

Corporate Governance

1. Compliance with Best Practice

In 2009, Bank Zachodni WBK complied with all the corporate governance rules contained in the document "Best Practice in Public Companies" which was implemented by the Warsaw Stock Exchange Board on 4 July 2007 (Resolution no. 12/1170/2007) and became effective from 1 January 2008. The practices were transposed to the bank's regulations by virtue of Management Board resolution no. 87/2007 of 5 December 2007 and Supervisory Board resolution no. 1/2008 of 22 January 2008. The practices are available from the bank's website ("Investor Relations" section).

The bank's corporate documents, including the Statutes, General Meeting Regulations and the Terms of Reference of the Management Board and the Supervisory Board fully comply with the existing version of the "Best Practice". Compliance with the best practice and external relations standards are supported by the bank's internal procedures which specify the roles of individual units in this regard.

In the previous years, the bank adhered to the rules set out in the "Best Practice in Public Companies 2005" (in the years 2005-2007) and the "Best Practice in Public Companies in 2002" (in the years 2002-2004).

2. Equity Securities Issued by the Bank

Significant Shareholding

According to the information held by the bank's Management Board, at the sign-off date of Annual Report 2009 of Bank Zachodni WBK Group (26 February 2010), the only significant shareholder of the bank was Dublin-based AIB European Investments Ltd. (see Chapter II, part 2 "Share Capital, Ownership Structure and Share Price" for more details).

Rights and Restrictions Attaching to the Issuer's Securities

Bank Zachodni WBK did not issue any securities that would give its holders any special control rights or would limit their equity rights. Likewise, there are no restrictions on the transfer of title to the issuer's shares.

3. Governing Bodies

General Meeting of Shareholders

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

General Meeting takes decisions on issues within its remit, as defined by the Commercial Companies Code, Banking Law and the bank's Statutes.

Shareholders' Rights

Shareholders' rights and the way they are exercised are provided for in the bank's GM Regulations and pursue the Commercial Companies Code.

The Last Annual General Meeting of Shareholders

The Annual General Meeting of BZWBK Shareholders (AGM) held on 21 April 2009, approved the 2008 financial statements submitted by the Management Board and the Supervisory Board, resolved on distribution of the net profit and dividend payment and granted discharge to the Management and Supervisory Board members for the performance of their duties in the previous year. The AGM approved changes to the bank's Statutes and adopted its consolidated version. The changes resulted from the need to adjust the Statutes to the existing operations of the bank and the powers of its executive directors. The amended Statutes also reinforce independence of the internal audit by extending the Supervisory Board's oversight of the bank's internal control system, in accordance with the Banking Law and the Resolution of the Polish Financial Supervision Authority no. 383/2008 of 17 December 2008. The changes to the bank's Statutes were approved by the Polish Financial Supervision Authority and recorded in the National Court Registry on 13 May 2009.

Method of Changing the Statutes

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

Composition of the Supervisory Board

As at 31 December 2009, the composition of the Bank Zachodni WBK Supervisory Board was as follows:

Role	Composition as at 31.12.2009
Chairman of the Supervisory Board:	1. Aleksander Szwarc
Members of the Supervisory Board:	2. Gerry Byrne
	3. Waldemar Frąckowiak
	4. Aleksander Galos
	5. Maeliosa OhOgartaigh
	6. John Power
	7. Jacek Ślotała

The persons listed above were appointed by the AGM of 18 April 2008 for a new 3-year term of office. The original composition included James O'Leary, who stepped down from the Supervisory Board on 21 April 2009.

Role of the Supervisory Board

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

The Supervisory Board exercises on-going supervision over all the aspects of the bank's activities. The Supervisory Board takes decisions in the form of resolutions which are adopted by absolute majority of votes in an open voting. Resolutions are voted upon in a secret ballot in the cases stipulated by law, in personal matters or at the request of any Supervisory Board member accepted by the Supervisory Board also in a secret ballot. The Supervisory Board meetings are held as needed, however at least 3 times in any financial year. The Supervisory Board Members convene at the same time in a single location or in different locations communicating via telephone or video links.

Supervisory Board Committees

The Supervisory Board may establish committees and designate individuals responsible for managing the work of such committees. The following Supervisory Board committees operate in the bank: Social Responsibility Committee, Remuneration and Nominations Committee and Audit Committee.

Composition of Supervisory Board Committees as at 31 December 2009:

Supervisory Board Committee	Role	Composition
Social Responsibility Committee	1. Chairman 2. Member	Gerry Byrne Jacek Ślotała
Remuneration and Nominations Committee	1. Chairman 2. Members: 3.	Gerry Byrne Aleksander Szwarc Jacek Ślotała
Audit Committee	1. Chairman 2. Members: 3. 4.	John Power Waldemar Frąckowiak Aleksander Galos Maeliosa OhOgartaigh

The Social Responsibility Committee supervises the efforts aimed to achieve the desired perception and awareness of the bank's brand. It also monitors the bank's CSR policy as well as the budget for marketing, promotion and corporate giving.

The Remuneration and Nominations Committee develops succession plans for the Management Board, recommends Management Board members and performs annual reviews of their remuneration. The Committee reviews and monitors the policies and practices governing the remuneration system in the bank and its subsidiaries.

The Audit Committee supervises the bank's financial reporting, risk management and internal control processes and monitors independence of chartered auditor. The Audit Committee was composed mostly of independent Supervisory Board members.

As at 31 December 2009, the following members of the Supervisory Board held an independent status: Waldemar Frąckowiak, Aleksander Galos, John Power, Aleksander Szwarc and Jacek Ślotała.

The annual Reports on Activities of the Supervisory Board and its Committees as well as the Supervisory Board's reports on Examination of the bank's and the Group's Annual Report along with the assessment of their operations are published in current reports which convey the resolutions passed by the AGMs. As of the date of the sign-off of Annual Report 2009, such information was last published in the current report no. 10/2009 on AGM held on 21 April 2009 and concerned the operations of the bank, Bank Zachodni WBK Group and Supervisory Board in 2008.

Composition of the Management Board

As at 31 December 2009, the composition of the Bank Zachodni WBK Management Board was as follows:

Role	Composition as at 31.12.2009
President of the Management Board:	1. Mateusz Morawiecki
Members of the Management Board:	2. Paul Barry
	3. Andrzej Burliga
	4. Declan Flynn
	5. Justyn Konieczny
	6. Janusz Krawczyk
	7. Jacek Marcinowski
	8. Michael McCarthy
	9. Marcin Prell
	10. Mirosław Skiba
	11. Feliks Szyszkowiak

The persons listed above were appointed by the Supervisory Board on 21 April 2009 for a joint 3-year term of office.

Compared with 31 December 2008, one new member joined the Management Board. On 16 December 2008, the Bank Zachodni WBK Supervisory Board nominated Michael McCarthy as Management Board Member in charge of the newly created Business and Corporate Banking Division effective from 1 February 2009.

Appointment and Removal of Executives

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

The bank's Management Board consists of at least three persons (including the Management Board President) appointed by the Supervisory Board for a joint three-year term of office. At least half of the Management Board members should be Polish citizens. Two Management Board members, including the Management Board President, are appointed with the approval of the Polish Financial Supervision Authority (KNF). Management Board members may be removed by the Supervisory Board or the General Meeting at any time.

Powers of Executives

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

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

the work of such committees. The committees are composed of both Management Board members and persons from outside the Management Board. Permanent committees operative in the bank include: Risk Management Committee, Credit Committee, Provisions Committee, Credit Policy Forum, Assets and Liabilities Management Committee, Operational Risk Management Committee, Market Risk Management Committee, Interbank Limits Committee, Value Management Committee, Deposit Working Group.

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

Role of the Management Board

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

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

The Management Board takes decisions in the form of resolutions which are adopted by absolute majority of votes in an open voting. Secret ballot is held in the cases stipulated by law, in personal matters or at the request of any Management Board member accepted by the Management Board also in a secret ballot. The Management Board meetings are held as needed. The Management Board Members convene at the same time in a single location or in different locations communicating via telephone or video links.

Other Executive and Non-Executive Information

Remuneration of the Supervisory and Management Board Members

Information on the remuneration of the Bank Zachodni WBK Supervisory and Management Board members for 2009 and the comparable period is presented in Note 46 to the "Consolidated Financial Statements of Bank Zachodni WBK Group for 2009".

Agreements between Bank Zachodni WBK and its Executive Directors

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

Shares in Possession of the Supervisory and Management Board Members

As at the date of Annual Report 2009 of Bank Zachodni WBK Group, none of the members of the Supervisory Board held any shares of Bank Zachodni WBK. Changes in shareholdings held by Supervisory Members:

Member of the Supervisory Board	No. of BZWBK shares	
	31.12.2009	31.12.2008
Waldemar Frąckowiak	-	278
Other Members	-	-

Under the 1st BZWBK Share Incentive Scheme, launched in 2006, Members of the Management Board were allocated 23,084 out of 115,729 of H series shares issued as part of the conditional increase of the share capital (the shares were registered by the National Depository of Securities/Krajowy Depozyt Papierow Wartosciowych S.A. on 10 July 2009). On top of that, the Management Board members have a conditional right to acquire shares under the 2nd and 3rd Incentive Scheme. Below are shares and rights held by the Management Board Members as of 31 December 2009.

Member of the Supervisory Board	31.12.2009		31.12.2008	
	No. of BZWBK shares	Rights	No. of BZWBK shares	Rights
Mateusz Morawiecki	3,591	9,961	-	13,552
Paul Barry	-	-	-	-
Andrzej Burliga	1,606	4,417	-	6,023
Declan Flynn	-	-	-	-
Justyn Konieczny	3,591	7,847	-	11,438
Janusz Krawczyk	3,397	6,661	-	10,058
Jacek Marcinowski	3,397	6,661	-	10,058
Michael McCarthy	-	-	-	-
Marcin Prell	2,530	6,661	-	9,191
Mirosław Skiba	1,575	2,813	-	4,388
Feliks Szyszkowiak	3,438	6,661	-	10,058
Total	23,125	51,682	-	74,766

4. Control System of Financial Statements

Internal Control System and Risk Management

Bank Zachodni WBK Group operates an internal control system which supports the decision-making processes and contributes to efficient operation of the organisation, reliability of financial reporting and compliance with the internal and external regulations. The internal control system is adjusted to the organisational structure and risk management system and includes the Business Support Centre, branches and subsidiaries. Development, implementation and maintenance of the written strategies and procedures of the internal control system is the responsibility of the bank's Management Board. The Supervisory Board has oversight over implementation of the internal control system and evaluates its adequacy and effectiveness.

Financial data preparation for the purpose of statutory reporting is automated and based on the consolidated General Ledger and Data Warehouse. Data inputs in the source systems are subject to formal operational and approval procedures which state responsibilities of individual staff members. A set of specialist controls is also applicable to the data processing for the financial reporting purposes. Any manual corrections or management overrides are under strict control.

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

The financial statements are formally approved by the Disclosure Committee which is responsible for ensuring that the data are true and compliant with law. The Disclosure Committee recommends the financial statements to the Management Board for ratification.

In addition, the effectiveness of controls is assessed annually as part of the certification process for compliance with Sarbanes-Oxley Act.

Internal Control Compliant with the Sarbanes-Oxley Act

Bank Zachodni WBK as a subsidiary of the AIB Group must fulfil the requirements arising from the Sarbanes-Oxley (SOX) Act insofar as it relates to the Group. This regulation introduced strict rules with respect to exercising internal control over the company's financial reporting. As part of AIB Group SOX certification for 2009, Bank Zachodni WBK Management has confirmed that no events have occurred in Bank Zachodni WBK Group which could materially impact relevant processes or effectiveness of internal controls over the financial reporting.

Selection of Auditor

In accordance with §32 point 10 of the Statutes of Bank Zachodni WBK and the industry practice, on 24 June 2009 the bank's Supervisory Board passed a resolution appointing KPMG Audyt Sp. z o.o. as an auditor to review the bank's stand-alone and consolidated financial statements for 2009 and to audit the full accounts for 2009. KPMG Audyt Sp. z o.o. audited the bank's financial statements for the prior years and through other KPMG companies provided consulting services permitted by law and the bank's internal regulations, in a manner that ensured impartiality and independence of the auditor.

Remuneration of Auditor

The table below shows the remuneration paid to KPMG Audyt Sp. z o.o. for its audit/review of the financial statements of Bank Zachodni WBK Group under the relevant agreements:

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Remuneration of KPMG Audyt Sp. z o.o.	Reporting Year ended on 31.12.2009	Reporting Year ended on 31.12.2008
Audit fees in respect of the parent bank *	1 019	1 158
Audit fees in respect of the subsidiaries	451	474
Audit fees related to the assurance services, including the review of the parent bank **	360	563
Total	1 830	2 195

* based on the Agreement on Audit of Financial Statement and Group Report of 15 December 2009

** based on the Agreement on Review of Financial Statement and Group Report of 25 June 2009