

Report on Compliance with the Corporate Governance Rules in Bank Zachodni WBK S.A.

Introduction

Bank Zachodni WBK S, in order to meet the provisions of the Warsaw Stock Exchange Management Board's Resolution no 1013/2007 dated 11 Dec 2007 re. the specification of the scope and structure of a report on compliance with corporate governance rules, herewith presents a Report on Compliance with Corporate Governance Rules in 2007.

I. Rules That Were Not Complied With in 2007

- It is extremely important for the Bank to be perceived as an investor-friendly company. Therefore, the Bank decided on being fully compliant with good practices and accepted certain obligations. As a result of these decisions, the Bank's Statutes were amended as well as the rules of management board and supervisory board functioning. Thus, Bank Zachodni WBK S.A. was one of few companies which adopted all corporate governance rules for application as early as in 2002. In the following years, Bank Zachodni WBK S.A. observed all the rules of corporate governance set forth in "Best Practice in Public Companies in 2002", and "Best Practice in Public Companies in 2005".
- With reference to the annual report of Bank Zachodni WBK S.A. published on 22 February 2007, where the Management Board stated that it complied with the corporate governance rules contained in the document "Best Practice in Public Companies in 2005", introduced by Resolution no. 44/1062/2004 of the Warsaw Stock Exchange Board, the Management Board confirms its compliance with the rules laid down in the said document except Rule 42 which recommends change of the auditor at least every 5 years.
This rule could not be observed in full as the policy of the Group to which BZ WBK S.A. belongs requires that all the Group companies must have the same auditor.
AIB did not decide to change the auditor, which is fully compliant with the applicable EU regulations (directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on the legally required annual audits of financial statements and consolidated financial statements) provide for the rule of independence of the key audit partner responsible for the audit if the auditor is changed at least every 7 years.

II. General Meetings of Shareholders, its Key Powers, the Rights of Shareholders and How the Rights Are Exercised

Convention of the General Meeting of Shareholders (GM)

The GM is held in the Bank's office, in Warsaw or another location, as indicated in the notice on the GM convention.

The Annual General Meeting of Shareholders (AGM) is held annually, not later than by the end of June. The Extraordinary General Meeting of Shareholders (EGM) is convened in the circumstances specified in the Commercial Companies Code.

The AGM is convened by the bank's Management Board. The Supervisory Board can convene the AGM or the EGM in the circumstances specified in the Commercial Companies Code and when the Management Board fails to convene the EGM within two weeks from the date of submitting such a request by shareholders who represent at least one tenth of the share capital.

The GM is convened through a notice in the Court and Economic Journal (*Monitor Sądowy i Gospodarczy*).

The notice on GM convention is provided in the form of a current report and as a communication published on the bank's website.

This takes place at least 3 weeks prior to the GM date.

GM Rights, Adopting and Appealing Against Resolutions

The General Meeting of Shareholders adopts resolutions on matters solely within their discretions, arising from the Commercial Companies Code, Banking Law and Statutes.

According to the Statutes, purchase or disposal of real estate, perpetual usufruct rights or a share in real estate do not require a resolution of the GM.

Except as provided for in the Commercial Companies Code and in the Statutes, resolutions are adopted by an absolute majority of votes.

As required by the Statutes, the GM resolution on the decision not to discuss an item put on the agenda at the request of shareholders can be passed by 75% majority of votes, prior to an approval of all shareholders who tabled the motion.

All resolutions passed at the GM shall be recorded in the minutes taken by a notary.

Appeals against the resolutions of the GM may be filed with the Court in the mode and manner specified in the Commercial Companies Code.

Voting

Except as stipulated by the Commercial Companies Code, the voting is open.

The process of voting is computer assisted, ensuring computerised casting and counting of votes according to the number of shares held, which will eliminate, in the case of a secret ballot, the possibility of identifying the way individual shareholders voted. If need be, the voting may take place without assistance of a computer voting system.

The rights of Shareholders and How the Rights are Exercised

The shareholders participating in the GM have the following rights in particular:

- the shareholders holding one tenth of the share capital represented at the GM may request that an EGM is convened and that specific items be put on the agenda of the next GM;
- the right to demand copies of motions on the agenda within one week prior to the GM date;
- right to inspect the repository of the GM minutes and to request copies of the GM resolutions certified by the bank's Management Board;
- right to demand secret ballot;
- right to appeal against the GM resolutions in the circumstances contemplated in the Commercial Companies Code;
- right to request that the Management Board provide information on the cases included in the GM agenda in the circumstances and subject to the exclusions contemplated in the Commercial Companies Code;
- voting right. Each share carries one vote at the GM.
- the Shareholders may participate in the GM and exercise their voting rights personally or through proxies.

III. Bank's Management Board, Supervisory Board and Committees Members and Terms of Reference

1. Management Board

Members of the Bank's Management Board:

- Mateusz Morawiecki - President of the Management Board
- Janusz Krawczyk
- Declan Flynn
- Justyn Konieczny
- Michał Gajewski
- Jacek Marcinowski
- Feliks Szyszkowiak
- James Murphy
- Marcin Prell
- Andrzej Burliga

Terms of reference of the Management Board

Appointment of Management Board Members

The Management Board President and the Management Board Members are appointed (and removed) by the Supervisory Board for a joint, 3-year term of office.

Powers of the Management Board

The 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 following individuals are authorized to represent the bank and make declarations of will on its behalf:

- a) President of the Management Board acting severally;
- b) two members of the Management Board acting jointly, or a member of the Management Board acting jointly with a commercial representative, or two commercial representatives acting jointly.

Authorized representatives to act severally or jointly with any of the persons listed in letter b. or with another authorized representative can be appointed.

Management Board Meetings

The Management Board meetings are convened on as-needed basis. The meetings are convened by the Management Board President acting on his own initiative or at the request of a Management Board member.

The meetings can have the following form:

- simultaneous gathering of Management Board members at one venue or
- communication between Management Board members located at different venues at the same time with the use of telecommunication or audio-visual means subject to the following rules:
 - the matters which are on the meeting agenda do not require secret voting;
 - the Management Board members are located at the place they indicated in due course.

There are minutes taken at Management Board meetings.

Adopting Resolutions

Management Board resolutions are passed by an absolute majority of votes.

Management Board resolutions are adopted in an open voting.

The Management Board adopts resolutions in a secret ballot:

- in cases stipulated by law;
- on personnel matters;
- at the request of a Management Board member.

Resolutions are passed by the Management Board as follows:

- by direct vote at the Management Board meeting;
- by vote through another Management Board Member present at the meeting;
- by circulation – such resolutions are circulated to all the Management Board members and are deemed valid once they have been signed by at least a half of the Management Board Members, including the Management Board President.

2. Supervisory Board

Members of the Supervisory Board

- Aleksander Szwarc- Chairman of the Supervisory Board
- Gerry Byrne-Vice Chairman of the Supervisory Board
- Waldemar Frąckowiak
- Jacek Ślotała
- John Power
- Aleksander Galos
- James O’Leary
- Maeliosa OhOgartaigh

Terms of reference of the Supervisory Board

Appointment of the Supervisory Board Members

The Supervisory Board members are appointed for a joint, 3-year term of office. The Supervisory Board members, including the Chairman of the Supervisory Board, are appointed and removed by the General Meeting of Shareholders.

At least two of the Supervisory Board’s members should be independent members, including an independent chairman of audit committee.

Powers of Supervisory Board

The Supervisory Board exercises on-going supervision over all the aspects of the bank’s activities.

According to the Statutes, the Supervisory Board has the powers to:

- a) approve annual and long-term development plans for the Bank and financial plans for its operations prepared by the Management Board;
- b) approve motions of the Bank’s Management Board concerning the establishment and liquidation of Bank’s branches abroad;
- c) approve equity investments by the Bank, if:
 - the value of such investment exceeds a PLN equivalent of EUR 4,000,000, or
 - the value of a such investment exceeds EUR 400,000k and at the same time, if as a result of such investment the Bank’s shareholding in another entity is equal to 20% of votes or exceeds 20% of votes or drops below the level of 20% of votes at the GM,

except for agreements on underwriting securities issues, if the total exposure of the Bank arising from such agreement does not exceed one tenth (1/10) of the total equity of the Bank,

- d) approve acquisition, disposal or encumbrance of fixed assets (as defined in the Accounting Act), in particular any real estate, if the value of such fixed asset exceeds a PLN equivalent of EURO 4,000,000 except for seizing a real estate by the Bank as a mortgagee, as a result of an ineffective auction conducted under execution proceedings, or as a result of repossessing another fixed asset or securities by the Bank as the creditor secured by a registered pledge in line with the regulations on registered pledges and pledge register, or a creditor secured by repossession of the security in line with the regulations of the Banking Law Act;
- e) conclude contracts on behalf of the Bank, falling within the remit of the Supervisory Board, including employment contracts or management contracts with Members of the Management Board. The Supervisory Board may authorise its Chairperson or another Supervisory Board member to conclude the same;
- f) adopt the Management Board's Regulations and other banking regulations as set forth in the Statutes and other sets of legal regulations and approve the Bank's Organizational Regulations and the Policy on the internal control system;
- g) appoint a registered auditor to audit the financial statements of the bank;
- h) apply to the Financial Supervision Authority for a consent to appoint two members of the Management Board of the bank, including the President;
- i) inform the Financial Supervision Authority on other Management Board members and, each time, on changes in the Management Board composition and those Members of the Management Board who, based on the internal division of responsibilities, are responsible for the credit risk management and the internal audit function;
- j) present to the AGM a concise description of the bank's standing on an annual basis.

Meeting of Supervisory Board

Meetings of the Supervisory Board are convened by Chairman or Vice Chairman of the Supervisory Board on their own initiative or upon a request of the Management Board or a Supervisory Board member.

The meetings are held on as-needed basis, however at least 3 times in any financial year.

The meetings can have the following form:

- a) simultaneous gathering of Supervisory Board members at one place or
- b) communication between Supervisory Board members located at different venues at the same time with the use of telecommunication or audio-visual means subject to the following rules:
 - the matters which are on the meeting agenda do not require secret voting,
 - the Supervisory Board members are located at the place they indicated in due course.

There are minutes taken at Supervisory Board meetings.

Adopting Resolutions

The Supervisory Board takes decisions by way of resolutions adopted by an absolute majority of votes.

Supervisory Board resolutions are adopted in an open voting.

The Supervisory Board adopts resolutions in a secret ballot:

- in cases stipulated by law;
- on personnel matters;
- at the request of a Management Board member.

Resolutions are passed by the Supervisory Board as follows:

- by direct vote at the Supervisory Board meeting;
- by vote through another Supervisory Board Member present at the meeting;
- by circulation – such resolutions are circulated to all the Supervisory members and are deemed valid once they have been signed by at least a half of the Supervisory Board Members, including the Supervisory Board Chairman.

Resolutions may be adopted only if all the Supervisory Board members were invited to and at least half of them attended the meeting.

3. Committees established by the Supervisory Board

The Supervisory Board may establish committees and designate individuals responsible for managing the work of such committees.

The following committees are operating in the bank:

- Social Responsibility Committee;
- Remuneration & Nominations Committee
- Audit Committee.

These committees are designed to facilitate the current activities of the Supervisory Board by preparing draft Supervisory Board decisions with regard to their own motions or the motions presented to the Management Board.

A. The Social Responsibility Committee

Members of the Committee

- Gerry Byrne – Chairman
- Jacek Ślotała – Member

Appointment of the Committee Members

The Committee members are appointed for an initial term of office up to 3 years and may be re-elected thereafter.

Committee Meetings

The Committee meets regularly at least 3 times in a year. At the request of the Committee Chairman ad-hoc meetings may be held.

At any meeting, two members constitute the quorum.

Roles and responsibilities

The key roles and responsibilities of the Committee include:

- providing opinions and recommendations regarding the budget needed by the bank to fulfil its community obligations;
- providing opinions and recommendations on the policy and actions taken in respect of the bank's community service, including corporate giving;
- reviewing the Management Board's reports on delivery of the community integration plans;
- presenting to the Supervisory Board annual reports on the review of the Management Board's reports.

B. Remuneration & Nominations Committee

Members of the Committee

- Gerry Byrne – Chairman
- Aleksander Szwarc – Member

Appointment of the Committee Members

The Committee members are appointed for an initial term of office up to 3 years and may be re-elected thereafter.

Committee Meetings

The Committee meets regularly at least 3 times in a year. At the request of the Committee Chairman ad-hoc meetings may be held.

At any meeting, two members constitute the quorum.

Roles and responsibilities

The key roles and responsibilities of the Committee include:

- recommending the Supervisory Board relevant remuneration policies and practices;
- performing an annual review of the remuneration of the bank's Management Board members;
- reviewing proposals seeking to implement in the bank or its subsidiaries any new remuneration systems, including incentives schemes, or reviewing proposed changes to any remuneration systems already existing in the Bank.

C. Audit Committee

Members of the Committee

- John Power - Chairman
- Waldemar Frąckowiak - Member
- Aleksander Galos - Member
- Maeliosa OhOgartaigh - Member

Appointment of the Committee Members

The appointed Committee members perform their role for at least two consecutive years.

All the Committee members must be knowledgeable about finance and at least one member must have expertise in finance and accounting.

Committee Meetings

The Committee meets regularly during the year at the dates adjusted to the reporting and audit cycles. Any ad-hoc meetings may be held as the Committee and its Chairman see fit.

Roles and responsibilities

The key task of the Committee is to supervise the bank's financial reporting, risk management and internal control processes.

IV. Bank's Process of Internal Control and its Management in relation to Financial Reporting

The process of preparation of financial data for the purpose of statutory reporting is automated and is based on the consolidated General Ledger of BZWBK Group. The system is equipped with automatic interfaces and reconciliation functions.

Preparation of the data in the source systems is subject to the formal operational and approval procedures which set out the responsibilities of individual staff members. The General Ledger of BZWBK Group is created as part of the process covered by specialist controls. Any manual corrections and management overrides are subject to strict control.

Any financial tables and descriptive data are prepared by the Reporting Team which primarily relies on the General Ledger as the only source of information.

The internal and external reports must be fully reconciled.

The key persons responsible for individual data areas are required to formally confirm that the data are true and that they are recorded in the books of account and disclosed in line with the Accounting Policy of BZWBK Group.

In addition, the financial statements must be formally approved by the Disclosures Committee, which is responsible for ensuring that the accounts and the data contained therein comply with the

applicable law. The Disclosures Committee presents the financial statements to the Management Board for ratification.

The financial statements are also reviewed by the Audit Committee of the Supervisory Board.

The risks around financial reporting are covered by the Self-Assessment process and are monitored in accordance with the relevant Group procedures.

Date	Name	Position	Signature
15-02-2008	Mateusz Morawiecki	President	
15-02-2008	Andrzej Burliga	Member of the Board	
15-02-2008	Declan Flynn	Member of the Board	
15-02-2008	Michał Gajewski	Member of the Board	
15-02-2008	Justyn Konieczny	Member of the Board	
15-02-2008	Janusz Krawczyk	Member of the Board	
15-02-2008	Jacek Marcinowski	Member of the Board	
15-02-2008	James Murphy	Member of the Board	
15-02-2008	Marcin Prell	Member of the Board	
15-02-2008	Feliks Szyszkowiak	Member of the Board	