

**The draft resolutions with their appendices that will be considered by the Annual General Meeting of Bank Zachodni WBK S.A. to be held on 10<sup>th</sup> May 2012**

**re: item 5 of the agenda**

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

**(draft)**

**re: approval of Bank Zachodni WBK S.A. Management Board report on the Bank's performance and the Bank's financial statements for 2011**

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

§ 1

The General Meeting of Shareholders has considered and hereby approves the following documents submitted by the Bank's Management Board:

- a) 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 eleven /1.01.2011/ and finishing on the thirty first day of December of the year two thousand and eleven /31.12.2011/, including:
  - statement of financial position prepared as at the thirty first of December two thousand and eleven /31.12.2011/ which on the assets and liabilities side shows the amount of PLN 59 093 543 k,
  - income statement for the accounting year from the first of January two thousand and eleven /1.01.2011/ until the thirty first of December two thousand and eleven /31.12.2011/ which shows profit-after-tax in the amount of PLN 1 158 502 k,
  - statement of comprehensive income for the accounting year from the first of January two thousand and eleven /1.01.2011/ until the thirty first of December two thousand and eleven /31.12.2011/ which shows total comprehensive income in the amount of PLN 1 280 143 k,
  - statement of cash flows for the accounting year from the first of January two thousand and eleven /1.01.2011/ until the thirty first of December two thousand and eleven /31.12.2011/ which shows a increase of PLN 2 956 376 k in the net cash balance,
  - movements in the equity showing as at the thirty first of December two thousand and eleven /31.12.2011/ the equity of PLN 6 824 056 k,
  - explanatory notes,
- b) Management Board report on BZ WBK S.A. performance in 2011.

§ 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)**

**on approval of the Consolidated Financial Statements of Bank Zachodni WBK Group for the year 2011 and the Report on Bank Zachodni WBK Group Performance in the year 2011**

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 the following documents submitted by the Bank's Management Board:

- a) consolidated financial statements of Bank Zachodni WBK Group for the period beginning on the first day of January of the year two thousand and eleven /1.01.2011/ until the thirty first day of December of the year two thousand and eleven /31.12.2011/, including:
- consolidated statement of financial position prepared as at the thirty first of December two thousand and eleven /31.12.2011/ which on the assets and liabilities side shows the amount of PLN 59 873 339 k,
  - consolidated profit and loss account for the accounting year from the first of January two thousand and eleven /1.01.2011/ until the thirty first of December two thousand and eleven /31.12.2011/ which shows profit-after-tax in the amount of PLN 1 184 347 k (of which PLN 42 520 k is attributable to non-controlling interests),
  - consolidated statement of comprehensive income for the accounting year from the first of January two thousand and eleven /1.01.2011/ until the thirty first of December two thousand and eleven /31.12.2011/ which shows total comprehensive income in the amount of PLN 1 339 724 k (of which PLN 43 193 k is attributable to non-controlling interests),
  - consolidated statement of cash flows for the accounting year from the first of January two thousand and eleven /1.01.2011/ until the thirty first of December two thousand and eleven /31.12.2011/ which shows the increase in net cash balance of PLN 2 954 682 k,
  - movements in consolidated equity showing as at the thirty first of December two thousand and eleven /31.12.2011/ the amount of PLN 7 482 960 k,
  - explanatory notes.
- b) Report on Bank Zachodni WBK Group Performance in 2011.

**§ 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: profit distribution, dividend registration day and dividend payment day**

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

## § 1

1. General Meeting of Shareholders has divided the net profit generated by Bank Zachodni WBK in the accounting year commenced on 01.01.2011 and ended on 31.12.2011 in the amount of PLN 1 158 502 163.56 in the following way:
  - PLN 584 608 104 will be allocated to the dividend to shareholders,
  - PLN 573 894 059,56 will be allocated to the reserve capital.
2. The number of shares eligible for the dividend is 73 076 013 (say: seventy three million seventy six thousand and thirteen) series A, B, C, D, E, F, G and H.

Dividend per share is PLN 8,00.

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

The dividend registration day is 24<sup>th</sup> May 2012.

The dividend will be paid on 8<sup>th</sup> June 2012.

## § 2

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

### **BZWBK Management Board recommendation regarding proposed dividend payment.**

Following recently issued proposal to pay out dividend from 2011 profits of the bank in the amount of PLN 8.00 per share or ca. 50% of profits after tax of the bank, the Management Board would like to present following arguments, supporting this proposal.

The financial position of the Group is sound as evidenced by the following ratios:

Solvency ratio of the Group	15.10%
Solvency ratio of the Bank	14.60%
Tier I ratio of the Group	13.15%
Tier I ratio of then Bank	12.71%
FX personal loans constitute	22%

All the above ratios were calculated already under the assumption of the proposed dividend payment.

The Management Boards considers that:

- 1) level of retained profits is sufficient to conduct the strategy of the Bank/Group and provides adequate balance between efficient capital utilisation and growth.
- 2) accumulated capital base reflects prudent approach to acceptable risk level associated to current and future Bank business and ensuring safeness of placed deposits.
- 3) guidelines issued in march 2012 re dividend payment by Komisja Nadzoru Finansowego are fully satisfied.

**re: item 8 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. Mateusz Morawiecki, the Management Board President, is granted the word of approval for performance of his duties in the period from 1.01.2011 to 31.12.2011.

§ 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. Paul Barry, the Management Board Member, is granted the word of approval for performance of his duties in the period from 1.01.2011 to 31.07.2011.

§ 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 1.01.2011 to 31.12.2011.

§ 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 1.09.2011 to 31.12.2011.

§ 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. Declan Flynn, the member of the Management Board, is granted the word of approval for performance of his duties in the period from 1.01.2011 to 13.04.2011.

§ 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. Justyn Konieczny, the member of the Management Board, is granted the word of approval for performance of his duties in the period from 1.01.2011 to 31.12.2011.

§ 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. Janusz Krawczyk, the member of the Management Board, is granted the word of approval for performance of his duties in the period from 1.01.2011 to 31.12.2011.

§ 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 1.01.2011 to 31.12.2011.

§ 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 1.09.2011 to 31.12.2011.

§ 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 1.01.2011 to 31.12.2011.

§ 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 1.01.2011 to 31.12.2011.

§ 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 1.01.2011 to 31.12.2011.

§ 2

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

**re: item 9 of the agenda**

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

**(draft)**

**on approval of the Supervisory Board reports**

Pursuant to art. 382 §3 and 395 §5 of the Commercial Companies Code, the following is hereby resolved:

**§ 1**

Approval is given for:

- 1) the BZ WBK Supervisory Board's report on its activities in the period from 1.01.2011 to 31.12.2011 (Appendix 1 hereto),
- 2) the BZ WBK Supervisory Board's report on the examination of: BZ WBK financial statements for 2011; consolidated financial statements of the BZ WBK Group for 2010; report on BZ WBK operations, report on the BZ WBK Group operations and the Management Board's motion concerning distribution of profit earned in 2011 (Appendix 2 hereto),
- 3) the BZ WBK Supervisory Board's assessment of the BZWBK Group's operations in 2011 (Appendix 3 hereto).

**§ 2**

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

**Appendix no. 1**

**REPORT ON THE SUPERVISORY BOARD ACTIVITY IN 2011**

**I. BOARD COMPOSITION & MANNER OF DISCHARGE DUTIES & RESPONSIBILITIES**

1. As at 1 January 2011, the Supervisory Board (SB) had the following composition:

- |  |                           |
|--|---------------------------|
| ▪ Chairman of the Supervisory Board        | - Mr Aleksander Szwarc    |
| ▪ Deputy Chairman of the Supervisory Board | - Mr Gerry Byrne          |
| ▪ Members of the Supervisory Board:        | - Mr Waldemar Frąckowiak  |
|  | - Mr Aleksander Galos     |
|  | - Mr Maeliosa OhOgartaigh |
|  | - Mr John Power           |
|  | - Mr Jacek Ślotała        |
|  | - Mr Piotr Partyga        |
|  | - Ms Anne Marie Maher     |

2. Changes in the Supervisory Board composition

On 20 April 2011, given the end of the Supervisory Board's term in office, BZWBK Annual General Meeting established the following composition of the Board:

- Mr Jose Antonio Alvarez,
- Mr. Gerry Byrne,
- Mr Jose Louis De Mora,
- Mr Witold Jurcewicz,
- Mr Piotr Partyga,
- Mr. John Power,
- Mr Jose Manuel Varela.



The AGM appointed Mr Gerry Byrne to the position of the Supervisory Board Chairman. Pursuant to § 26 of the Bank's Statutes, the Bank's Supervisory Board appointed the Deputy-Chairman out of its members and vested the function in Mr Jose Manuel Varela.

### 3. Independence of the Supervisory Board Members

All Members of the Supervisory Board submitted written statements on their independence as well as on their personal, factual and organizational connections with the Bank's shareholders. In line with submitted statements, the following Supervisory Board Members have the independence status:

- Mr Witold Jurcewicz,
- Mr Piotr Partyga,
- Mr John Power (Chairman of the Audit Committee and Chairman of the Risk Oversight Committee).

### 4. The Supervisory Board activities and manner of discharging its duties and responsibilities are regulated by the SB Terms of Reference available on the Bank's Internet site.

## II. CHANGE OF BZWBK S.A. MAJORITY SHAREHOLDER

On 1 April 2011, in relation to the completion by Banco Santander S.A. of the Bank Zachodni WBK S.A. acquisition process in the form of a public tender for its shares, BZ WBK became part of Santander Group.

## III. STATISTICAL DATA ON THE SUPERVISORY BOARD'S ACTIVITY IN 2011

From 1 January until 31 December 2011, the Supervisory Board held 7 meetings and passed 48 resolutions. The Board Members' average attendance rate was 92.7%.

## IV. MAJOR AREAS OF THE SUPERVISORY BOARD'S ACTIVITY IN 2011

In 2011, the Board focused both on strategic matters as well as on the supervision of the Bank's day-to-day business:

- The Supervisory Board carried out its activities based on the adopted schedule of meetings and the annual work programme. The agenda of each meeting was extended (if appropriate) by current business matters, issues submitted for the Management Board's 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.
- The Supervisory Board was updated on an on-going basis about progress in the process of integrating BZWBK's key business streams with the Santander Group with a view to achieving maximum synergies by applying best practice and leveraging expertise and tested solutions of the new strategic investor. Relevant organisational structure, management of relationships with the largest corporate customers as well as the containment of risks and cost base were among the topics considered.
- The Supervisory Board approved a change to the Bank's Organisational Regulations whereby a new Global Banking & Markets Division was established as a business unit dedicated to servicing corporate customers who given their size, sophisticated structure and operations require

adequately customised service and products. The Division operates within the Global Banking & Markets model applied by the Santander Group and will leverage the Group's potential as regards the acquisition and service of Polish corporate customers operating on the international scale and cross-border companies conducting operations in Poland.

- The Supervisory Board was updated on an on-going basis about actions taken to curtail system dependencies with AIB with a view to ensuring business continuity following the date of selling BZ WBK shares to Banco Santander and, additionally, about progress in the process of transferring licenses from AIB to BZ WBK as well as system solutions implemented by the new strategic investor.
- Discharging its duties arising from §32 of the Bank's Statutes, the Supervisory Board conducted on-going assessment of the financial performance of the Bank and BZ WBK Group as well as current projections prepared on that basis, taking account of the business and operating tendencies in place, opportunities and challenges as well as variances against the Plan. The evaluation was based on financial reports presented by the Management Board.
- The Supervisory Board followed current macroeconomic and market forecasts and their impact on the Polish economy as well as operations, financial and business performance of the Bank and BZWBK Group.
- The Supervisory Board was regularly advised on key trends emerging in the banking sector and performance generated by competitive banks as well as on BZWBK's benchmarking and tendencies projected for the sector.
- The Supervisory Board requested information and was advised on an ongoing basis by the Bank's Management Board about current priorities and approach to challenges relating to funding, capital management, risk management, in particular credit risk management and cost management.
- As part of the overall supervision of the internal capital assessment processes, the Supervisory Board approved, based on Audit Committee reviews and recommendations, ICAAP policies and regular reports.
- As part of the supervision exercised over the risk management process, the Supervisory Board undertook reviews of the main risk areas, focusing on the oversight of individual risks, compliance with applicable policies and internal procedures as well as KNF's recommendations, relevant risk identification mode and agreeing of management action plans.
- Based on the conducted reviews and Audit Committee recommendations, the Supervisory Board approved the acceptable risk level expressed as limits set out in the "Risk Appetite Statement". In line with the agreed process, the Supervisory Board supervised and monitored the level of internal limit utilization.  
In the Supervisory Board's opinion, the Bank's has an updated and acceptable risk level that matches the current market conditions.
- As part of the supervision of the credit risk management process, the Supervisory Board was informed about the current lending strategy and performed quarterly reviews of the loan portfolio to ensure compliance with the Regulatory Recommendations, changes in credit policies and key credit risk factors.  
In addition, the Supervisory Board was provided with information about individual credit portfolios broken down by products/ customer segments with a special focus on their quality and profitability.
- The Supervisory Board undertook a review of the strategy and different areas of the Bank and its subsidiaries paying particular attention to areas requiring improvement, high and steady income streams, their diversification and market share growth.

- The Supervisory Board approved the Business Strategy for the BZ WBK Group for the years 2012-2014. The document alludes to the BZ WBK Group's strategy for the years 2009-2011 and reflects the change of the strategic investor.

## V. OPERATIONS OF THE SUPERVISORY BOARD COMMITTEES

Independently of the SB meetings, Supervisory Board Members sat on the following Board's committees:

- Nominations & Remuneration Committee,
- Audit & Compliance Committee,
- Risk Oversight Committee.

In relation to its new term of office, by force of Resolution no. 21/2011 dated 20 April 2011, the Supervisory Board approved the composition of individual committees as well as respective terms of reference setting out their scope of duties and manner of operation. The terms of reference are available at the Supervisory Board Secretariat.

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 motions as well as those submitted by the Bank's Management Board.

In order to enable the Supervisory Board to appraise in full the Committees' work, their Chairmen present relevant reports at the meetings of the Supervisory Board and the Board Members are submitted 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 fulfil their responsibilities in 2011.

The Members of individual Committees have knowledge and experience appropriate for their roles and adequate fulfilment of their responsibilities.

### ▪ THE NOMINATIONS & REMUNERATION COMMITTEE

One of the key duties of the Supervisory Board is the introduction of remuneration policies and practice which are both fair and competitive that is highly important given their impact on the effectiveness of the organisation and its capability to recruit, retain and motivate the Management Board Members and senior management. The task of the Nominations and Remuneration Committee is to support the Supervisory Board in attaining these objectives as well as ensuring the consistency of the remuneration policy with the Bank's corporate culture, objectives, strategy, competitive behaviours as well as recommendation of regulators with regard to remuneration in the banking sector. Dealing with such matters, the Committee members have no personal financial interest other than that of the Bank's shareholders and are driven by the best interest of the Bank and its shareholders.

The Committee assists the Supervisory Board in:

1. succession planning at the Bank's Management Board level;
2. issuing recommendations for the SB with regard to the composition of the Management Board;
3. overall monitoring of the market remuneration practices and levels;
4. preparing recommendations for the Supervisory Board decisions as to fair and competitive Remuneration policies and practices, ensuring adequate motivation for the Management Board Members and senior management to constantly improve the Bank's performance.

The Nominations & Remuneration Committee's composition in 2011 was:

- Mr Gerry Byrne (Chairman),
- Mr Aleksander Szwarc – retired on 20 April 2011,
- Mr Jacek Ślotąła – retired on 20 April 2011
- Mr Jose Antonio Alvarez – joined the Committee on 20 April 2011,
- Mr Jose Luis de Mora – joined the Committee on 20 April 2011.

The Committee usually invites the President of the Management Board, the Head of the HR Management Division and other persons, as deemed relevant to considered matters, to its meetings.

In 2011, the Committee focused on the following issues:

- Preparing recommendations for the Supervisory Board with regard to:
  - a) 2010 bonus for the Management Board members based on adopted bonus policies,
  - b) Performance Bonus for the Bank's Management Board Members given the closure of the BZ WBK sale transaction by AIB Group and the shares taken up by Banco Santander.
- Filing a motion with Komisja Nadzoru Finansowego (KNF) with regard to the adjustment of the Bank's Statutes in the scope related to KNF's consent for appointment of the Bank's Management Board Member in charge of risk management.  
In response to the Supervisory Board's motion, on 20 December 2011, Komisja Nadzoru Finansowego took a decision whereby it gave consent for appointing Mr Andrzej Burliga Bank Zachodni WBK Management Board Member in charge of risk management.
- Proceeding with open vacancy competitions and presenting to the Supervisory Board recommendations as regards filling in the following positions on the Bank's Management Board:
  - a) Management Board Member in charge of Finance Division given Mr Paul Barry's decision to retire from this position as of the end of July 2011.
  - b) Management Board Member in charge of the Global Banking & Markets Division given the establishment of the new division in the Bank's organisational structure.
- Recommending to the Supervisory Board the adoption of Incentive Scheme IV addressed to senior managements of BZ WBK to be executed in years 2011-2013. The programme is a continuation of the three-year Incentive Schemes that were launched annually in the years 2006-2008.  
The Annual General Meeting held on 20 April 2011 adopted resolutions that allowed to launch Incentive Scheme IV.  
The Committee developed and presented to the Supervisory Board for approval the templates of the Participation Agreement along with the list of recommended Programme participants that included representatives of the senior executives and management from all divisions and areas of the Bank, 496 people in total.
- Carrying out the annual review of the operation of the bonus scheme for Management Board Members and the senior management and submitting to the SB of a recommendation re. 2012 bonus allocation and bonus pool determination ensuring an adequate level of motivation in the current market environment and reflecting the 2012 Financial Plan targets.
- the Committee considered and recommended to the Supervisory Board changes to the bonus schemes for some business units in the Bank and subsidiaries to more effectively motivate staff to achieve agreed targets and reflect the specific business profile and market standards;
- Presenting to the Supervisory Board a recommendation as regards approval of Policy on variable components of remuneration paid to individuals holding managerial positions in Bank Zachodni WBK Group pursuant to KNF's resolution no. 258/2011. The policy defines the rules of granting variable components of remuneration as well as the rules of defining the list of managerial positions subject to this Policy. The policy aims at
  - a) supporting correct and effective risk management, eliminating at the same time behaviours leading to taking up excessive risks, going beyond the approved risk appetite of the Bank,
  - b) supporting the execution of the bank's strategy,
  - c) limiting potential conflicts of interests.
- Succession planning for the Management Board functions and senior management positions - as in the previous years, this issue was one of the Committee and Supervisory Board's priorities in 2011; actions in this area involved the provision of adequate development programs for individuals covered by succession planning, both at the Bank and its subsidiaries.

Preparing recommendations for the Supervisory Board, the Committee used current results of the banking sector's salary survey carried out by an independent agency.

▪ **AUDIT AND COMPLIANCE COMMITTEE**

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

- the quality and integrity of the accounting policies, financial statements and disclosure practices;
- compliance with relevant laws and regulations, taxation obligations and relevant Codes of Conduct and good business ethics;
- the monitoring of independence and performance of the internal and external Auditors; and
- the system of internal control and management of financial and non-financial risks.

The Audit and Compliance Committee is composed of the following members:

- John Power (Chairman),
- Mr Waldemar Frąckowiak – retired on 20 April 2011,
- Mr Aleksander Galos – retired on 20 April 2011,
- Mr Maeliosa OhOgartaigh – retired on 20 April 2011,
- Mr Piotr Partyga,
- Mr Witold Jurcewicz – joined the Committee on 20 April 2011,
- Mr Jose Manuel Varela – joined the Committee on 20 April 2011,

**Attendance**

Number of meetings held:	8
- John Power (Chairman),	8/8
- Mr Waldemar Frąckowiak – retired on 20 April 2011,	2/2
- Mr Aleksander Galos – retired on 20 April 2011,	1/2
- Mr Maeliosa OhOgartaigh – retired on 20 April 2011,	2/2
- Mr Piotr Partyga,	8/8
- Mr Witold Jurcewicz – joined the Committee on 20 April 2011,	6/6
- Mr Jose Manuel Varela – joined the Committee on 20 April 2011,	5/6

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

The Audit and Compliance Committee operates under a written Terms of Reference approved by the Supervisory Board and undertakes 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 risks identified in the Bank's business plan.

The Committee reviewed key areas of material controls, including financial, operational, regulatory compliance and risk management systems. On a regular basis it receives reports on risk management, fraud, anti money laundering, legal, regulatory and corporate governance matters in order to assess the effectiveness of the risk management and control frameworks. In 2011, these reports included some notifications arising under the Group policy on "whistle blowing", updates on significant projects in the Bank, detailed analysis of capital ratios, adequacy of provisioning including IBNR provisions, the implementation of EU Directives, Sarbanes Oxley compliance, Basel II compliance and IT system implementations.

In view of the shareholder change, whereby BZ WBK became part of Santander Group, the Supervisory Board entrusted the Audit and Compliance Committee with the task of appointing Deloitte Audyt, the auditor of Santander Group as BZ WBK's Auditor. The Committee performed a detailed review of the Deloitte proposal to perform the audit of the Bank's accounts for 2011. It reviewed the independence, effectiveness and objectivity of Deloitte, assessing the audit firm in Poland, the audit partner and audit teams. The Committee recommended to the Supervisory Board the appointment of Deloitte Audyt Sp. z o.o as the Bank's auditors subject to majority shareholder approval, and the recommendation was approved by force of the Supervisory Board's resolution of 17 May 2011.

The independent Auditors, Deloitte Audyt & KPMG Audyt sp. z o.o. sp. komandytowa (the Auditor of the Bank's financial statements for 2010), the Bank's Internal Auditor, the Chief Risk Officer, the Head of Legal and Compliance Division and the President were invited to attend all meetings. Other members of the Supervisory Board and Management Board are also invited to attend as appropriate in order to present reports. In addition, the Committee held separate meetings with members of the senior management and the external auditors to discuss issues relevant to the committee.

During 2011 the Committee worked closely with the Management Board on the appointment of a new Internal Auditor. In line with the Audit and Compliance Committee's recommendation, on 1 May 2011 the Management Board's President appointed Mr. Carlos Polaino-Izquierdo as Bank Zachodni WBK Group Internal Auditor. The Committee, through the Group Internal Auditor, receives objective independent reports on the operation of internal controls in the Group. The Committee reviewed the plans and work undertaken during the year in addition to the level and skills of the resources of the internal audit function. During 2011 the Group continued its Internal Audit Quality Assurance reporting in accordance with the International auditing standards. The Committee's members expressed their satisfaction that where areas requiring improvement were identified, they were incorporated into future reports and reflected in the audit processes.

The Committee reviewed and discussed the Bank's audited financial statements with the Management Board, which has primary responsibility for preparing the financial statements. It placed particular emphasis on their fair presentation and the reasonableness of the judgmental factors, in particular the level of IBNR provisions for each loan portfolio and the appropriateness of accounting policies used in their preparation. The Committee also reviewed and discussed with KPMG Audyt Sp. z o.o. sp. their independent review of the financial statements and issues raised with the Management Board.

In addition, the Committee continued its detailed review of the Group's capital, liquidity and risk frameworks against the requirements of the KNF stress test scenarios, Basel II and the volatility in the global financial markets. The Committee analysed the proposed assumptions, methodology and process followed in determining the amount of capital and liquidity required to support the delivery of the Group's business plans and its capital adequacy.

In reliance of these reviews and discussions, the Committee recommended the Supervisory Board the approval of the audited financial statements for inclusion in the Company's annual report for the year ended 31 December 2011. The Supervisory Board accepted the Committee's recommendation.

There is a process in place by which the Audit & Compliance Committee reviews and, if appropriate, signs off, within parameters approved by the Supervisory Board, any non-audit services undertaken by the Auditors, and the related fees. This ensures that the objectivity and independence of the Auditors are safeguarded.

In 2011, the Group did not record expenses related to KPMG Audyt audit services. The fees for other services which included advice on accounting and regulatory matters were PLN 1.97 mln.

In addition, the Group recorded expenses of PLN 2.16 mln for Deloitte Audyt audit services, which related to the statutory audit of the Group and Bank's financial statements and the audit of Group's subsidiaries and associates for 2011 pursuant to legislation. The fees for other services which included advice on accounting and regulatory matters were PLN 0.08 mln giving a total fee to Deloitte of PLN 2.24m.

In the Committee's opinion, the Group's external auditor provides effective, independent challenge to Management and that their management letter provides valuable recommendations for improvement of internal controls.

The Committee conducts a continuous review of its work and performance. The form of the review involved a discussion on the format of the meetings and the effectiveness of the reporting process.

▪ RISK OVERSIGHT COMMITTEE

The Risk Oversight Committee was appointed by the Supervisory Board of Bank Zachodni WBK to assist the Board in discharging its oversight responsibilities to shareholders and other stakeholders, oversight of the Group's management of risk and to protect the Group from future events that impede the sustainable achievement of its performance objectives in relation to:

1. Appropriate Risk philosophy, as articulated in Risk Principles;
2. Risk appetite, as reflected in policies and risk limits;
3. A focused oversight on the more significant business risks undertaken by the bank, and
4. The appropriateness of the overall risk governance framework,

The Risk Oversight Committee is composed of the following members:

- John Power (Chairman),
- Mr Waldemar Frąckowiak – retired on 20 April 2011,
- Mr Aleksander Galos – retired on 20 April 2011,
- Mr Maeliosa OhOgartaigh – retired on 20 April 2011,
- Mr Piotr Partyga,
- Mr Witold Jurcewicz – joined the Committee on 20 April 2011,
- Mr Jose Manuel Varela – joined the Committee on 20 April 2011,

Attendance

Number of meetings held:	4
- John Power (Chairman),	4/4
- Mr Waldemar Frąckowiak – retired on 20 April 2011,	1/1
- Mr Aleksander Galos – retired on 20 April 2011,	1/1
- Mr Maeliosa OhOgartaigh – retired on 20 April 2011,	1/1
- Mr Piotr Partyga,	4/4
- Mr Witold Jurcewicz – joined the Committee on 20 April 2011,	3/3
- Mr Jose Manuel Varela – joined the Committee on 20 April 2011,	2/3

The Committee is aware, when undertaking its duties that the Bank is in the business of taking risk but at a level that is appropriate relative to the Group's scale and type of business undertaken.

The Risk Oversight Committee operates under a written Terms of Reference approved by the Supervisory Board and in line with 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 Committee met 4 times during the course of 2011 and reviewed key areas of the business including Treasury, Corporate Banking, Retail Banking and the Investment Banking Divisions. On a regular basis it receives reports on the Group's risk profile and key performance indicators, in particular in relation to (a) the Top 5 risks, (b) performance vs. risk appetite and tolerance, (c) risk trends, (d) risk concentrations. The Risk Oversight Committee continued to take a forward looking risk assessment approach in each of these business lines and sought to identify the risks associated with their respective five year strategies. In managing its' responsibilities the committee focused on:

- Strengthening risk management across the Group.
- Preparing Basel III guidelines for implementation.
- Risk monitoring.
- Group risk management policies.
- Future capacity of the business units to meet the business needs.

A key element of the Risk Oversight 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 appropriate to the overall strategy adopted by the Supervisory Board.

The independent Auditors, Deloitte Audyt, the Bank's Internal Auditor, the Chief Risk Officer, the Head of Legal and Compliance Division and the President were invited to attend all meetings. Other members of the Supervisory Board and Management Board are also invited to attend as appropriate in order to present their reports.

The Committee conducts a continuous review of its work and performance. The form of the review involved a discussion on the format of the meetings and the effectiveness of the reporting process.

## VI. ASSESSMENT OF THE SUPERVISORY BOARD ACTIVITY IN 2011

The Supervisory Board assessed its performance for 2011 in accordance with point 1, sub-point 2, section 3 of the "Best practice for the WSE listed companies".

Accordingly, the Supervisory Board states that it has discharged its duties & responsibilities set out in the Commercial Companies Code and the BZWBK Statutes with due care holding meetings at a frequency ensuring that all matters within the Board's remit were addressed. In their actions, the Supervisory Board Members were guided by the interest of the Bank and the independence of judgements and opinions. Both the composition of the Supervisory Board as well as the knowledge and experience of its Members ensured adequate and efficient performance of the Board and its effective supervision of the Bank's operations in 2011.

### Appendix no. 2

#### REPORT OF THE SUPERVISORY BOARD ON THE EXAMINATION OF :

- **FINANCIAL STATEMENTS OF BANK ZACHODNI WBK S.A. FOR 2011**
- **MANAGEMENT BOARD REPORT ON BANK ZACHODNI WBK PERFORMANCE IN 2011**
- **CONSOLIDATED FINANCIAL STATEMENTS OF BANK ZACHODNI WBK GROUP FOR 2011**
- **MANAGEMENT BOARD REPORT ON BANK ZACHODNI WBK GROUP PERFORMANCE IN 2011**
- **MOTION OF THE MANAGEMENT BOARD ON THE 2011 PROFIT DISTRIBUTION**

#### REPORT OF THE SUPERVISORY BOARD

This report was produced based on the conducted examination and includes the opinion of the Supervisory Board on the following documents presented by the Bank's Management Board to the Annual General Meeting of Shareholders of Bank Zachodni WBK, convened for 10<sup>th</sup> May 2012:

- Financial Statements of Bank Zachodni WBK S.A. for 2011,
- Management Board Report on Bank Zachodni WBK S.A. Performance in 2011,
- Consolidated Financial Statements of Bank Zachodni WBK Group for 2011,
- Management Board Report on Bank Zachodni WBK Group Performance in 2011,
- Management Board motion on the 2011 profit distribution.

The obligation to review the above documents is imposed on the Supervisory Board by § 32 clause 1 and clause 6 of the Bank's Statutes.

#### 1. Examination of Financial Statements and Reports on operations for 2011

By force of resolution no. 22/2011, adopted on 17<sup>th</sup> May 2011, the Supervisory Board, based on the recommendation of the Audit & Compliance Committee, selected Deloitte Audyt Sp. z o.o. as the Bank's auditor and vested it with a task of auditing the Financial Statements for 2011. The above audit covered the following documents produced by the Bank's Management Board:



1. Financial Statements of Bank Zachodni WBK S.A. for 2011:
  - Statement of Financial Position as at 31 December 2011,
  - Income Statement for the accounting year ended 31 December 2011,
  - Statement of Comprehensive Income for the accounting year ended 31 December 2011,
  - Movements in Equity for the accounting year ended 31 December 2011,
  - Cash Flow Statement for the accounting year ended 31 December 2011,
  - Additional Notes.
2. Management Board Report on Bank Zachodni WBK S.A. Performance in 2011.
3. Consolidated Financial Statements of Bank Zachodni WBK Group for 2011:
  - Consolidated Statement of Financial Position as at 31 December 2011,
  - Consolidated Income Statement for the accounting year ended 31 December 2011,
  - Consolidated Statement of Comprehensive Income for the accounting year ended 31 December 2011,
  - Movements in consolidated equity for the accounting year ended 31 December 2011,
  - Consolidated Cash Flow Statement for the accounting year ended 31 December 2011,
  - Additional Notes.
4. Management Board Report on Bank Zachodni WBK Group in 2011.

Based on the findings of the audit conducted by Deloitte Audyt Sp. z o.o., presented in the following documents:

- Opinion of the Independent Auditor and Report supplementing the Auditor's opinion on the separate Financial Statements of Bank Zachodni WBK S.A. for the financial year ended 31 of December 2011,
- Opinion of the Independent Auditor and Report supplementing the Auditor's opinion on the consolidated Financial Statements of Bank Zachodni WBK Group for the financial year ended 31 of December 2011,

the Supervisory Board stated that the 2011 Financial Statements presented by the Management Board, have been prepared, in all material respects, and give a true and fair view of the financial position of the Bank and the Group as at 31 December 2011 and of their financial performance and their cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and are in compliance with the respective regulations that apply to the Bank's unconsolidated financial statements and the consolidated financial statements applicable.

The Supervisory Board decided with resolution no. 1/2012, dated 27<sup>th</sup> February 2012, to submit to the AGM for approval:

- Financial Statements of Bank Zachodni WBK S.A. for 2011,
- Management Board Report on Bank Zachodni WBK S.A. Performance in 2011,
- Consolidated Financial Statements of Bank Zachodni WBK Group for 2011,
- Management Board Report on Bank Zachodni WBK Group Performance in 2011.

## **2. Review of the Bank's Management Board motion related to the 2011 profit distribution**

The Supervisory Board examined the Bank's Management Board motion related to the 2010 profit distribution, and with resolution no. 8/2012, dated 29<sup>th</sup> February 2012 decided to recommend approval of the above motion to the General Annual Meeting of Shareholders.

## **3. Wrap-up**

The Supervisory Board stated that it acted with due diligence with regard to comprehensive examination of the documents presented by the Bank's Management Board and in line with its resolution

no. 9/2012, dated 29<sup>th</sup> February 2012, the Supervisory Board presents this report to the General Annual Meeting of Shareholders of Bank Zachodni WBK.

### **Appendix no. 3**

#### **ASSESSMENT OF THE BZ WBK GROUP'S OPERATIONS IN 2011**

- 2011 macroeconomic environment

##### Economic growth

In 2011 external conditions influencing the Polish economy altered considerably. The second half of the year saw a deterioration of global economic climate and a significant slowdown in economic growth of the euro zone and Germany. The euro zone's debt problems intensified, which triggered severe turmoil on the financial markets. The Polish economy proved quite resilient to weaker external demand, though an annual pace of growth of trade volume clearly declined over the year. The momentum of exports (denominated in euro) plunged from ca. 20%YoY at the beginning of the year to 5%YoY in Q4. The pace of growth of imports decreased even more. The current account deficit declined to ca. 4% of GDP, that is almost 1 percentage point lower compared to 2010.

The Polish economy performed quite well in 2011. The GDP increased during the past year by 4.3%, the most since the beginning of the world financial crisis in 2008. The main factors supporting the economic growth were rising household consumption (which advanced by 3.1% in 2011) and gross capital formation (8.7% gain in the whole year). While individual consumption was decelerating gradually towards the year end, among others due to the reversal of positive trends in the labour market and the rising cost of living, investments continued to accelerate through the year, reaching double-digit growth in Q4, the highest since mid-2008.

##### Labour market

The first half of 2011 saw an improvement of the situation in the Polish labour market. Average employment in the enterprise sector increased in H1 by ca. 4%YoY and the number of the employed according to LFS advanced by 1.5%YoY. The pace of wage growth was gradually accelerating, but it remained at a moderate level of nearly 5% in H1. Despite a higher number of job vacancies, unemployment rose in the first months of the year due to an increase in the total workforce. In H2 the positive trend reversed. The pace of employment growth in the enterprise sector decelerated to ca. 2%YoY and the pace of wage growth slightly declined. Weaker growth of wages and employment, offset only by a marginal increase of social benefits as well as rising inflation resulted in a lower growth of households' disposable income.

The registered unemployment rate stayed above the level from 2010 during the whole year and at the end of 2011 it reached 13.3%. The number of the registered unemployed approached again 2 million at the end of 2011. Also, the seasonally adjusted unemployment rate based on the LFS survey increased, reaching nearly 10% in H2 2011, the highest since March 2010.

##### Inflation

The increase of inflation in the first few months of 2011 was much faster and stronger than expected. In May, the CPI reached 5%, mainly due to higher prices of fuels and food in the global market. Last months of 2011 again showed higher inflation, which after a temporary decline to 3.9%YoY in September accelerated to 4.8%YoY in November and reached 4.6%YoY in December. Considerable depreciation of the zloty seen in H2 had a significant impact on higher retail prices through soaring prices of imported goods. Core inflation continued the upward trend observed since mid-2010. In December, CPI excluding food and energy prices reached 3.1%YoY, the highest since April 2002. Clear deterioration of economic outlook for Poland and global economy reduced the risk of materialisation of second round effects (resulting from the price-wage spiral).

##### Interest rates

The Monetary Policy Council increased interest rates four times during H1 2011 in response to rising inflationary pressure. Those hikes (each by 25bps) took place in January, April, May and June. Consequently, NBP's main reference rate increased to 4.5% at the end of Q2 from 3.5% at the end of 2010. Later in the year interest rates remained unchanged. Amid inflation persisting well above the NBP

target and pressure on zloty's depreciation the MPC maintained its informal hawkish bias in the monetary policy.

#### Credit market

During 2011 companies demonstrated strong demand for bank loans. The pace of growth of business loans reached almost 20%YoY at the end of Q4 versus close to zero at the beginning of 2011. Investment loans showed a particularly strong increase (by ca. 25%YoY, even after elimination of an impact of exchange rate fluctuations). The pace of growth of loans for households stabilised at a pretty high level, mainly due to strong demand for mortgage loans, while consumer loans remained in stagnation. After adjustment for FX fluctuation, the value of total loans for households increased in 2011 by ca. 7% with mortgage loans contributing most to that increase (growth by ca. 10%YoY).

#### Financial markets

During 2011, high volatility dominated the financial markets. In Q1, market sentiment was influenced by, among others, political turmoil in the Middle East and North Africa as well as earthquake and tsunami in Japan. Later in the year, investors' attention focused on the euro zone's debt problems and deteriorating outlook of global economic growth amid disappointment after macro data publication. Consequently, the zloty's exchange rate was very volatile. In mid-December, the Euro/PLN surged to the highest level since June 2009 (ca. 4.56). Though interventions of the NBP and the BGK (Bank Gospodarstwa Krajowego) helped the zloty to pare some losses at the end of the year, 2011 was not favourable for the domestic currency as on an annual basis the zloty lost 11.5% versus the euro.

Rising inflation and expected monetary policy tightening pushed short-term interest clearly up. Yields on the long end of the curve were rising amid risk aversion persisting on the global financial market and despite positive information on better-than-expected actual budget levels and low supply of long-term bonds on debt auctions.

- BZ WBK Group's financial standing in 2011

#### Sale of shares in Bank Zachodni WBK S.A.

On 1 April 2011, Banco Santander finalised the purchase of Bank Zachodni WBK in the tender for the bank's shares. As a result, Banco Santander acquired a 95.67% stake in the bank. Consequently, Bank Zachodni WBK joined Santander Group. The acquisition price totalled EUR 3,989 m.

AIB European Investments Limited sold 51,413,790 shares of Bank Zachodni WBK representing 70.36% of share capital and voting power in the tender. The transaction was settled on 1 April 2011. As a result, AIB European Investments Limited does not hold any shares of Bank Zachodni WBK or any voting rights attached to such shares. Other minority shareholders sold 18,498,863 shares of Bank Zachodni WBK representing 25.31% of share capital and voting power in the tender.

As a consequence of Banco Santander acquiring a 95.67% share in the total voting power at the General Meeting of Shareholders of Bank Zachodni WBK on 1 April 2011 (exceeding a 90% share), the non-controlling shareholders became entitled to demand for a further three months that their shares be acquired by the majority shareholder. Based on the requests from shareholders, Banco Santander acquired an additional 421 859 shares of Bank Zachodni WBK, thus increasing its share in the share capital and voting power at the General Meeting of Shareholders to 96.25%

#### Profit & Loss Account

In 2011, Bank Zachodni WBK Group generated a profit-before-tax of PLN 1,542.4 m, an increase of 13.6% y-o-y. The net profit attributable to Bank Zachodni WBK shareholders was PLN 1,184.3 m and 21.6% higher y-o-y.

Excluding the once-off adjustments of PLN 88.8 m, posted in the fourth quarter of 2011 to align the Group's operating practices with Santander Group, the PBT was PLN 1,631.2 m and up 20.2% y-o-y, while the net profit attributable to Bank Zachodni WBK shareholders increased by 30.7% y-o-y to PLN 1,273.1 m. The once-off adjustments apply entirely to the cost side of the consolidated profit and loss account.

The main driver of the profit growth for 2011 was net interest income which increased by PLN 246.4 m as a result of acceleration in the Group's core business volumes in a higher interest rate environment. The profit was also favourably impacted by higher dividend and net commission income as well as reduced loan impairment losses.

#### Income

The total income achieved by Bank Zachodni WBK Group in 2011 was PLN 3,823.0 m and up 8.1% y-o-y

#### Costs

Excluding the once-off adjustments of PLN 88.8 m, total costs increased by 4.1% y-o-y to PLN 1,835.8 m with staff costs up 1.9% y-o-y to PLN 976.8 m.

#### Assets & liabilities

##### Deposits

Deposits from customers went up by 11.6% on the end of 2010 as a result of higher balances in business and public sector (+17.8% y-o-y) as well as personal (+7.5% y-o-y) deposits adding up to PLN 19,718.2 m and PLN 27,111.3 m, respectively. Excluding the effect of FX movements, deposits from customers grew by 10.3% y-o-y.

##### Loans

Gross loans to customers increased by 15.1% on the end of 2010 driven by growth in the business and public sector loan portfolio (+20.5% y-o-y) to PLN 24,521.2 m and in the personal loan portfolio (+9.9% y-o-y) to PLN 12,572.6 m. Excluding the effect of FX movements, gross loans increased by 11.2% y-o-y.

Loans to deposits ratio was 81.2% as at 31 December 2011 compared with 78.2% as at 31 December 2010.

#### Bank Zachodni WBK share price

Bank Zachodni WBK share price as at 31 December 2010 amounted to PLN 214.90 and during the year increased by 5.2%, totalling PLN 226 on 30 December 2011.

On 29 July 2011 the share price was at its highest, reaching PLN 239 for a share.

It needs to be emphasised that during the year the indices of WIG 20, WIG and WIG banks fell down respectively by 21.9%, 20.8% and 21.7%.

#### Rating

Bank Zachodni WBK has a bilateral credit rating agreement with Fitch Ratings Ltd. In 2011, the agency made four announcements on the Bank.

- In the announcement dated 5 April 2011, Fitch Ratings upgraded Long-term Issuer Default Rating (IDR) of Bank Zachodni WBK from 'BBB+' to 'A+', removed the rating from Rating Watch Positive (RWP) and assigned a Stable Outlook. Fitch simultaneously upgraded Short-term Issuer Default Rating and Support Rating, and removed them from Rating Watch Positive.
- In the announcement dated 16 June 2011, Fitch Ratings affirmed all the above ratings.
- In the announcement dated 11 October 2011, Fitch Ratings affirmed its ratings for Bank Zachodni WBK (as announced on 5 April 2011, and confirmed on 16 June 2011) but changed the outlook on its long-term IDR from stable to negative. This was reflective of the downgrade of the long-term IDR rating of Banco Santander from "AA" to "AA-" due to increased sovereign risk of their home country (Spanish sovereign rating was downgraded from "AA+" to "AA-").

- On 22 December 2011, Fitch Ratings placed long-term and short-term IDR ratings of Bank Zachodni WBK on Rating Watch Negative following the same action towards its parent entity (announced on 20 December 2011) due to the likelihood of negative verification of the Spanish sovereign risk in the wake of the eurozone crisis.

Rating of Bank Zachodni WBK S.A. in 2012.

To supplement the information on the rating actions taken for Bank Zachodni WBK SA, on the 25<sup>th</sup> of January 2012, Fitch Ratings globally withdrew all individual ratings for banks and replaced them with viability ratings launched last year. Consequently, Bank Zachodni WBK individual rating of "C" was removed.

On the 13<sup>th</sup> of February 2012, Fitch Ratings further revised ratings of BZWBK as a result of rating actions taken towards Spanish sovereign rating and the rating of Banco Santander.

As of now the rating of Bank Zachodni WBK is as follows:

- Long-term IDR: 'A-', Outlook Negative
- Short-term IDR: 'F2'
- Viability Rating: 'bbb'
- Support Rating: '1'

#### Assessment of the Internal Control System and the Risk Management system

- 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 operation, reliability of financial reporting as well as compliance with the law and internal regulations.

The bank's internal control system is 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.

Internal control and risk management systems are structured into three lines of defence. Control measures under the first line check compliance with procedures and ad hoc/on-going response to any identified deficiencies or shortcomings. It underlies reviews of procedures and effectiveness of controls across the organization.

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

The third line of defence is the Internal Audit Area which 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, Internal Audit verifies the adequate coverage of the Group's risks, in compliance with top management policies, applicable procedures and internal and external regulations. Using its own risk matrix and knowledge, IAA performs a regular assessment of the present and future risk across the bank and BZ WBK Group, developing audit annual plans to cover them. 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 Audit and Compliance Committee of the Supervisory Board exercises oversight over the Internal Audit Area. The Audit and Compliance Committee approves an annual audit plan and is regularly updated on audit results and progress in management actions.

As a result of the third line activity, the Management Board and the Supervisory Board receive current and accurate information on compliance with the law and internal regulations applicable in the Bank, effectiveness of identifying errors and irregularities as part of the internal control system, efficient management actions, completeness and correctness of accounting procedures as well as adequacy,

functionality and security of the IT system. The Risk Management Committee and the Audit and 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.

Findings of control are taken account of and used to improve the existing processes and safety by making relevant changes to internal processes and regulations. The implementation of a necessary new process is regularly verified by Internal Audit Area.

- Assessment of 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 Supervisory Board's opinion, this framework is appropriately matched to the Bank's size and risk profile. The Bank optimizes the risk management framework on a regular basis, adapting it to the changing environment and risk profile associated with the planned 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) overseeing the activity of other Committees having risk management authority. The fact that Members of Management Board and senior management sit on key Committees ensures high quality of management and consistent risk strategy.

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 "BZWBK Group Risk Appetite Statement" approved by the Management Board and 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 that identify and assess risks to identify 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 ICAAP process. In 2011, the review of material risks was combined with the review of BZWBK Group key risks to ensure a uniform approach to the identification of most significant threats to the Bank's operations at a given time.

Identified risks are managed using policies and best practices to keep them at an acceptable level. The Bank uses various risk assessment and measurement techniques depending on risk type and materiality, including the following key ones:

- customer and/or transaction grading models - for credit risk assessment purposes,
- VAR methodology - market risk,
- operational risk self-assessment methodology.

In 2011, the Bank carried out work aimed at adjusting its risk management policies and tools to Santander Group's standards with a special focus on ensuring compliance with regulations applicable to the Polish banking sector.

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 strives to keep the right risk/reward balance. Support for the Bank's development strategy, while keeping top risk management standards, is amongst the key assumptions underlying the risk management process.

*re: item 10 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. Aleksander Szwarc, the Chairman of the Bank's Supervisory Board, is granted the word of approval for performance of his duties in the period from 1.01.2011 to 20.04.2011.

§ 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 Supervisory Board acting as Vice Chairman and then as  
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 is granted the word of approval for performance of his duties:

- as the Vice Chairman of the Bank's Supervisory Board in the period from 1.01.2011 to 20.04.2011,
- as the Chairman of the Bank's Supervisory Board in the period from 20.04.2011 to 31.12.2011.

§ 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. Jose Antonio Alvarez, the member of the Bank's Supervisory Board, is granted the word of approval for performance of his duties in the period from 20.04.2011 to 31.12.2011.

§ 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. Waldemar Frąckowiak, the member of the Bank's Supervisory Board, is granted the word of approval for performance of his duties in the period from 1.01.2011 to 20.04.2011.

§ 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. Aleksander Tadeusz Galos, the member of the Bank's Supervisory Board, is granted the word of approval for performance of his duties in the period from 1.01.2011 to 20.04.2011.

§ 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 20.04.2011 to 31.12.2011.



§ 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

Mrs. Anne Marie Maher, the member of the Bank's Supervisory Board, is granted the word of approval for performance of his duties in the period from 01.01.2011 to 20.04.2011.

§ 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. Jose 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 20.04.2011 to 31.12.2011.

§ 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. Maeliosa OhOgartaigh, the member of the Bank's Supervisory Board, is granted the word of approval for performance of his duties in the period from 1.01.2011 to 20.04.2011.

§ 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. Piotr Partyga, the member of the Bank's Supervisory Board, is granted the word of approval for performance of his duties in the period from 1.01.2011 to 31.12.2011.

§ 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 1.01.2011 to 31.12.2011.

§ 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. Jacek Ślotąła, the member of the Bank's Supervisory Board, is granted the word of approval for performance of his duties in the period from 1.01.2011 to 20.04.2011.

§ 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. Jose 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 20.04.2011 to 31.12.2011.

§ 2

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

**re. item 11 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

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.

re. item 12 of the agenda

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

*(draft)*

**regarding the increase of the Bank's share capital through the issuance of series I ordinary bearer shares, the waiver of the existing shareholders' pre-emptive rights with respect to the series I shares in their entirety, the amendment of the Articles of Association (Statut) of the Bank, the application for the admission and introduction of the series I shares to trading on the regulated market operated by the Warsaw Stock Exchange and the dematerialisation of the series I shares**

The Annual General Meeting of Bank Zachodni WBK S.A., with its registered seat in Wrocław (the "Bank"), acting pursuant to Articles 430, 431, 432 and 433 § 2 of the Act dated 15 September 2000 – the Commercial Companies Code ("CCC"), resolves as follows:

**§ 1**

- 1 The share capital of the Bank will be increased by PLN 15,616,180 (fifteen million, six hundred and sixteen thousand, one hundred and eighty zlotys) to up to PLN 746,376,310 (seven hundred and forty-six million, three hundred and seventy six thousand, three hundred and ten zlotys) through the issuance of 1,561,618 (one million, five hundred and sixty-one thousand, six hundred and eighteen) ordinary series I bearer shares having a nominal value of PLN 10.00 (ten) each (the "**Series I Shares**").
- 2 The issue price for the Series I Shares will amount to PLN 212.60 (two hundred and twelve zlotys and sixty groszy) per one Series I Share.
- 3 The Series I Shares may be paid for in cash only.
- 4 The Series I Shares will be issued by way of a private placement as provided in Article 431, §2.1 of the CCC. The Agreement regarding the subscription for the Series I Shares will be executed by the Bank within 6 (six) months from the date of the adoption of this resolution.
- 5 The Series I Shares will be offered to and subscribed for by the European Bank for Reconstruction and Development.
- 6 The Series I Shares will participate in profit distribution on equal terms with all other shares in the Bank from 1 January 2012, i.e. for the fiscal year ending 31 December 2012.

**§ 2**

- 1 Acting in the Bank's interest, the pre-emptive rights of the Bank's existing shareholders to the Series I Shares will be excluded in their entirety.
- 2 The written opinion of the Management Board presenting the arguments in favour of the waiver of the existing shareholders' pre-emptive rights to the Series I Shares and the proposed issue price for the Series I Shares is presented in the schedule attached to this resolution.

**§ 3**

- 1 In reference to § 1 - 2 of this resolution, § 10 of the Bank's Articles of Association (*Statut*) will be amended as follows:

*"§ 10*

*The share capital of the Bank shall amount to PLN 746,376,310 (seven hundred and forty-six million, three hundred and seventy-six thousand, three hundred and ten zlotys) and shall be*

divided into 74,637,631 (seventy-four million, six hundred and thirty-seven thousand, six hundred and thirty one) bearer shares having a nominal value of PLN 10.00 (ten) each, including:

- 1). 5,120,000 (five million, one hundred and twenty thousand) ordinary series A bearer shares;
  - 2). 724,073 (seven hundred and twenty-four thousand, seventy-three) ordinary series B bearer shares;
  - 3). 22,155,927 (twenty-two million, one hundred and fifty-five thousand, nine hundred and twenty-seven) ordinary series C bearer shares;
  - 4). 1,470,589 (one million, four hundred and seventy thousand, five hundred and eighty-nine) ordinary series D bearer shares;
  - 5). 980,393 (nine hundred and eighty thousand, three hundred and ninety-three) ordinary series E bearer shares;
  - 6). 2,500,000 (two million, five hundred thousand) ordinary series F bearer shares;
  - 7). 40,009,302 (forty million, nine thousand, three hundred and two) ordinary series G bearer shares;
  - 8). 115,729 (one hundred and fifteen thousand, seven hundred and twenty-nine) ordinary series H bearer shares; and
  - 9). 1,561,618 (one million, five hundred and sixty-one thousand, six hundred and eighteen) ordinary series I bearer shares.”
- 2 The Supervisory Board will be authorised to determine the amended and restated wording of the Articles of Association (*Statut*) of the Bank.

#### § 4

- 1 The Bank will apply for the admission and introduction of the Series I Shares to trading on the regulated market operated by the Warsaw Stock Exchange. The Management Board is authorised and required to take all of the actions necessary in relation to the performance of the terms of this subsection.
- 2 All the Series I Shares will be dematerialised. Pursuant to Article 5.8 of the Act on Trading in Financial Instruments dated 29 July 2005. The Management Board will be authorised and required to execute an agreement with the National Depository of Securities for the registration of the Series I Shares and to take any and all actions necessary in connection with the dematerialisation thereof.

#### § 5

This resolution will come into force on the date of its adoption and, with respect to the amendment of the Bank's Articles of Association (*Statut*), on the date of registration of such amendment by the registry court.

#### Appendix to the AGM resolution ..

### OPINION OF THE MANAGEMENT BOARD OF BANK ZACHODNI WBK SPÓŁKA AKCYJNA WITH ITS REGISTERED SEAT IN WROCŁAW dated 2<sup>nd</sup> April 2012

*regarding the waiver of the shareholders' pre-emptive rights in their entirety with respect to the proposed increase of the Bank's share capital through the issuance of the series I shares and the proposed issue price for the series I shares*

Pursuant to Article 433 § 2 of the Act dated 15 September 2000 – the Commercial Companies Code (the “**CCC**”), the Management Board of Bank Zachodni WBK S.A., with its registered seat in Wrocław (the “**Bank**”), issued this opinion on 2<sup>nd</sup> of April, 2012 in relation to the proposed adoption by the Annual General Meeting of a resolution regarding the increase of the Bank’s share capital through the issuance of 1,561,618 (one million, five hundred and sixty-one thousand, six hundred and eighteen) ordinary series I bearer shares (the “**Series I Shares**”), subject to the waiver of all the pre-emptive rights of the existing shareholders of the Bank with respect to all the Series I Shares .

## **1. Waiver of the pre-emptive rights with respect to the Series I Shares**

The Series I Shares will be offered through private placement pursuant to Article 431, §2.1 of the CCC to the European Bank for Reconstruction and Development) (“**EBRD**”).

On 29 March 2012, the Bank, Banco Santander S.A. and EBRD executed an investment agreement (the “**Investment Agreement**”).

Under the Investment Agreement, EBRD agreed to subscribe for the Series I Shares at the issue price of PLN 212.60 (two hundred and twelve zlotys and sixty groszy) per one Series I Share, while the Bank agreed to take any and all actions necessary to issue the Series I Shares and to procure their admission and introduction to trading on the regulated market maintained by the Warsaw Stock Exchange.

In light of the above, for the Bank to comply with its obligations under the Investment Agreement and in order to permit EBRD to perform its obligation thereunder, it is necessary and reasonable to waive the pre-emptive rights of the existing shareholders of the Bank in their entirety with respect to the Series I Shares.

The Bank’s Management Board believes that the issuance of the Series I Shares addressed to EBRD will:

- strengthen the Bank’s capital base and capital adequacy ratio;
- give a clear indication of the type support from a highly reputed financial institution the Bank is to receive prior to the planned merger between the Bank and Kredyt Bank S.A.;
- contribute to the increase of the Bank’s free float on the regulated market operated by the Warsaw Stock Exchange (*Giełda Papierów Wartościowych w Warszawie S.A.*) and improve the market perception of the Bank;
- strengthen the Bank’s cooperation with EBRD, who already provided the Bank with Euro term funding of EUR 100 million under subordinated bonds with maturity in 2020;
- through partnership with EBRD, allow the Bank to gain access to new markets / forms of activity; and
- create new possibility of financing small and medium-sized enterprises as per EBRD’s intention to invest significant funds in the development of the financial sector in Poland to facilitate long-term financing of SMEs.

Therefore, the Management Board is of the opinion that the issuance of the Series I Shares subject to the waiver in their entirety of the pre-emptive rights of the existing shareholders of the Bank is in the interest of the Bank. Moreover, the Management Board believes that the nature of the issue of the Series I Shares justifies the waiver of the pre-emptive rights of the existing shareholders with respect to the Series I Shares and that it is a consequence of the objective of the issue. Consequently, the Management Board expresses its positive opinion on the issuance of the Series I Shares subject to the waiver of the pre-emptive rights of the existing shareholders of the Bank in their entirety.

## **2. Proposed issue price for the Series I Shares**

The proposed issue price for the Series I Shares amounts to PLN 212.60 (two hundred and twelve zlotys and sixty groszy) per one Series I Share.

The proposed issue price for the Series I Shares complies with the issue price determined in the Investment Agreement.

The proposed issue price for the Series I Shares represents the reference price for the BZ WBK shares of PLN 226.40 (two hundred and twenty-six zlotys and forty groszy) agreed in the investment agreement

entered into by Banco Santander S.A. and KBC Bank NV, ex-dividend and, with a discount similar to customary discounts applicable in private placement transactions.

In light of the above, the Management Board believes that the determination of the issue price for the Series I Shares at PLN 212.60 (two hundred and twelve zlotys and sixty groszy) per one Series I Share is reasonable and in the Bank's interest.

### **3. Conclusions**

In light of the premises stated above, the Management Board recommends that the Annual General Meeting adopt the resolution.

#### **re. item 13 of the agenda**

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

*(draft)*

#### **on variable components of remuneration paid to individuals holding managerial positions in BZ WBK Group**

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

and considering that:

- effective from 31 December 2011, Bank Zachodni WBK S.A. must comply with Resolution no. 258/2011 of the Financial Supervision Authority of 4 October 2011 on detailed rules of functioning of the risk management system and the internal control system and the detailed rules of calculation of the internal capital by banks and reviewing the process of estimation and maintenance of the internal capital, and the rules of determination of the policy for variable components of remuneration paid to individuals holding managerial positions in the bank (KNF Official Journal no. 11, item 42);
- by virtue of Management Board resolution no. 143/2011 of 14 December 2011, approved by the Supervisory Board resolution no. 45/2011 of 14<sup>th</sup> December 2011, Bank Zachodni WBK S.A. implemented, effective from 31 December 2011, the "Policy on variable components of remuneration paid to individuals holding managerial positions in BZ WBK Group" whereby the shares of Bank Zachodni WBK S.A. will account for at least 50% of such variable remuneration;
- the General Meeting of Bank Zachodni WBK S.A. shall be authorised to increase the share capital of Bank Zachodni WBK S.A. by means of a share issue;

It is hereby resolved as follows:

#### **§ 1**

1. The persons included in the category of "individuals holding managerial positions in BZ WBK Group" shall receive variable remuneration based on the applicable bonus regulations and the relevant individual agreements on the payment of a part of the bonus allocated for the particular settlement year.
2. At least 50% of the variable remuneration referred to in section 1 shall consist of ordinary bearer shares of Bank Zachodni WBK S.A. with a nominal value of PLN 10 (ten zloty).

#### **§ 2**

1. Where the managers of BZ WBK Group are granted variable remuneration in the light of § 1 point 2 of this Resolution, then the General Meeting shall resolve, subject to section 2, to increase the

share capital through an issue of shares, without pre-emption rights, for allocation to the eligible managers of BZ WBK Group.

2. The General Meeting shall not resolve to increase the share capital through an issue of shares if in the particular settlement year no manager has met the pre-conditions for share vesting, as set out in an individual agreement with such manager, and if the claims associated with the rights referred to in §1 point 2 of this Resolution are satisfied in a different, legally acceptable manner.

### § 3

1. The individuals holding managerial positions (managers) referred to in §1 section 1 of this Resolution are all the Management Board Members of Bank Zachodni WBK S.A., and the persons nominated by the Bank in accordance with the applicable "Policy on variable components of remuneration paid to individuals holding managerial positions BZ WBK Group".
2. The list of managerial positions referred to in section 1 is subject to an annual review before the end of the next settlement year.

### § 4

1. The Supervisory Board shall be authorised to make binding interpretations of this Resolution where any interpretation issues are raised by a manager of BZ WBK Group.
2. The Resolution becomes effective on the day of its adoption.