. RISK COMMITTEE

Role, tasks and composition of the Audit & Compliance Committee

The Risk Committee is appointed by the Supervisory Board of Bank Zachodni WBK to assist the Board in discharging its oversight responsibilities to shareholders and other stakeholders and to protect the Group from implications of future events that could impede the sustainable achievement of its strategic objectives in relation to:

- appropriate risk philosophy, as articulated in relevant legal regulations and regulatory recommendations;
- risk appetite, as reflected in policies and risk limits;
- a sharpened focused oversight on the more significant business risks undertaken by the Bank and;
- the appropriateness of the overall risk governance framework;
- assessment of potential future risks which may impact the achievement of strategic objectives.

By 10 February 2016, the Committee operated under the name Risk Oversight Committee. Given the requirement to adjust the scope of the Committee's operations to the new model stemming from delayed implementation of the CRD IV to the Polish legislation which took place on 1 November 2015, its name was changed in line with the terms used in the updated Banking Act, i.e. to the Risk Committee. By force of Resolution no 7/2016, the Supervisory Board:

- agreed that the composition of the Risk Committee would be the same as that of the Risk Oversight Committee established by force of the Supervisory Board Resolution no. 17/2014 of 16 April 2014;
- introduced changes to the Committee's Terms of Reference which apart from the change of its name reflected also the Committee's tasks directly stipulated by law, i.e.:
 - issuing opinions on the current and future readiness of the Bank to take up risk,
 - issuing opinions on the risk management strategy developed by the Bank's Management Board and on its implementation,
 - supporting the Supervisory Board in overseeing the implementation of the risk management strategy by the senior management,

- verifying the reflection of the Bank's risk strategy in the prices of assets and liabilities offered to customers.

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In 2016, the Risk Committee composition was:

- Mr John Power (Chairman)
- Mr David Hexter
- Mr Witold Jurcewicz
- Ms Marynika Woroszyńska-Sapieha,
- Mr Jose Manuel Varela

In 2016, the Committee met 6 times and the turnout was as follows:

- | | |
|-----------------------------------|-----|
| - Mr John Power (Chairman) | 6/6 |
| - Mr David Hexter | 6/6 |
| - Mr Witold Jurcewicz | 6/6 |
| - Ms Marynika Woroszyńska-Sapieha | 6/6 |
| - Mr Jose Manuel Varela | 3/6 |

The Committee is conscious, when undertaking its duties that the Bank is in the business of taking risk but at a level that is appropriate relative to the scale and type of business undertaken. The Committee focused on the oversight of forward looking risk issues and the key risk management indicators prepared in accordance to the business strategy.

The Committee undertakes its duties in line with an agreed annual work programme that allows the committee to review the effectiveness of the risk philosophy and the appropriateness of the overall risk governance framework.

The previous independent Auditor of the Bank, Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k., the current independent Auditor PwC Polska, the Head of BZ WBK Internal Audit, the Chief Risk Officer, the Head of Accounting and Financial Control, the Head of Financial Management and the Management Board President were invited to attend all meetings. Other members of the Management Board were also invited to attend as appropriate in order to present reports.

The Committee's activity in 2016

The key activities reviewed were:

- Review and evaluation the Group's Risk Appetite Statement;
- Assessment and approval of the Internal Capital Adequacy Assessment Process (ICAAP);
- Review of the Group's actual risk profile against the Risk Dashboard and limit amendments in light of the business growth;
- Comprehensive assessment of the credit portfolio, including comparison to peers in the market and the assessment of future risks in the mortgage and mining sectors;
- Future impact of KNF regulations on the market, including the EBA Stress Test results;
- Continued overview of operational risk processes with a focus on how the Bank can be more efficient and effective in streaming processes and procedures, including those applicable in the branch network and partner outlets franchise.
- Overview of the risk management in BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A.
- Overview of the Advanced Risk Management programme and how the programme can accelerate growth in the Bank's businesses
- Assessment of the impact of IFRS 9 implementation;
- Assessment of the pricing of Assets & Liabilities offered to customers in terms of adequate reflection of the Bank's business model and its risk strategy.

On a regular basis the Committee receives reports on BZ WBK Group's risk profile and key performance indicators. In particular, the reports refer to (i) performance vs. risk appetite and tolerance, (ii) risk trends, (iv) risk concentrations.

A key element of the Risk Committee's work is the oversight of the stress testing undertaken by the Bank in accordance with its own assumptions and benchmarked against the requirements set by the KNF. The results of the stress testing are linked closely with the Committee's review of the Group's Risk Appetite Statement and policies reflecting the overall strategy adopted by the Supervisory Board. As in previous years, the stress testing exercises demonstrated that Bank

Zachodni WBK has the resources to maintain adequate capital and profitability in a stressed scenario.

The Committee recommended to the Supervisory Board approval of the Group's economic capital framework, the governance over the Internal Capital Adequacy Assessment Process (ICAAP) and the effective implementation of this process by the Management Board.

- Other matters

The Committee conducted a continuous review of its activity and performance. The form of the review involved a discussion on the format of the meetings and the effectiveness of the reporting processes. In 2016 the Committee continued a learning programme on new trends and developments in the financial industry. Outside facilitators provided an insight into the new developments in IFRS 9, EU Regulations and the Digital Transformation agenda.

- Focus for 2017

In 2017, the Committee will review amendments to the Group's Risk Appetite Statement and continue its comprehensive review of the emerging risks in both the core business of the Group and the overall banking industry.

5. ASSESSMENT OF THE SUPERVISORY BOARD ACTIVITY IN 2016

The Supervisory Board assessed its performance for 2016 in accordance with the "Best practice for the GPW listed companies".

On that basis, the Supervisory Board stated that it had duly discharged its responsibilities laid down in the Commercial Companies Code, the Banking Law, the Bank's Statutes and the KNF recommendations as it held its meetings at a frequency that ensured that all matters within the Supervisory Board's remit were addressed. In their actions, the Supervisory Board Members were guided solely by the interest of the Bank and the independence of judgements and opinions. Both the composition of the Supervisory Board and knowledge and experience of its individual Members, their active participation in the meetings of the Supervisory Board and its committees ensured sound and effective performance of the Supervisory Board as well as proper and effective supervision over the Bank's operations in 2016.

II. REPORT OF THE SUPERVISORY BOARD ON THE EXAMINATION OF 2016 FINANCIAL STATEMENTS, THE MANAGEMENT BOARD REPORT ON PERFORMANCE IN 2016 AND THE BANK'S MANAGEMENT BOARD'S MOTION FOR DISTRIBUTION OF PROFIT

1. EXAMINATION OF 2016 FINANCIAL STATEMENTS, REPORT ON THE MANAGEMENT BOARD PERFORMANCE IN 2016

Pursuant to art. 382 (3) of the Commercial Companies Code and paragraph 32 (1) (6) of the Bank's Statutes, the Supervisory Board examined the Bank's Financial Statements and BZWBK Group Consolidated Statements for 2016 as well as the Report on BZ WBK Group's Performance in 2016, incorporating the Bank's Management Board report on the Bank Zachodni WBK Performance in 2016 as regards their consistency with the books, documents and the actual status. These documents will be submitted by the Bank's Management Board to the Annual General Meeting of Bank Zachodni WBK Shareholders convened for 17 May 2017.

By force of Resolution no. 24/2016 of 22 March 2016, the Supervisory Board vested PricewaterhouseCoopers Sp. z o. o. (PwC) with the duty of auditing the statements. (PwC)

Based on the findings of the audit conducted by PwC, presented in the following documents submitted to the Supervisory Board:

- Report from the audit of standalone Financial Statements of Bank Zachodni WBK S.A. for the financial year starting on 1 January and ending on 31 of December 2016;
 - Report from the audit of consolidated Financial Statements of Bank Zachodni WBK S.A. Group for the financial year starting on 1 January and ending on 31 of December 2016,
- the Supervisory Board stated that Financial Statements for 2016, presented by the Management Board, had been prepared correctly, in all material respects, and provided a true and fair view of the financial position of the Bank and the Group as at 31 December 2016 and of their financial performance and their cash flows for the year ended 31 December 2016, in accordance with International Financial Reporting Standards adopted by the European Union, and were in compliance with the respective regulations that apply to the Bank's standalone financial statements and the consolidated financial statements.

Given the above, by force of Resolution no. 15/2017 of 16 February 2017, the Supervisory Board decided to submit the following documents for the Annual General Meeting's approval:

- Financial Statements of Bank Zachodni WBK for 2016,
- Consolidated Financial Statements of Bank Zachodni WBK Group for 2016,
- Management Board Report on Bank Zachodni WBK Group Performance in 2016 (including Management Board Report on Bank Zachodni WBK Performance in 2016).

2. REVIEW OF THE BANK'S MANAGEMENT BOARD MOTION RELATED TO PROFIT DISTRIBUTION FOR 2016 AND DISTRIBUTION OF THE UNDIVIDED PROFIT FOR 2014 AND 2015

When assessing the recommendations of the Bank's Management Board with regard to the distribution of profits earned in the period from 1 January 2016 to 31 December 2016 and allocating part of the profits retained for the years 2014-2015, the Supervisory Board took into account the recommendations of the Polish Financial Supervision Authority (KNF) related to the risk of FX home loans, planned growth in the risk weights for FX home loans up to 150%, growth of the conservation buffer to 1.875% in 2018 and the impact of the new IFRS9 on the capital adequacy, starting from 1 January 2018.

Bearing in mind the above guidelines and taking into account potential capital risks, in particular the risk related to FX home loans, the Supervisory Board endorsed the stance of the Management Board with regard to retaining the entire profit earned in the period from 1 January to 31 December 2016 and simultaneous allocation to dividend of the profits retained for 2014-2015.

The Bank complied with KNF recommendations with regard to the possibility to pay out 50% of the profit earned in the years 2014-2015.

The Supervisory Board also took into account the prospects for development of the Bank's and Group's capital base by potential raising of additional Tier 2 capital and adequate allocation of the current profits earned in the subsequent years to Tier 1, bearing in mind compliance with regulatory requirements with regard to minimum capital ratios, compliance with the combined buffer requirement and building a strong capital position of the Bank.

III. ASSESSMENT OF BANK ZACHODNI WBK GROUP'S PERFORMANCE IN 2016

Acting in compliance with the Best Practice for the WSE Listed Companies, the Supervisory Board assessed the Bank's and BZ WBK Group's standing in 2016, covering the internal control system, risk management, compliance risk management, internal control function, including financial reporting and operational business as well as the assessment of the reasonableness of the Bank's sponsoring and corporate giving policy as well as the assessment of the manner of discharging disclosure requirements by the Bank with regard to the application of the corporate governance rules.

1. BANK ZACHODNI WBK GROUP'S PERFORMANCE IN 2016

Economic growth

The Polish economy grew at the rate of 2.8% in 2016. The slowdown was primarily driven by slump in investments triggered by low utilisation of EU funds in the interim period between two EU financial frameworks. At the same time, the international trade slowed down amid slower global growth. Private consumption remained the growth driver, supported by the sound situation on the labour market and payments under the child benefit programme (500+ Programme).

Inflation

Inflation remained below zero for the major part of the year, yet in the last months of the year it rebounded to positive territory, primarily due to the base effect and the growth in fuel and food prices. In 2016, the average inflation rate was -0.6% YoY, and at the end of the year +0.8% YoY. Base inflation, excluding food and energy prices was -0.2% YoY on average and 0.0% YoY at the year-end.

Monetary Policy

At the beginning of 2016, the new term of office for the Monetary Policy Council started. The MPC continued the policy of its predecessors, maintaining the monetary policy parameters unchanged. The MPC members suggested that the next change would be the rate hike, yet not in 2017.

Deposit and credit market

In 2016, the growth rate for deposits stayed high, ca. 10% YoY on average. A solid growth was noted both in the business and household sectors. However, the credit market noted a slight slowdown relative to 2015. The pace of growth for household loans was stable, i.e. close to 4% YoY (on a constant currency basis).

Financial market

The year 2016 was another one characterised by high volatility on the financial markets. The domestic financial market was driven primarily by the global political events, in particular the June Brexit referendum in the United Kingdom and the November elections in the USA. The outcome of both votes came as a surprise and had a major impact on the valuation of assets of the emerging economies, including Poland. As a result of the growth in risk aversion, the value of zloty and Polish t-bonds depreciated, even though the weakening was short-lived whilst part of investors leveraged it to accumulate Polish assets which remained attractive relative to those of other economies. The decision taken by the main central banks (Fed, EBC, Bank of England, Bank of Japan) also had a major impact on the financial markets in Poland. The expected rate hike by Fed had the biggest impact on weakening the value of Polish T-bonds and zloty because the US investors are one of the major players on the domestic debt market.

Profit and loss account

The comparability of results in 2015 and 2016 was primarily driven by the following events:

- On 27 February 2015, Bank Zachodni WBK S.A. sold part of its stakes in BZ WBK-Aviva TUnŻ S.A. and BZ WBK-Aviva TUO S.A. that triggered the loss of control (17% shareholding in each of the companies).
The transaction yielded a pre-tax profit to the Group of PLN 523.0m.
- As part of settling the transaction of taking over Visa Europe Ltd. by Visa Inc., on 21 June 2016 BZ WBK S.A. and SCB S.A. as members and shareholders of the taken over company received the cash payment, preferred series C shares and the deferred cash payment of PLN 316.1m, of which PLN 305.9m due to BZ WBK S.A.
- In line with the act on tax on assets of certain financial institutions which came into full force and effect on 1 February 2016, assets of banks are taxed based on the monthly rate of 0.0366%. By the end of 2016, the said levy for BZ WBK S.A. and SCB S.A. totalled PLN 387.2m.

The pre-tax profit totalled PLN 3,122.1m and reduced by 1.8% y/y, whilst on the underlying basis, i.e. excluding from the analysed period the non-recurring profits on capital market transactions (PLN 316.1m on settling the Visa transaction in 2016 and PLN 523m from selling part of the stakes and losing control of BZ WBK-Aviva TUnŻ S.A. and BZ WBK-Aviva TUO S.A. in 2015) and the banking tax, it increased by 12.9% y/y.

The profit attributable to BZ WBK shareholders totalled PLN 2,166.8m and reduced by 6.9 YoY and on the underlying basis it increased by 12.5% YoY.

Income

The total income earned by Bank Zachodni WBK Group in 2016 was PLN 7,606.2m, up 0.9% YoY.

On the underlying basis, i.e. excluding from the analysed period the non-recurring profits on capital market transactions, the total income increased by 3.9% YoY.

Higher net interest income (+PLN 461.2m YoY) amid the record low interest rates reflects the growth in the net interest margin (by 0.13 p.p. across the year).

The net interest margin increased from 3.55% in 2015 to 3.68% in 2016. This is the result of lower costs of funding amid record low interest rates and the execution of the funding sources optimisation strategy.

In 2016, the net fee income reduced slightly on the annual basis (-1.2% YoY) and totalled PLN 1,914.7m.

Credit cards were the biggest contributor to the net fee income in 2016 (+17.1% YoY). The improved fx fee income (+2.3% YoY) is attributable to the Group's comprehensive measures taken to support foreign trade and develop e-FX services on the iBiznes24 platform.

The YoY decline of 9.3% in the net fee income from insurance business was connected with the legal and regulatory regime of the bancassurance market, in particular the statutory ban imposed by the Act of 11 September 2015 on insurance and reinsurance activity (effective from 1 April 2016) on collection of insurance fees by banks acting as insuring parties in relation to group insurance plans (e.g. linked with payment cards).

The gains on other financial instruments in 2016 increased by 45.2% YoY up to PLN 402.8m, of which PLN 316.1m was represented by the Group's earnings (PLN 305.9m due to BZ WBK S.A. and PLN 10.2m due to SCB S.A.) on settling the transaction of taking over Visa Europe Ltd. by Visa Inc. on 21 June 2016; BZ WBK S.A. and SCB S.A. received the cash consideration of EUR 51.6m, 18,692 preferred series C shares and the deferred cash payment representing ca. 0.4% of EUR 1.12bn payable to transaction participants.

Gains on selling debt instruments totalled PLN 93.2m, which represents a 65.7% decline YoY.

In 2016, BZ WBK Group reported the net trading income of PLN 280.8m, which is by 25.6% higher YoY.

In 2016, BZ WBK Group recognised the dividend income of PLN 96.6m, down 8.3% YoY, on account of dividends from the Aviva Group companies in Bank Zachodni WBK equity investment portfolio.

Costs

In 2016, the total costs of BZ WBK Group amounted to PLN 3,367.7m, and were 5.9% lower YoY. Excluding from both periods the BFG imposed contributions to the guaranteed deposit scheme, the underlying costs declined by 1.2% YoY.

The Cost to income ratio (C/I) was 46.0% excluding one-off items (vs. 48.4% in 2015).

This result was achieved despite higher prudential fee payable to BFG, significant costs associated with maintenance and extension of IT systems, high expenses associated with the Group's development projects.

Assets

As at 31 December 2016, the total assets of Bank Zachodni WBK Group were PLN 150,099.7m, an increase of 7.4% YoY.

Credit portfolio

As at 31 December 2016, gross loans and advances to customers were PLN 107,947.4m and were 7.9% higher YoY.

Compared with 31 December 2015, loans and advances to individuals increased by 8.4% YoY to reach PLN 56,291.4m as at 31 December 2016. In 2016, mortgage loans recorded a growth by 9.8% up to PLN 37,008.4m. The second biggest contributor i.e. cash loans, grew by 9.7% YoY to PLN 11,926.7m.

Loans and advances to enterprises and public sector entities were PLN 45,375.7m, i.e. 4.2% higher YoY driven primarily by lending to large corporate and SME customers.

The net impairment losses on loans and advances amounted to PLN 784.6m compared with PLN 810.7m in 2015.

The NPL ratio was 6.6% (7.3% as at 31.12.2015r.), while the ratio of impairment losses to the average gross credit volumes was 0.75% (0.85% as at 31 December 2015).

The (net) loans to deposits ratio was 91.6% as at 31 December 2016 relative to 93.7% as at 31 12.2015).

Equity and liabilities

The key change in the equity and liabilities of Bank Zachodni WBK Group was noted in liabilities towards banks which increased by 140.1% YoY on account of loans granted by commercial banks.

A significant growth was noted in subordinated liabilities and debt securities in issue (+23.1% YoY). It was driven by debt securities issues and securitisation transactions effected by the Group in order to diversify the sources of funding. In 2016, Bank Zachodni WBK issued two series of certificates of deposit with a nominal value of PLN 250m and PLN 100m, respectively, zero-coupon bearer bonds with a nominal value of PLN 185m and 10-year subordinated bonds with a nominal value of EUR 120m.

Deposits

Deposits from customers increased by 11.1% YoY to PLN 112,522.5m as a result of the growth in deposits of enterprises and the public sector by 16.5% YoY and increase of 7.3% YoY in personal deposits.

The net value of assets in mutual funds and private portfolios increased by 6.4% YoY to PLN 13.8bn.

Share price of Bank Zachodni WBK S.A.

After a weak first half of the year, the BZ WBK share price surged thereafter, closing the year at PLN 316, up 11.3% YoY. 11.3% more than at the end of the last year. The bank's stock price (adjusted for dividend) rose to an all-year high on 16 December, reaching PLN 333.

There were considerable fluctuations in BZ WBK share price throughout 2016, though. In addition to the factors that affected the global market situation, the Bank's share price was influenced by the risks associated with the ongoing work on CHF loan conversion law and by the introduction of the banking tax.

Rating

Ratings of Bank Zachodni WBK as at 31 December 2016 were assigned by Fitch Ratings on 9 November 2016.

On 4 August 2016, Fitch Ratings upgraded the national long-term rating and senior unsecured debt rating of Bank Zachodni WBK from AA- (pol) to AA (pol).

Summary

The Supervisory Board assesses the situation of the Bank and Bank Zachodni WBK Group as good and stable. The assessment is justified by:

- Good financial results in a challenging economic environment;
- Effective risk management;
- Strong capital and liquidity position;
- Excellent cost management; and
- Efficient internal control system.

2. ASSESSMENT OF INTERNAL CONTROL SYSTEM

As required by the Statutes, the Bank operates an internal control system which supports the decision-making processes and contributes to the Bank's efficient operations, reliability of financial reporting as well as compliance with the law, international standards, internal regulations and best practice.

The Supervisory Board positively assesses the Bank's internal control system which is adequately adjusted to the Bank's organisational structure and risk management system as well as to the size and complexity of the Bank's business. It covers all units across the Bank as well as its subsidiaries. The internal control system covers all significant controls, including those related to reporting and the Bank's operational activity.

The Bank's Management Board is responsible for designing, implementing and functioning of the internal control system. The internal control system includes: risk controls, monitoring and testing of the Bank's compliance with external and internal regulations, and internal audit.

Internal control and risk management systems are structured into three lines of defence. Control measures under the first line of defence check compliance with procedures and they are an ad hoc response to any identified deficiencies or shortcomings.

The second line of defence is formed by specialized units performing control functions which support the Bank's management in risk identification and management and provide assessment of the first line controls.

The third line of defence is the Internal Audit Area, whose activity is supervised by the Audit and Compliance Committee of the Supervisory Board. The IAA provides independent and objective examination as well as assurance on the first and second tier controls as well as on the Bank's management system, including the effectiveness of managing the risk related to the Bank's business. For that matter, the Internal Audit Area verifies the adequate coverage of the Group's risks, in compliance with the applicable management policies, procedures and internal and external regulations. Using its own risk matrix and knowledge, the IAA performs a regular assessment of the present and future risk across the Bank and Bank Zachodni WBK Group, developing annual audit plans to cover it. Also, priorities highlighted by the Bank's management, the Audit and Compliance Committee, the external auditor, and banking supervision institutions are taken into account.

The Supervisory Board is responsible for the supervision over the implementation of the internal control system and for assessing its adequacy and effectiveness. The Supervisory Board receives current and accurate information on identified irregularities and the management actions undertaken to remove these issues, completeness and correctness of accounting procedures as well as the adequacy, functionality and security of the IT systems.

The Risk Committee and the Audit & Compliance Committee are updated on a regular basis on the operation of the internal control system from the units of the second and third lines of defence which facilitates the on-going monitoring of the system's effectiveness.

The control findings are taken into account and used to improve the existing processes and safety by making relevant changes to internal processes and regulations. These are regularly verified by the Internal Audit Area.

The Audit & Compliance Committee is informed about the results of assessing the risk of failure to comply with the overall internal control targets. The analysis of the design and effectiveness of controls made in 2016 indicates the low impact of the identified deficiencies relative to the delivery of the internal control targets.

In 2016, the deficiencies identified in the process of the internal control model certification were estimated at the lowest materiality level (Control Deficiency) which combined with the lower number of indented deficiencies compared with 2015 confirms the maturity of the Bank's internal control system and the effectiveness of the applied controls.

The internal control system addresses, among others, compliance with the requirements of the Sarbanes-Oxley Act, Volcker Rule (section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act) as well as requirements of RDA/RRF (Basel Committee on Banking Supervision 239: Principles for effective risk data aggregation and risk reporting).

In order to manage risk associated with the preparation of financial statements, the Bank tracks legal and regulatory changes related to reporting obligations for banks 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.

Financial statements are approved by the Disclosure Committee, which is responsible for ensuring that the financial disclosures of BZ WBK Group comply with all legal and regulatory requirements before they are released. Annual reports on operations of the Disclosure Committee are subject to a review by the Audit & Compliance Committee which subsequently recommends them to the Supervisory Board.

The Audit & Compliance Committee reviews Financial Statements, Management Board Report on the Group's Performance and additional reports (such as Information on Capital Adequacy of the Group) prepared as part of financial reporting on a half-yearly and yearly basis, and submits them to the Supervisory Board for acceptance/ approval. As part of its reviews, the Audit & Compliance Committee gets acquainted with the outcome of external auditor's work (review or audit, respectively), in particular with key risks within the scope the auditor's analysis and conclusions arising from auditing activities.

In the Supervisory Board's opinion, the controls implemented in the Bank effectively address the risk of a material misstatement in the financial statements. Moreover, 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 the Sarbanes-Oxley Act.

3. ASSESSMENT OF THE RISK MANAGEMENT SYSTEM

Bank Zachodni WBK has an integrated risk management framework ensuring that all risks having material impact on the Bank's operations are identified, measured, monitored and controlled. In the opinion of the Supervisory Board, the risk management structure is adequate versus the size of the Bank and the risk it is exposed to. It is also being optimised on an ongoing basis, and adjusted to the changing external environment, as well as the risk profile deriving from the adopted strategy.

The responsibility for the management of individual risks was split between the Bank's organizational units that are supported by relevant Committees. The risk management strategy is set by the Risk Management Committee (RMC) and the Risk Control Committee (RCC; established in 2016) overseeing the activity of other Committees having risk management authority. Additionally, the Risk Management Sub-Committee was established within the Risk Management Committee to ratify the key decisions of lower-level committees (mostly with regard to large credit transactions). At a lower level, the Cyber Risk Committee was formed to monitor cyber security on the basis of information from the first and second lines of defence cooperating in tasks related to the delivery of the cyber security strategy. The fact that Members of the Management Board and senior management sit on key Committees ensures senior management engagement in the risk management of the Bank.

One of the basic elements of the risk management framework of Bank Zachodni WBK is setting the levels of risk that the Bank is ready to accept in its day-to-day business. The acceptable risk level is expressed in the form of quantifiable limits set out in the BZ WBK Group Risk Appetite Statement approved by the Management Board and the Supervisory Board. The Bank conducts a detailed review of the limits with regard to the existing and potential risks, market conditions as well as the financial and capital plan at least once a year. Stress-testing and scenario analyses represent the key tool used to analyse the limits and ensure that the Bank retains an adequate capital position even in extreme and severe circumstances.

The Bank has methodologies and processes in place to identify and assess risks to determine their potential impact on the Bank's operations now and in the foreseeable future. With a view to identifying and assessing risks for the entire organisation, the review of material risks is carried out as part of the Internal Capital Adequacy Assessment Process (ICAAP). The identified risks are managed using policies and best practice to keep them at an acceptable level. The Bank

uses various risk assessment and measurement techniques depending on risk type and materiality, including:

- Customer and/or transaction grading models - for credit risk assessment purposes;
- VAR methodology for market risk; and
- Operational risk self-assessment methodologies.

The comprehensive risk management framework is supported by a consistent and transparent system aimed at monitoring and reporting risk levels and excesses against defined limits. The reporting system covers key management levels. The Supervisory Board receives regular reports assessing the level of identified risks and reports assessing the effectiveness of actions taken by the Bank's Management Board.

The Bank aims to keep the right risk/reward balance. Support for the Bank's development strategy, while retaining best in class risk management standards and compliance with the regulatory environment, is amongst the key assumptions underlying the risk management process.

In 2016, credit portfolio growth of all major segments (personal, SME, and corporate customers) was observed, maintaining an acceptable risk level at the same time. The Bank thoroughly analysed the macroeconomic market fluctuations and closely monitored the risk exposure, thus adjusting, on an ongoing basis, the risk management policy parameters to the changing market climate in order to keep the risk profile safe.

The Bank continued its ongoing work aimed at strengthening the risk assessment processes and tools. A number of projects and programmes were run to that end, including (i) the Advanced Risk Management (ARM), with 13 initiatives that are material for boosting the strength of the balance sheet and the stability of the Bank that refer to both financial and non-financial risks; (ii) the Risk Data Aggregation aimed at harmonising the data system and reporting tools across the Bank's areas; (iii) the Advanced Operational Risk Management striving for excellence in operational risk management; (iv) the ALM, extension of liquidity risk reporting methods; (v) the MSSR9 implementation for provisioning. All of the above initiatives will be continued in 2017.

In 2016, works were underway to ensure compliance with Recommendation W (management of models) and Recommendation K (concentration risk management).

The Supervisory Board and the Risk Committee were informed on the progress in implementing the most important risk programmes and projects on an ongoing basis.

4. ASSESSMENT OF COMPLIANCE RISK MANAGEMENT

The Supervisory Board was positive in its assessment of the compliance risk management system that includes the units listed below together with their scope of responsibilities:

- Legal and Compliance Division - compliance with legal and regulatory requirements in particular areas of the business activity, in particular with regard to: protection of consumer rights, implementation and sale of new products, prevention of money laundering, ethical issues, protection of sensitive information, protection of personal data and conflict management.
- Specialist units dedicated to identifying and interpreting remaining legal and regulatory requirements the Bank being a legal entity is obliged to fulfill (labour regulations, tax and reporting, prudential standards).
- Specialist committees that are supervised by the Risk Management Committee.

The Compliance Risk Management Policy adopted by the Bank's Management Board and approved by the Supervisory Board provided the Compliance Area with mandate to effectively support management in the process of managing compliance and reputational risk. The Compliance Area reports to the Risk Management Committee and to the Audit and Compliance Committee of the Supervisory Board which ensure the fulfilment of regulatory obligations and approve internal control principles and compliance policy framework. As part of the process of compliance risk management, the Audit and Compliance Committee regularly reviews key compliance issues identified by the Compliance Area and Anti-Money Laundering Department.

Mitigation of legal and regulatory risk, maintenance of proper relations with market regulators and provision of support to the authorities of the Bank and Bank Zachodni WBK Group in the process of taking strategic decisions with respect to ensuring compliance, as well as implementation of uniform standards of compliance risk management in the Group's subsidiaries are achieved on the basis of the following measures in particular:

- independent identification, monitoring and assessment of compliance risk;
- providing advice and reporting to the Risk Management Committee, the Bank's Management Board and the Audit and Compliance Committee on the effectiveness of processes established to ensure compliance with legal and regulatory requirements;
- communication of policies and procedures, providing the management and staff with guidance on compliance risk management;
- coordination of contact with market regulators (Financial Supervision Authority (KNF), Office of Competition and Customer Protection (UOKiK), General Inspector of Financial Information (GIIF), Inspector General for the Protection of Personal Data (GIODO));
- coordination of the approval of new products;
- strengthening the principles of ethical business conduct and building the corporate governance culture across the organisation.

Key units managing reputational risk at Bank Zachodni WBK S.A.: Compliance Area and Corporate Communication and Marketing Area. The units are responsible for protecting the Bank's image as well as reducing and eliminating the impact of adverse events on the Bank's image and financial performance. To this end, they use a number of risk mitigants for reputational risk, the key ones being:

- Disclosure Policy of Bank Zachodni WBK;
- monitoring of media, some foreign media and social media;
- customer satisfaction survey;
- preparation and control by relevant Bank Zachodni WBK units of all important communiqués and reports for shareholders, the Polish Financial Supervision Authority (KNF) and the Warsaw Stock Exchange and the timely publication of such communiqués and reports;
- evaluation of new products or their modifications, procedures, communication, commercial materials, initiatives addressed to customers (promotions, contests) and training materials for sales staff in respect of their compliance with laws and regulatory guidelines;
- supervision over post-sale control process and "mystery shopper" in respect of investment and insurance products (starting from 2016, in line with Recommendation U);
- social and environmental policies;
- Corporate Defence Model;

In 2016, the Compliance Area was highly engaged in the works aimed at ensuring the Bank's compliance with the regulatory requirements, particularly in respect of: MiFID II/MiFIR, PRIIPS, Volcker Rules, EMIR, FATCA/CRS and RODO.

The Supervisory Board in particular noted the actions performed in 2016 that were aimed at further development of the compliance function and its adjustment to the internal and external environment, including: (i) compliance risk management - implementation of an IT tool supporting regulatory risk estimation that allows for a more efficient identification of the most material areas where compliance risk mitigants need to be strengthened; (ii) strengthening assessment of reputational risk - estimation of conduct risk at all stages of product life cycle (creation, sales, post-sales); (iii) launching additional telephone channel to for reporting employee relations cases and gathering all information about the available communication channels where staff can report irregularities in one place (Bank's intranet website); (iv) creating position responsible for coordinating the operations in terms of managing risk attached to the insurance products offered by the Bank, that is assigned to the Compliance Area in the Bancassurance Policy, particularly in respect of compliance risk, conduct risk, reputational risk; (v) AML risk mitigation - implementation of new procedures for opening accounts by non-residents, preventive actions against customers connected with tax havens.

In line with the Policy on compliance risk management in Bank Zachodni WBK, each year the Supervisory Board assesses the effectiveness of compliance risk management in BZ WBK. The last time such assessment was performed by the Supervisory Board in October 2016. Following

the assessment, the Supervisory Board established that the Compliance Area had performed their duties correctly, also when acting as the second line of defence, and that it held relevant resources to discharge said duties. The Area representatives are represented in other committees of the Bank when required. The Compliance Area reviews all projects that require their opinion. The Compliance Area is actively engaged in building awareness in respect of ethical business operations, anti-money laundering issues as well as preparing and coordinating the certification process for savings and investment products. Furthermore, the Supervisory Board noted that the compliance risk management was effective and adequate to the Bank's business scale and needs and that it did not expose the Bank to the risk of regulatory sanctions, financial losses or loss of reputation caused by non-compliance with the law, regulatory guidelines, standards and codes of conduct applicable to its operations.

5. INTERNAL AUDIT FUNCTION ASSESSMENT

Pursuant to Par. 41 (2) of the KNF resolution 258/2011, the Bank's Management Board assesses the effectiveness of the internal audit unit, based on documents prepared by the BZ WBK Group Chief Internal Auditor.

In the Bank's Management Board opinion the internal audit function operates efficiently and effectively, covering adequately all units across the Bank and subsidiaries which was confirmed by the last assessment conducted in 2016.

Notwithstanding the above, the Supervisory Board assesses the internal audit function upon each presentation of the report on the performance of the Internal Audit Area to the Audit & Compliance Committee. In September 2016, the Supervisory Board conducted the overall review of the Internal Audit Function.

Taking into account the outcome of the conducted assessment, the Supervisory Board stated that:

- the Internal Audit Area has adequate mandate and organisational structure to carry out its responsibilities independently. The BZ WBK Group Internal Auditor has a direct access to the Chairman of the Audit and Compliance Committee, he also participated in all meetings on this Committee as well as the Risk Committee. In addition, in 2016 he participated in meetings of the Management Board and was also member of the Risk Control Committee and Risk Management Committee (without the voting right) which provided him with full insight into the operations of those bodies and opportunity to express his opinion. In the Supervisory Board's opinion, this confirms that the established Internal Audit function's mandate allows for unrestricted access to all information and records.
- The internal audit system is adequate and effective - the Internal Audit Area has resources sufficient to carry out responsibilities set out in the Audit Plans both in terms of the number of auditors and the adequacy of skills. The auditors' qualifications are continuously enhanced with professional certifications. The remuneration level in the Internal Audit Area as well as the training plans are regularly reported to and reviewed by the Audit and Compliance Committee.
- The Internal Audit Area's policies and practices are adequate. The internal audit methodology reflects the current professional standards and enables the identification of significant risks in BZ WBK Group:
 - The annual audit planning is based on a comprehensive risk assessment process and clearly identifies audit objectives and scope of work. In line with the adopted audit methodology both the requirements of the senior management (Supervisory Board, Management Board) and of the Regulator were covered in 2016 Audit Plan. Moreover, as part of the annual risk assessment process, a three-year audit plan for 2017-2019 was developed. In the opinion of the Bank's Management Board and the Audit & Compliance Committee, the Audit Plan for 2016 covered all significant issues and ensured an independent and objective manner of reviewing and assessing controls applied as part of the first and second line of defence and the Bank's management system, including the effectiveness of managing risk related to the Bank's operations.
 - The Internal Audit function has got the authority to follow up with actions taken in response to audit findings. The issued recommendations are monitored and their

implementation status is regularly reported to relevant bodies. Moreover, audit findings are used to improve the existing processes and operational security.

- There are adequate policies and practices to monitor the quality of internal audit work that are compatible with professional standards and the approved methodology. The quality assurance report is presented to the Audit & Compliance Committee on an annual basis.

6. ASSESSMENT OF THE SPONSORING AND CORPORATE GIVING POLICY OF BANK ZACHODNI WBK S.A.

The sponsoring and corporate giving policy of Bank Zachodni WBK S.A. is laid down in the document "Strategy behind sponsoring actions and sponsoring action plan of Bank Zachodni WBK S.A.". Delivery of the Policy is the responsibility of: the Sponsorship and Relationship Projects Office and the Foundation of Bank Zachodni WBK.

In the opinion of the Supervisory Board, the Sponsoring and Corporate Giving Policy (the Policy) of the Bank is operated in a thought-out, rational and responsible manner, building the Bank's image as a responsible corporate citizen.

The projects are primarily designed to: strengthen the Bank's image as the third largest bank in Poland; build its image as a strong, sustainable, trustworthy and resilient institution with nationwide footprint. The subjects and scope of the projects focus on the following areas:

- sharing the Polish culture values with a wide audience (Bank for the aspiring, affluent segment);
- supporting the development of the Polish education (investments in the future, employer branding actions which build the image of the Bank as a good employer);
- promoting sport as the local community integration vehicle along with the active life-style and fair play rules (Bank as the partner for its clients);
- Projects significant from the perspective of local communities (establishing partnership relations, shaping the image).

As a result of effective marketing campaigns and the brand building actions, including both nationwide and local sponsoring and community-oriented projects, in 2016 Bank Zachodni WBK consolidated its position among the leaders of bank franchises as the third most recognisable brand in Poland. The key projects in 2016 include: Santander Orchestra (2nd edition), Economic Cartoon Competition (8th edition), BZ WBK Press Photo (12 edition), "How You Drive" CSR project (commenced in December). Moreover, 2016 saw the continuation of actions aimed to counteract social exclusion and to support the "Barrier-Free Banking Service" programme.

Each year, the Foundation of Bank Zachodni WBK delivers an average of 350 contracts with social partners. The key recurring subsidy projects of the Foundation include: "the Bank of Children's Smiles" and "Bank of the Ambitious Youth. As part of the staff volunteering programme, coordinated and financially supported by the Foundation, each year, more than 50 local community projects are initiated and delivered by the bank's employees. The activities of this kind engage more than 500 volunteers from the bank per year.

The Bank's sponsorship and charitable giving activities also support the key directions of the Corporate Social Responsibility and Sustainable Development Policy of Bank Zachodni WBK, which are based on five pillars: support for third-level education; scientific research and entrepreneurship; actions for the benefit of local communities; environmental protection and active dialogue with stakeholders.

In 2016, Bank Zachodni WBK issued the third Corporate Social Responsibility Report that comprehensively outlines the Bank's actions for responsible and sustainable business, key business data, description of the Bank's environmental impact as well as data on the key sponsoring projects and social investments.

7. SUPERVISORY BOARD'S ASSESSMENT OF THE MANNER OF FULFILLING BY BANK ZACHODNI WBK THE DISCLOSURE REQUIREMENTS WITH REGARD TO THE CORPORATE GOVERNANCE RULES SET OUT IN THE WSE RULES AND REGULATIONS PERTAINING TO CURRENT AND PERIODIC INFORMATION PUBLISHED BY ISSUERS OF SECURITIES

The obligation to assess the Bank's fulfilment of disclosure requirements with respect to its compliance with the corporate governance rules arises directly from rule II Z. 10 of 2016 Best Practice for WSE Listed Companies. The Best Practice became effective on 1 January 2016 pursuant to Resolution no. 26/1413/2015 issued by the Stock Exchange Supervisory Board on 13.10.2015. Their content was adopted by the Bank by force of the Management Board Resolution no. 160/2015 dated 2.12.2015 and, subsequently, approved by the Supervisory Board. The Best Practice document was approved by the AGM on 20 April 2016. To ensure compliance with the aforementioned rule, the Bank's Supervisory Board fulfils its obligations related to the Annual General Meeting of Shareholders to be convened in 2017. The foregoing annual assessment does not require any separate resolution of shareholders and can be approved as part of the approval of the Supervisory Board's performance report.

Whilst discharging by the Bank its information duties with regard to the application of the corporate governance rules, last year, the Corporate Governance Office (units of the Legal and Compliance Division) re-assigned individual rules to relevant business units (the so-called business owners) and was assured by them that the Best Practice was duly applied. As a result, the Bank did not need to report any cases of non-compliance with any of the rules. Such a requirement arises from Par. 29(3) of the WSE Rules under the "comply or explain" solution, whereby the non-adherence or incidental non-adherence to a given rule triggers an obligation for a company to immediately report such a situation.

The required statement on compliance with the corporate governance rules arising from the Best Practice document is reported through the "Corporate Governance Statement for 2016" included in the annual report. Such an action is treated as fulfilment of the obligation to provide the WSE with a report on compliance with the corporate governance rules (pursuant to Par. 91(5)(4) of the Finance Minister's Regulation of 19 February 2009 on current and periodic information provided by issuers of securities and on conditions whereby information required by legal regulations of a non-Member State may be recognised as equivalent, WSE Rules - Par.29(5) and Par. 1 of Resolution no. 1013/2007 issued by the WSE Management Board on 11.12.2007 in relation to Resolution no. 718/2009 issued by the WSE Management on 16.12.2009).

The statement was included in one of the sections of the Management Board Report on Bank Zachodni WBK Group performance in 2016 (to be published on 17 February 2017).

Given the above, the Bank's fulfilment of disclosure requirements in relation to the adherence to the Corporate Governance Rules is positively assessed by the Supervisory Board, whilst the Bank's disclosures are a reliable source of information on its compliance with the corporate governance rules.

IV. ASSESSMENT OF COMPLIANCE WITH THE OF CORPORATE GOVERNANCE RULES FOR SUPERVISED INSTITUTIONS

Corporate Governance Rules for Supervised Institutions (Corporate Governance Rules) implemented pursuant to KNF resolution no. 218/2014 of 22 July 2014 have been applied and observed in bank Zachodni WBK (Bank) since 1 January 2015. The Corporate Governance Rules were implemented by way of the Bank's Management Board Resolution no. 116/2014 of 9 October 2014 and approved by way of the Supervisory Board Resolution no. 58/2014 of 17 December 2014. Then, the Corporate Governance Rules were accepted by way of Resolution no. 29 issued by the Annual General Meeting of Shareholders on 23 April 2015.

With a view to ensuring the adequate performance of obligations stemming from the Corporate Governance Rules, the Bank precisely defined business units (the so called business owners) responsible for the adherence to and implementation of assigned rules in line with their area of responsibility. Thanks to that an appropriate control of compliance with the rules is ensured.

Throughout 2016 all business owners took appropriate measures to ensure their units' compliance with the Corporate Governance Rules. For this purpose, they regularly checked their business and in-house regulations for compliance with the Rules. Such works were co-ordinated by the Corporate Governance Office in the Legal & Compliance Division by providing advice and pro-actively collaborating with individual business owners.

In November 2016, all business owners were asked to report on their business unit's compliance with the Corporate Governance Rules. They were also asked to report any actions that should be taken to ensure compliance with the Rules. All business owners fulfilled their obligations on time by providing assurance on the application of the Corporate Governance Rules in their reporting units and indicating necessary adaptation actions arising from, e.g. external factors such as changes in the commonly applicable law.

Given the above, the Supervisory Board stated that the process of implementing the Corporate Governance Rules in the Bank was carried out adequately. The process was subject to current, in-depth supervision by the business owners who took actions required to adjust the Bank's internal regulations. The coordination of the process and collaboration between business owners in joint implementation of certain rules were also effective.

Therefore, the assessment of the Bank's application of the Corporate Governance Rules is positive.

V. ASSESSMENT OF THE REMUNERATION POLICY OF BANK ZACHODNI WBK

Under the Act on macro-prudential oversight and crisis management in the financial system of 5 August 2015 amending the Polish Banking Act and implementing the CRD IV, the Bank has an obligation to develop and implement remuneration policies applicable to various categories of staff whose professional activities have a material impact on the risk profile of the institution. Such policies cover remuneration and discretionary pension benefits within the meaning of art. 4(1)(73) of the Regulation no. 575/2013, hereinafter referred to as the Remuneration Policy (art. 9ca(1)).

In addition, pursuant to the Corporate Governance Rules approved by Resolution no. 29 issued during the Bank's Annual General Meeting on 23 April 2015, the supervising body should present the legislative body with a report on the Remuneration Policy of the supervised institution on an annual basis.

The Bank implemented its remuneration policies for the supervisory body members, its management body members and key function holders in Bank Zachodni WBK in the mode and scope defined in the Corporate Governance Rules.

The Remuneration Policy is linked to the organisation's strategic objectives, both short-term and long-term ones, its long-term interests and performance. It also provides safeguards against discrimination on any ground.

Acting in accordance with the resolution no. 258/2011 issued by the Polish Financial Supervision Authority on 4 October 2011 regulating issues such as risk management and internal control, banks' internal capital assessment and review of banks' internal capital assessment and maintenance and determination of variable remuneration of key function holders, the Bank implemented its Policy on variable remuneration components of key function holders, defines, among others, the rules of identifying the Material Risk Takers (MRT) as per this KNF resolution. The Policy aims to support sound and effective risk management and not to encourage excessive risk-taking behaviours, beyond the risk appetite approved by the Supervisory Board in Bank Zachodni WBK Group's Risk Appetite Statement. It also supports the Group's business strategy and prevents conflicts of interest.

The Supervisory Board performed oversight of the implemented Remuneration Policy, also by verifying whether the criteria and conditions for variable remuneration have been fulfilled prior to the payment of the variable remuneration, either in part or in full.

In order to ensure compliance with the abovementioned Act and the Corporate Governance Rules, remuneration policies were reviewed in 2016. As a result, the work was undertaken to

combine into one document all remuneration policies applicable in the Bank, with the exception of the remuneration Policy for the Supervisory Board Members. The next review of the applicable remunerations policies is planned when the regulation of the Finance Minister detailing the scope and rules of establishing the remuneration policy has been issued.

Just like in the previous years, the Bank identified individuals covered by Remuneration policy for individuals holding managerial positions in Bank Zachodni WBK S.A, i.e. material risk takers, based on standards specified in the delegated EU Commission regulation. In 2016 the policy covered 63 job roles in Bank Zachodni Group.

Last year, the Bank commenced co-operation with a consulting firm as regards the identification of MRT roles in 2016. It allowed to gain the necessary knowledge and competence, thanks to which in 2017, the Bank will be able to update and verify the Material Risk Takers list singlehandedly.

According to the Supervisory Board, the Policy supports the Bank's growth and security, and in particular sound and effective risk management and is compatible with its business strategy, objectives, values and long-term interests.

The abovementioned assessment reflects the results of the review of the Policy on variable remuneration components of key function holders in the Bank carried out in July 2016 by the Internal Audit Area.

re: item 11 of the agenda

**RESOLUTION OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

on giving discharge to the Chairman of the Supervisory Board for performance of his duties

Pursuant to art. 395 § 2 point 3 of the Commercial Companies Code, the following is hereby resolved:

§ 1

Mr. Gerry Byrne, the Chairman of the Bank's Supervisory Board, is granted the word of approval for performance of his duties:

- 1) as Chairman of the Supervisory Board in the period from 1.01.2016 to 31.12.2016 and
- 2) as Member of the Supervisory Board delegated to temporarily perform duties of the Management Board President.

§ 2

The resolution becomes effective as of the date of its adoption.

**RESOLUTION OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

on giving discharge to the Member of the Supervisory Board for performance of his duties

Pursuant to art. 395 § 2 point 3 of the Commercial Companies Code, the following is hereby resolved:

§ 1

Mr. José García Cantera, the member of the Bank's Supervisory Board, is granted the word of approval for performance of his duties in the period from 1.01.2016 to 31.12.2016.

§ 2

The resolution becomes effective as of the date of its adoption.

**RESOLUTION OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

on giving discharge to the Member of the Supervisory Board for performance of her duties

Pursuant to art. 395 § 2 point 3 of the Commercial Companies Code, the following is hereby resolved:

§ 1

Ms. Danuta Dąbrowska, the member of the Bank's Supervisory Board, is granted the word of approval for performance of her duties in the period from 1.01.2016 to 31.12.2016.

§ 2

The resolution becomes effective as of the date of its adoption.

**RESOLUTION OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

on giving discharge to the Member of the Supervisory Board for performance of his duties

Pursuant to art. 395 § 2 point 3 of the Commercial Companies Code, the following is hereby resolved:

§ 1

Mr. David R. Hexter, the member of the Bank's Supervisory Board, is granted the word of approval for performance of his duties in the period from 01.01.2016 to 31.12.2016.

§ 2

The resolution becomes effective as of the date of its adoption.

**RESOLUTION OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

on giving discharge to the Member of the Supervisory Board for performance of his duties

Pursuant to art. 395 § 2 point 3 of the Commercial Companies Code, the following is hereby resolved:

§ 1

Mr. Witold Jurcewicz, the member of the Bank's Supervisory Board, is granted the word of approval for performance of his duties in the period from 1.01.2016 to 31.12.2016.

§ 2

The resolution becomes effective as of the date of its adoption.

**RESOLUTION OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

on giving discharge to the Member of the Supervisory Board for performance of his duties

Pursuant to art. 395 § 2 point 3 of the Commercial Companies Code, the following is hereby resolved:

§ 1

Mr. José Luis De Mora, the member of the Bank's Supervisory Board, is granted the word of approval for performance of his duties in the period from 1.01.2016 to 31.12.2016.

§ 2

The resolution becomes effective as of the date of its adoption.

**RESOLUTION OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

on giving discharge to the Member of the Supervisory Board for performance of his duties

Pursuant to art. 395 § 2 point 3 of the Commercial Companies Code, the following is hereby resolved:

§ 1

Mr. John Power, the member of the Bank's Supervisory Board, is granted the word of approval for performance of his duties in the period from 1.01.2016 to 31.12.2016.

§ 2

The resolution becomes effective as of the date of its adoption.

**RESOLUTION OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS
OF BANK ZACHODNI WBK S.A.**

(draft)

on giving discharge to the Member of the Supervisory Board for performance of his duties

Pursuant to art. 395 § 2 point 3 of the Commercial Companies Code, the following is hereby resolved:

§ 1

Mr. Jerzy Surma, the member of the Bank's Supervisory Board, is granted the word of approval for performance of his duties in the period from 1.01.2016 to 31.12.2016.

§ 2

The resolution becomes effective as of the date of its adoption.

**RESOLUTION OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS
OF BANK ZACHODNI WBK S.A.**

(draft)

on giving discharge to the Member of the Supervisory Board for performance of his duties

Pursuant to art. 395 § 2 point 3 of the Commercial Companies Code, the following is hereby resolved:

§ 1

Mr. José Manuel Varela, the member of the Bank's Supervisory Board, is granted the word of approval for performance of his duties in the period from 1.01.2016 to 31.12.2016.

§ 2

The resolution becomes effective as of the date of its adoption.

**RESOLUTION OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

on giving discharge to the Member of the Supervisory Board for performance of her duties

Pursuant to art. 395 § 2 point 3 of the Commercial Companies Code, the following is hereby resolved:

§ 1

Ms. Marynika Woroszyńska-Sapieha, the member of the Bank's Supervisory Board, is granted the word of approval for performance of her duties in the period from 1.01.2016 to 31.12.2016.

§ 2

The resolution becomes effective as of the date of its adoption.

re: item 12 of the agenda

**RESOLUTION
OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

re. appointing the Supervisory Board Member

Pursuant to art. 385 §1 of the Commercial Companies Code, the following is hereby resolved:

§ 1

Considering the assessment of compliance with the requirements of the Article 22aa of the Banking Law of August 29, 1997, Mr. Gerry Byrne shall be appointed as a member of the Supervisory Board of Bank Zachodni WBK S.A.

§ 2

The resolution becomes effective as of the date of its adoption.

**RESOLUTION
OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

re. appointing the Supervisory Board Member

Pursuant to art. 385 §1 of the Commercial Companies Code, the following is hereby resolved:

§ 1

Considering the assessment of compliance with the requirements of the Article 22aa of the Banking Law of August 29, 1997, Mr. José Manuel Campa shall be appointed as a member of the Supervisory Board of Bank Zachodni WBK S.A.

§ 2

The resolution becomes effective as of the date of its adoption.

**RESOLUTION
OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

re. appointing the Supervisory Board Member

Pursuant to art. 385 §1 of the Commercial Companies Code, the following is hereby resolved:

§ 1

Considering the assessment of compliance with the requirements of the Article 22aa of the Banking Law of August 29, 1997, Mr. José Garcia Cantera shall be appointed as a member of the Supervisory Board of Bank Zachodni WBK S.A.

§ 2

The resolution becomes effective as of the date of its adoption.

**RESOLUTION
OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

re. appointing the Supervisory Board Member

Pursuant to art. 385 §1 of the Commercial Companies Code, the following is hereby resolved:

§ 1

Considering the assessment of compliance with the requirements of the Article 22aa of the Banking Law of August 29, 1997, Ms Danuta Dąbrowska shall be appointed as a member of the Supervisory Board of Bank Zachodni WBK S.A.

§ 2

The resolution becomes effective as of the date of its adoption.

**RESOLUTION
OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

re. appointing the Supervisory Board Member

Pursuant to art. 385 §1 of the Commercial Companies Code, the following is hereby resolved:

§ 1

Considering the assessment of compliance with the requirements of the Article 22aa of the Banking Law of August 29, 1997, Mr. David Hexter shall be appointed as a member of the Supervisory Board of Bank Zachodni WBK S.A.

§ 2

The resolution becomes effective as of the date of its adoption.

**RESOLUTION
OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

re. appointing the Supervisory Board Member

Pursuant to art. 385 §1 of the Commercial Companies Code, the following is hereby resolved:

§ 1

Considering the assessment of compliance with the requirements of the Article 22aa of the Banking Law of August 29, 1997, Mr. Witold Jurcewicz shall be appointed as a member of the Supervisory Board of Bank Zachodni WBK S.A.

§ 2

The resolution becomes effective as of the date of its adoption.

**RESOLUTION
OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

re. appointing the Supervisory Board Member

Pursuant to art. 385 §1 of the Commercial Companies Code, the following is hereby resolved:

§ 1

Considering the assessment of compliance with the requirements of the Article 22aa of the Banking Law of August 29, 1997, Mr. José Luis de Mora shall be appointed as a member of the Supervisory Board of Bank Zachodni WBK S.A.

§ 2

The resolution becomes effective as of the date of its adoption.

**RESOLUTION
OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

re. appointing the Supervisory Board Member

Pursuant to art. 385 §1 of the Commercial Companies Code, the following is hereby resolved:

§ 1

Considering the assessment of compliance with the requirements of the Article 22aa of the Banking Law of August 29, 1997, Mr. John Power shall be appointed as a member of the Supervisory Board of Bank Zachodni WBK S.A.

§ 2

The resolution becomes effective as of the date of its adoption.

**RESOLUTION
OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

re. appointing the Supervisory Board Member

Pursuant to art. 385 §1 of the Commercial Companies Code, the following is hereby resolved:

§ 1

Considering the assessment of compliance with the requirements of the Article 22aa of the Banking Law of August 29, 1997, Mr. Jerzy Surma shall be appointed as a member of the Supervisory Board of Bank Zachodni WBK S.A.

§ 2

The resolution becomes effective as of the date of its adoption.

**RESOLUTION
OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

re. appointing the Supervisory Board Member

Pursuant to art. 385 §1 of the Commercial Companies Code, the following is hereby resolved:

§ 1

Considering the assessment of compliance with the requirements of the Article 22aa of the Banking Law of August 29, 1997, Ms Marynika Woroszylska-Sapieha shall be appointed as a member of the Supervisory Board of Bank Zachodni WBK S.A.

§ 2

The resolution becomes effective as of the date of its adoption.

re. item 13 of the agenda

**RESOLUTION OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

re. appointing the Chairman of the Supervisory Board

Pursuant to §25 (1) of the Bank's Statutes, it is hereby resolved as follows:

§ 1

Mr. Gerry Byrne is hereby appointed as the Chairman of the Supervisory Board of Bank Zachodni WBK S.A. from among the Members of the Supervisory Board.

§ 2

This resolution shall become effective upon its adoption.

re. item 14 of the agenda

**RESOLUTION OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

re. determining the remuneration of the Supervisory Board members

Pursuant to art. 392 §1 of the Commercial Companies Code as well as bearing in mind the following:

- having regard to Guidelines of European Banking Authority EBA/GL/2015/22 on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013, and in particular its clause 171, according to which members of the supervisory function should be compensated only with fixed remuneration,
- having regard to (issued on the basis of Article 9f(1) of the Banking Law Act of 29 August 1997) Regulation of the Minister of Development and Finance of 6 March 2017 on the risk management and internal control system, remuneration policy and the detailed way of estimating internal capital in banks, and in particular its § 25,
- having regard to “Rules of Corporate Governance for Supervised Institutions”, issued by KNF (Polish Financial Supervision Authority) dated 22nd July 2014, adopted by Resolution no. 29 of Bank’s Annual General Meeting on 23rd April 2015, and in particular its § 28,
- having regard to Remuneration policy for Bank Zachodni WBK S.A. Supervisory Board Members, adopted by Resolution no. 44 of Bank’s Annual General Meeting dated 23rd April 2015 re., and in particular its § 4 and 6,

the following Resolution is adopted:

§ 1

1. The following remuneration per month is set for:
 - 1) the Chairman of the Supervisory Board – 24 000 PLN,
 - 2) Supervisory Board members domiciled in Poland – 12 000 PLN,
 - 3) Supervisory Board members not domiciled in Poland – 3 000 euro.
2. Irrespective of the remuneration specified in section 1 the following additional remuneration is set for the members of the Supervisory Board who are members of individual Committees at the Supervisory Board. The remuneration is paid for participation in each meeting of the Committee:
 - for the Audit and Compliance Committee Chairman domiciled in Poland – 12 000 PLN per meeting,
 - for the Audit and Compliance Committee Chairman not domiciled in Poland – 3 000 euro per meeting,
 - for the other members of the Audit and Compliance Committee domiciled in Poland – 8 400 PLN per meeting,
 - for the other members of the Audit and Compliance Committee not domiciled in Poland – 2 100 euro per meeting,
 - for the Nominations Committee Chairman – 5 800 PLN per meeting,
 - for the other members of the Nominations Committee domiciled in Poland – 4 800 PLN per meeting,
 - for the other members of the Nominations Committee not domiciled in Poland – 1 200 euro per meeting,
 - for the Remuneration Committee Chairman – 5 800 PLN per meeting,
 - for the other members of the Remuneration Committee domiciled in Poland – 4 800 PLN per meeting,
 - for the other members of the Remuneration Committee not domiciled in Poland – 1 200 euro per meeting,
 - for the Risk Committee Chairman domiciled in Poland – 12 000 PLN per meeting,
 - for the Risk Committee Chairman not domiciled in Poland – 3 000 euro per meeting,
 - for the other members of the Risk Committee domiciled in Poland – 8 400 PLN per meeting,
 - for the other members of the Risk Committee not domiciled in Poland – 1 200 euro per meeting.

3. The following Supervisory Board members shall not be remunerated:

- Mr. Gerry Byrne,
- Mr. José Manuel Campa,
- Mr. José Garcia Cantera,
- Mr. José Luis de Mora.

§ 2

The Bank will pay the remuneration referred to in §1 by the 10th of the month following the month in which the remuneration was earned.

§ 3

The Annual General Meeting Resolution no. 53 dated 16th April 2014 re. determining the remuneration of the Supervisory Board members shall be repealed.

§ 4

The resolution becomes effective on the day of its adoption.

re: item 15 of the agenda

**RESOLUTION
of the Annual General Meeting
of Bank Zachodni WBK S.A.**

(draft)

re: amendments to the Bank's Statutes.

§ 1

Pursuant to Article 430 of the Polish Commercial Companies Code, the following amendments to the Bank's Statutes are introduced:

1) in § 7 clause 2 item 6a shall be read as follows:

"6a) provision of trust services and issuance of electronic identification means as defined by regulations on trust services,"

2) § 54 shall be read as follows:

„§ 54

Bank performs activities related to:

- 1) submitting electronically, through the Bank's IT systems, applications for determining a person's right to childcare benefits and ones related to providing the social insurance company (Zakład Ubezpieczeń Społecznych, ZUS), at the request of the Bank's customer, with authorization information required for opening an account in the system made available by the social insurance company,
- 2) the use of the electronic identification means employed for authorisation purposes in the Bank's ICT system to confirm the ePUAP trusted profile and to perform ePUAP authorisations."

§ 2

The amendment to the Statutes in the scope defined in § 1 item 1 requires the consent of the Financial Supervision Authority.

§ 3

The Supervisory Board shall be authorized to determine the consolidated text of the Bank's Statutes.

§ 4

The Resolution becomes effective upon registration of the foregoing amendments to the Statutes by a relevant registry court.

re. item 16 of the agenda

**RESOLUTION OF THE ANNUAL GENERAL MEETING
OF BANK ZACHODNI WBK S.A.**

(draft)

re. increase in the Bank's share capital by means of issue of the ordinary bearer series M shares, waiving in full the existing shareholders' pre-emptive rights to series M shares, amending the Bank's Statutes, placing a request for registration and floating of series M shares on the regulated market maintained by the Warsaw Stock Exchange and dematerializing series M shares, as well as authorizations for the Supervisory Board and for the Management Board

The Annual General Meeting of Bank Zachodni WBK S.A. (the "Bank"), operating pursuant to art. 430, 431, 432 i 433 § 2 of the Code of Commercial Companies dated 15th September 2000 ("KSH"), hereby adopts the following:

§1

1. In relation to the Bank Zachodni WBK Group (the "Group") achieving the Group's PAT growth rate defined in § 5 – § 7 of Resolution no. 4 of the Bank's Extraordinary General Meeting dated 30th June 2014 re. introduction Incentive Scheme V (the "Resolution"), and meeting the criteria to exercise the Award referred to in § 3 and 4 of the Resolution, in order to implement the provisions of the Resolution, the Bank's share capital shall be increased by the amount of no more than PLN 1 030 000 (one million thirty thousand) up to the amount of no more than PLN 993 375 340 (nine hundred ninety three million three hundred seventy five thousand three hundred and forty) by means of the issue of no more than 103 000 (one hundred and three thousand) ordinary bearer series M shares with the nominal value of PLN 10.00 (ten) each ("Series M Shares").
2. The issue price of the Series M Shares shall be PLN 10.00 (ten) for one Series M Share.
3. The Series M Shares shall be paid up exclusively by cash contributions.
4. The Series M Shares will be issued as part of a private subscription, as defined in art. 431 § 2 item 1 of the KSH, and offered to the entitled Participants of the Incentive Scheme V, named in the Supervisory Board Resolution ("Participants"). Each of the Participants will be able to subscribe and take up the number of the Series M Shares specified in the Agreement on the participation in the three-year-long Incentive Scheme V "Performance shares 2014" for the employees of the BZWBK Group, concluded with the Bank.
5. The Bank will conduct the subscription for the Series M Shares from 19th May 2017 to 20th June 2017.
6. The Series M Shares will participate in the dividend on equal rights with any other Bank's shares as of 1 January 2017, i.e. in the profit for the financial year ending on 31 December 2017.
7. The Management Board shall be authorised and obligated to take any actions necessary to perform the provisions of this paragraph including the submission of the declaration referred to in art. 310 § 2 in relation to art. 431 § 7 of the KSH on the number of M series shares covered by the Participants and defining the amount of the share capital in the Bank's Statutes.
8. The issue of Series M Shares shall take place if the Participants take up at least 50 000 (fifty thousand) Series M Shares.

§2

1. In the Bank's interest, all of the existing shareholders' pre-emptive rights to the Series M Shares are waived.

2. The written opinion of the Management Board, stating the grounds of waiving the current shareholders' pre-emptive rights to series M shares has been appended hereto.

§3

1. Pursuant to § 1 and § 2 hereof, §10 of the Bank's Statutes changes to read as follows:

„§ 10

The Bank's share capital is up to PLN 993 375 340 (nine hundred ninety three million three hundred seventy five thousand three hundred and forty) and is divided into up to 99 337 534 (ninety nine million three hundred thirty seven thousand five hundred and thirty four) bearer shares with the nominal value of PLN 10 (ten) each, including:

- 1) 5,120,000 (five million one hundred twenty thousand) ordinary bearer series A shares,
 - 2) 724,073 (seven hundred twenty-four thousand and seventy-three) ordinary bearer series B shares,
 - 3) 22,155,927 (twenty-two million one hundred fifty-five thousand nine hundred and twenty-seven) ordinary bearer series C shares,
 - 4) 1,470,589 (one million four hundred seventy thousand five hundred and eighty-nine) ordinary bearer series D shares,
 - 5) 980,393 (nine hundred eighty thousand three hundred and ninety-three) ordinary bearer series E shares,
 - 6) 2,500,000 (two million five hundred thousand) ordinary bearer series F shares,
 - 7) 40,009,302 (forty million nine thousand three hundred and two) ordinary bearer series G shares,
 - 8) 115,729 (one hundred fifteen thousand seven hundred and twenty-nine) ordinary bearer series H shares,
 - 9) 1,561,618 (one million five hundred sixty-one thousand six hundred and eighteen) ordinary bearer series I shares,
 - 10) 18,907,458 (eighteen million nine hundred seven thousand four hundred and fifty-eight) ordinary bearer series J shares,
 - 11) 305,543 (three hundred five thousand five hundred and forty-three) ordinary bearer series K shares,
 - 12) 5,383,902 (five million three hundred eighty three thousand nine hundred and two) ordinary bearer series L shares,
 - 13) up to 103,000 (one hundred and three thousand) ordinary bearer series M shares.”.
2. The amendment to the Statutes referred to in clause 1 above requires consent of the Polish Financial Supervision Authority (Komisja Nadzoru Finansowego).
 3. The Supervisory Board shall be authorised to determine the consolidated text of the Bank's Statutes.

§4

1. The Bank shall request for registration and floating of Series M Shares on the regulated market maintained by the Warsaw Stock Exchange. The Management Board shall be obligated and authorised to take any actions necessary to perform the provisions of this section.
2. All the Series M Shares shall be dematerialised. The Management Board shall be obligated and authorised to conclude the agreement with the National Depository of Securities (KDPW) on registration of the Series M Shares, as well as to take any actions related to their dematerialisation.

§ 5

1. The Supervisory Board is hereby authorised to prepare the list of the Incentive Scheme V Participants (the "List"), who will be able to subscribe and take up the number of the Bank's shares specified in the Agreement on the participation in the three-year-long Incentive Scheme V "Performance shares 2014" for the employees of the BZWBK Group.
2. The Supervisory Board shall also be authorised to specify the parameters referred to herein if it is justified in terms of the optimal implementation hereof.
3. This resolution shall become effective as of the date of its adoption, whereas as regards the changes in the Bank's Statutes as of the date of registering such changes by the registry court.

Appendix to the Annual General Meeting resolution

**Management Board's of Bank Zachodni WBK S.A.
opinion explaining the waiver of the pre-emptive rights
and setting forth the proposed share issue price and the method of its calculation**

Pursuant to Article 433 § 2 of the Commercial Companies Code, and in accordance with the corporate governance principles, the Management Board hereby presents its opinion to the General Meeting of Bank Zachodni WBK to provide grounds for the waiver of the pre-emptive rights to the M series shares for the existing shareholders.

The waiver is strictly connected with the adoption by Bank Zachodni WBK (the "Company") of the V Incentive Scheme, approved by EGM Resolution no. 4 of 30th June 2014 (the "Resolution").

Pursuant to the Resolution, the members of the Company's Management Board and the key employees of BZ WBK Group nominated by the Management Board and approved by the Company's Supervisory Board ("Participants") who signed the Agreement on the Participation in the Three-Year 'Performance Shares 2014' V Incentive Scheme for the Employees of Bank Zachodni WBK Group (the "Agreement") were offered the possibility to subscribe for and take up a stated number of Bank Zachodni WBK shares specified in the Agreement ("Incentive Shares"), subject to fulfilment of certain conditions set forth in the Agreement.

The Resolution envisages that on signing the Agreements, at the second stage of the V Incentive Scheme the Participants will be entitled to take up the Incentive Shares provided that the stated Award criteria are met.

As the Bank Zachodni WBK Group has achieved the PAT growth rate defined in the Resolution, the Award criteria were met, and pursuant to the Resolution the Company is required to take steps to issue the Incentive Shares and offer the same to the eligible Participants.

The waiver of the pre-emptive rights as described above will be in the best interest of the Company as it will permit offering the Incentive Shares to the Participants in furtherance of the Bank's obligations arising from the Resolution and the Agreements in view of the very good financial performance achieved by the Bank.

According to the Management Board, the waiver of the pre-emptive rights for the existing shareholders will benefit the Company and thus the shareholders as well.

The issue price of the series M shares to be issued under the V Incentive Scheme is equal to their nominal value and is PLN 10 (ten) per share, in accordance with § 3 section 1 of the Resolution.

re. item 17 of the agenda

**RESOLUTION
of the Annual General Meeting
of Bank Zachodni WBK S.A.**

(draft)

re.: Incentive Scheme VI

Pursuant to Article 393, and respectively applied Article 431 Paragraph 1 of the Code of Commercial Companies, the following shall be resolved:

§ 1

1. A three year Incentive Scheme VI starting in 2017 shall be hereby introduced in Bank Zachodni WBK S.A. (Company).
2. Incentive Scheme VI is addressed to all employees of the Company as well as to the employees of the Company's subsidiaries (BZ WBK Group) who make a material contribution to the growth in its value and thus to the growth in value of its shares.
3. The objective of the Incentive Scheme VI is to create an instrument that ensures a tighter link of the Incentive Scheme Participants, referred to in Paragraph 2, with BZ WBK Group and to represent an effective incentive for them, in compliance with the regulation of the Minister of Development and Finance on the risk management system and the internal control system, remuneration policy and detailed method of internal capital estimation in banks of 6 March 2017, the remuneration policy and the Commission Delegated Regulation (EU) no. 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile (Delegated Regulation) and the European Banking Authority (EBA) guidelines.

§ 2

1. Participants in Incentive Scheme VI (Participant) are all Management Board Members (of the Company) and BZ WBK Group employees indicated by the Management Board and approved by the Supervisory Board in the total number not higher than 250. The Group of Participants includes Participants identified by the Bank based on the criteria outlined in the Delegated Regulation, whose professional activities have a material impact on the Bank's risk profile (Identified Participant) and for whom the rules of allocating the Award under the Scheme are regulated separately.
2. The Participant's entitlement is conditioned by signing the Agreement on Participation in the three-year "2017 Performance Shares" Incentive Scheme VI for BZ WBK Group's Employees (Agreement). The draft Agreements are defined by the Company's Supervisory Board (Supervisory Board) at the request of the Company's Management Board.
3. A natural person loses the Participant's entitlement to Incentive Scheme VI, if after qualifying to Incentive Scheme VI, yet prior to holding the Annual General Meeting of Shareholders in 2020 (Participation Confirmation Date), the employment with the Company or another entity of BZ WBK Group is terminated. The detailed rules of forfeiting the entitlement are set out in the Agreement.
4. The natural person loses the rights of Incentive Scheme VI Participant, if after being qualified to Incentive Scheme VI, as a result of dividing the community property of the Participant and his/her spouse, any claims arising from this Agreement should be vested in the Participant's spouse.
5. Acting in the Company's interest, the Supervisory Board may decide to keep the rights of Participants in Incentive Scheme VI despite the crystallisation of circumstances described in clause 3 or 4, if there are specific reasons for doing so.
6. In exercise of its right described in clause 5, the Supervisory Board may define detailed rules of retaining the entitlement by the Participant in Incentive Scheme VI.

§ 3

1. The Company undertakes to ensure that subject to compliance with the terms of the Agreement, the Participant shall be able to subscribe for and take up such a number of the Company shares

as is specified in the Agreement for a price equal to their nominal value, i.e. PLN 10 (Performance Shares). Immediately on closing of the subscription for the Performance Shares and registration of the issue by the relevant court, the Company shall introduce such shares to the public trading on Warsaw Stock Exchange ("WSE") or to another regulated market where shares of the Company will be quoted. The above presents the "Liquidity Assurance".

2. To ensure that the Participant can exercise their rights, the Company shall issue up to 250,000 Performance Shares.
3. The right of the Participant in the Incentive Scheme VI referred to in clause 1 shall be called – depending on the context - the "Award" or "Total Award" or "Annual Award". Depending on the context, this term shall also mean the value of the right referred to in clause 1.
4. If the Performance Shares taken up by the Participant and recorded in their securities account cannot be traded on the WSE as they have not been introduced to the public trading, in line with the assumptions underpinning Incentive Scheme VI, the Bank shall promptly indicate, at the Participant's request, an entity which shall purchase the Performance Shares from the Participant.
5. Should the Performance Shares due to the Participant under the Agreement be not registered in the Participant's securities account until 31 December 2020 due to the Bank's fault, the Company shall pay the Participant, at their request, cash amount equal to the product (i) of the number of the Performance Shares subscribed for by the Participant and (ii) difference between the Bank's share price at the WSE opening session on the last day of quotations in 2020 and the Issue Price. Details related to the Company's above obligation are outlined in the Agreement and by the Supervisory Board respecting all due rights of Participants.
6. The maximum number of the Performance Shares that the Participant can acquire under the Agreement cannot be higher than a percentage quotient (determined by the Supervisory Board) of the Participant's annual gross base salary in 2016 and the average market price of the Company's shares from the 30 stock exchange sessions prior to the date of adopting this Resolution, less the Issue Price. The value referred to above is the Maximum Total Award.

§ 4

1. The Incentive Scheme V shall be executed in such a way that:
 - a) at the first stage:
 - i. subject to point (ii) below, the Participants sign the Agreement with the Company,
 - ii. Identified Participants sign the Agreement with the Company entitling to the Award, the allocation of which depends on the to-date results assessed over at least one year horizon in line with separate regulations, subject to the non-existence of events reducing the Award in whole or part;
 - b) at the second stage:
 - i. subject to point (ii) below, the Participants shall be entitled to take up the Award provided that the criteria for vesting it are met,
 - ii. Identified Participants shall be entitled to take up the Award in its final amount, i.e. taking into account the events that might trigger its reduction.
2. After being recorded in the securities account, it shall not be possible to dispose of the Performance Shares taken up by the Participants in the Incentive Scheme VI for the period of one year, unless clause 3 hereof does not stipulate further reaching limitations.
3. The Performance Shares taken up by the Identified Participants shall not be disposed of until the lapse of dates stemming directly or indirectly from the regulations referred to in Paragraph 1, clause 3 of this Resolution (Additional Retention). The above rule is applied respectively to the cash benefit as per Paragraph 3 clause 5 of this Resolution. The Bank's Supervisory Board can introduce a detailed regulation in this respect.

§ 5

1. Subject to clauses 2 and 3 below, the trigger for annual Award is the achievement by the BZ WBK Group of the defined below profit after tax growth rate (PAT), RORWA as well quality metrics of Customer Satisfaction and Staff Engagement.
2. The Award entitlement is vested with the Identified Participant upon signing the Agreement. The Agreement defines in particular the amount of the Award. The Award allocated to the Identified Participants shall be maintained or reduced in whole or in part at the subsequent stages of analysis of individual economic and quality triggers in individual years of the three-year Incentive Scheme VI life.

3. The conditions of retaining, reducing or increasing the Award allocated to Identified Participants are the same as the triggers for vesting the entitlement to the Annual Award with the Participants.
4. The weight of the individual economic and quality triggers for the Annual Award is outlined in the table below:

Trigger	PAT	RORWA	Customer Satisfaction Index	Staff Engagement Index
Weight	60%	20%	10%	10%

5. The entitlement to the Annual Award depends on the crystallisation of the economic and quality triggers in individual years of the Incentive Scheme VI life, in line with the rules presented in Paragraph 6.
6. Additionally, the Participant, including Identified Participant, is entitled to the Total Award calculated based on the three-year life of the Incentive Scheme in line with the principles outlined in paragraph 7, if the number of shares stemming from the Total Award would be higher than the number of shares stemming from the sum of Annual Awards. The maximum amount of the Annual Award is 1/3 of the Total Award. The maximum amount of the Total Award shall be specified as per rules outlined in Paragraph 3 point 6.
7. Upon obtaining the right to the Annual Award, the Participant shall not lose the aforementioned entitlements despite the fact that the Economic Trigger for the Total Award is not met.
8. In the case of gaining a right to the Total Award, the entitlement to the Annual Award shall expire automatically. This does not refer to the situation when the Total Award is lower than the sum of the actually received Annual Awards.
9. The detailed rules with regard to the Annual Award and Total Award are outlined in the Agreement. In the remaining scope, the Annual Award and Total Award shall be regulated by the Supervisory Board in compliance with the Incentive Scheme VI objectives.

§ 6

1. The amount of the Annual Award shall depend on the performance against the Economic and Quality Triggers underpinning the Incentive Scheme VI in a given year.
2. Depending on the PAT growth rate in individual years of the Incentive Scheme VI life, the Participants shall be entitled to:
 - i) 100% of the Maximum Annual Award if the PAT annual growth rate in individual years of the Incentive Scheme VI life is not lower than:
 - a) 17.8% in 2017,
 - b) 13.4% in 2018,
 - c) 13.4% in 2019.
 - ii) 25% of the Maximum Annual Award if the PAT annual growth rate in individual years of the Incentive Scheme V life is equal to:
 - a) 80% of the figure envisaged for 2017,
 - b) 80% of the figure envisaged for 2018,
 - c) 80% of the figure envisaged for 2019,
3. Depending on the RORWA growth rate in individual years of the Incentive Scheme VI life, the Participants shall be entitled to:
 - i) 100% of the Maximum Annual Award if RORWA in individual years of the Incentive Scheme VI life is not lower than:
 - a) 2.24% in 2018,
 - b) 2.37% in 2018,
 - c) 2.5% in 2019.
 - ii) 25% of the Maximum Annual Award if RORWA in individual years of the Incentive Scheme VI life is equal to:
 - a) 80% of the figure envisaged for 2017,
 - b) 80% of the figure envisaged for 2018,
 - c) 80% of the figure envisaged for 2019,

4. Directly proportionately between 25% and 100% of the Maximum Annual Award if the PAT annual growth rate and RoRWA in individual years of the Incentive Scheme VI life fall within the bands defined in point 2 i) and ii) and point 3 i) and ii) above.
5. Depending on the Customer Satisfaction index, the Participants shall be allocated/be entitled to the Annual Award in individual years, if in its peer group the Company ranks:
 - a) second in 2017,
 - b) second in 2018,
 - c) first 2019.
6. Depending on the staff engagement index, the Participants shall be allocated/be entitled to the Annual Award in individual years, if the outcome of the Staff Engagement Survey is not lower than:
 - a) 50% in 2017,
 - b) 60% in 2018,
 - c) 70% in 2019.
7. The detailed methodology of calculating the Total Award is defined by the Supervisory Board, being guided by principles described in clause 6, by summing up the values described in clause 2 and calculating the average arithmetic mean of the values described in clause 3 each time for the years from 2017 to 2019.
8. For the needs of calculating the Annual Award or Total Award of the Incentive Scheme VI Participants whose remuneration is subject to specific limitations envisaged in regulations referred to in Paragraph 1, clause 3 of this resolution, the Supervisory Board may adopt specific rules of calculating the Economic Trigger being guided by the Incentive Scheme VI objectives.

§ 7

1. The amount of the Total Award depends on the performance against the Economic Criteria being the compound annual growth rate (CAGR) of the BZ WBK Group's PAT and annual average RoRWA in three years of the Incentive Scheme VI life. Weight for PAT is 80%, and for RORWA - 20%.
2. Depending on the level of the compound annual growth rate of PAT, the Participants shall be entitled to:
 - i) maintain 100% of the Maximum Total Award, if the PAT compound annual growth rate is not lower than 15%,
 - ii) maintain 25% of the Maximum Total Award, if the PAT compound annual growth rate is not lower than 11.7%,
 - iii) directly proportionately between 25% and 100% of the Maximum Total Award if the PAT compound annual growth rate falls within the bands set out in points (i) and (ii) above.
3. Depending on the annual average RoRWA, the Participants shall be entitled to:
 - i) maintain 100% of the Maximum Total Award, if the RORWA is not lower than 2.38%,
 - ii) maintain 25% of the Maximum Total Award, if the RORWA is not lower than 1.9%,
 - iii) directly proportionately between 25% and 100% of the Maximum Total Award if the RORWA compound annual growth rate falls within the bands set out in points (i) and (ii) above.

§ 8

1. The Supervisory Board has the right to define in detail the principles of qualifying individuals as Participants in Incentive Scheme VI. At the Bank Management Board's request, the Supervisory Board shall define a list of the Participants in Incentive Scheme VI.
2. The Supervisory Board shall have the right to define the detailed mode and criteria of executing Incentive Scheme VI with due respect to the Company's rights and due rights of its Participants. The manner of executing the Incentive Scheme VI shall be underpinned by maximum respect for the principle of loyalty of co-operation between the Participants and the Company.
3. The Supervisory Board shall be entitled to define the rules and manner of resolving disputes relating to the Incentive Scheme VI and to mediate between the Participant and the Company's Management Board in matters directly related to the Incentive Scheme VI.

4. The Supervisory Board shall have the right to change the conditions underpinning the Incentive Scheme VI if it deems it necessary and consistent with the Incentive Scheme VI objectives. The above refers in particular to changes stemming from European Union law requirements or changes in domestic legislation or changes arising from the regulatory recommendations or guidance.
5. The Supervisory Board shall have the right to change the Economic Triggers referred to in Paragraphs 5-7 of the Resolution, especially in the case of changes to the accounting rules or performing extraordinary transactions by the Company, in particular in the case of selling a significant part of the debt portfolio as a result of which the above said Economic Trigger would not duly reflect the growth in the Company's value over the life of the Incentive Scheme VI.
6. The Supervisory Board shall have the right to change the Economic Triggers and the values referred to in Paragraphs 5-7 of the Resolution, especially in the case the Company participates in organisation- or consolidation-related transformations as a result of which the above said Economic Trigger would not duly reflect the growth in the Company's value over the life of the Incentive Scheme VI.
7. The Bank's Supervisory Board shall be authorised to reduce the Annual Award or the Total Award in the event one of the following exceptional circumstances ("Malus Clause") crystallises:
 - i) Radical deterioration in the economic performance of the BZ WBK Group;
 - ii) Deliberate and serious violation by the Participant of internal regulations or commonly applicable law;
 - iii) Material restatement of the BZ WBK Group's financial statements by a chartered auditor;
 - iv) Radical deterioration of the risk profile describing BZ WBK Group.This reduction of the Award could refer to all Incentive Scheme VI Participants, a select group of individuals or specific individuals. The exercise of the Malus Clause by the Supervisory Board requires a detailed justification. The Malus Clause should be interpreted in line with Santander Group's standards.
8. The Supervisory Board shall be entitled to reduce the Award if the permissible ratio of variable components of remuneration to the fixed ones is exceeded as per applicable regulations referred to in Paragraph 1, clause 3 of the resolution and the resolutions of the Bank's Annual General Meeting of Shareholders.
9. The Bank's Management Board and each Participant, through the agency of the Management Board, shall have the right to request the Supervisory Board for their opinion on the disputable issue related directly to the Incentive Scheme VI.

§ 9

1. The language interpretation of the resolution cannot be in clash with the rules of functional interpretation of its stipulations.
2. The Resolution shall become effective on the day of its adoption.

re. item 18 of the agenda

**RESOLUTION
of the Annual General Meeting
of Bank Zachodni WBK S.A.**

(draft)

**on consent to apply a higher maximum ratio between variable and fixed components of
remuneration
for persons holding management positions in BZ WBK Group**

Pursuant to Article 395 § 5 of the Code of Commercial Companies,

whereas

- Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (Official Journal of the European Union L 176/338) (**'Directive'**) introduced a requirement, whereby the variable component of remuneration of persons whose professional activities have a material impact on the risk profile of the institution shall not exceed 100% of the fixed component of the total remuneration for each individual. Moreover, under the Directive, the Member States may allow shareholders to approve a higher maximum level of the ratio between the fixed and variable components of remuneration provided the overall level of the variable component shall not exceed 200% of the fixed component of the total remuneration for each individual.
- By applying the remuneration policy to individual categories of persons whose professional activities have a material impact on the risk profile of the bank, the bank identifies these persons in accordance with the principles set out in Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile (Official Journal of the European Union L 167) (**'Persons holding management positions in BZ WBK Group'**);
- The Directive was transposed through the Act of 4 August 2015 on macro-prudential supervision of the financial system and crisis management within the financial system (Journal of Laws of 2015, item 1513), amending the Banking Law of 29 August 1997 (consolidated text - Journal of Laws of 2015, item 128),
- The Regulation of the Minister of Development and Finance of 6 March 2017 on the risk management system and the internal control system, remuneration policy and detailed method of internal capital estimation in banks (Journal of Laws of 2017, item 637) (**'Regulation'**) sets out the procedure allowing the Bank to apply a maximum ratio between the variable and the fixed component of the total remuneration of more than 100%,
- In accordance with the above procedure, the Management Board of the Bank has presented a recommendation to the Annual General Meeting in respect of the increase in the ratio between the variable and the fixed components of the total remuneration for Persons holding management positions in BZ WBK Group to 200% of the fixed component for no more than 120 people,

the following resolution shall be adopted:

§ 1

1. The Annual General Meeting hereby gives its consent to apply the maximum ratio between the variable and the fixed component of the total remuneration at the level of no more than 200% of the fixed component of the total remuneration of each individual classified into the category of Persons holding management positions in BZ WBK Group.
2. The maximum number of persons to whom the increased ratio between the variable and the fixed component of the total remuneration applies shall be 120.

§ 2

1. The Supervisory Board shall be authorised to provide a binding interpretation of this Resolution if any question concerning interpretation is raised by the Persons holding management positions in BZ WBK Group.
2. The Supervisory Board shall be authorised to give recommendations on how to apply this Resolution.

§ 3

The Annual General Meeting Resolution no. 33 dated 20th April 2016 re. defining the maximum level of the ratio between the fixed and variable components of remuneration of the individuals holding management positions with Bank Zachodni WBK Group shall be repealed.

§ 4

The Resolution shall enter into force on the day of its adoption.