

XI. Statement on Corporate Governance in 2015

1. Legal Basis

The corporate governance framework applicable in Bank Zachodni WBK is based on existing laws (in particular the Commercial Companies Code, Banking Law and capital market regulations) as well as recommendations included in the following documents: "Code of Best Practice for WSE Listed Companies" and "Rules of Corporate Governance for Supervised Institutions".

This Statement on Corporate Governance in 2015 was prepared in accordance with § 91 section 5 point 4 of the Finance Minister's Ordinance of 19 February 2009 on current and financial reports published by the issuers of securities and the rules of equal treatment of information required by the laws of a non-member state.

The information included in this chapter fulfils the requirements of the corporate governance report set out in § 29 section 5 of the Terms of Reference of Warsaw Stock Exchange (WSE) and § 1 of the WSE Management Board Resolution no. 1013/2007 of 11 December 2007. In relation to the above and pursuant to WSE Management Board Resolution no. 718/2009 of 16 December 2009, incorporation of this Statement on Corporate Governance in 2015 into the annual report ensures fulfilment of the requirement to provide WSE with a corporate governance report.

2. Code of Best Practice

Code of Best Practice for WSE Listed Companies

Corporate governance rules applicable to Bank Zachodni WBK in 2015 are conveyed in the "Code of Best Practice for WSE Listed Companies" which constitutes an appendix to WSE Supervisory Board Resolution no. 19/1307/2012 of 21 November 2012. This version of the code applied to listed companies in the period from 1 January 2013 to 31 December 2015. The code has been approved for use by Bank Zachodni WBK by virtue of the decision of the Management Board (resolution no. 9/2013 of 18 January 2013) accepted by the Supervisory Board. The full text is available at WSE website (www.gpw.pl), "Best Practice of Companies" tab, and the bank's website (www.bzwbk.pl), "Investor Relations" tab.

"Code of Best Practice for WSE Listed Companies in 2016", i.e. the amended rules implementing higher corporate governance standards in Poland, became effective from 1 January 2016 pursuant to WSE Supervisory Board Resolution no. 26/1413/2015 of 13 October 2015. The new set of corporate governance rules, attached to the above-mentioned resolution (published at the WSE website, "Best Practice for Companies" tab), was approved for use by Bank Zachodni WBK by virtue of Management Board Resolution no. 160/2015 of 2 December 2015 and Supervisory Board Resolution no. 61/2015 of 16 December 2015.

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

Corporate Governance Rules for Supervised Institutions

Bank Zachodni WBK also abides by "Rules of Corporate Governance for Supervised Institutions" published by the KNF on 22 July 2014. The document describes internal and external relations of supervised institutions, including relations with shareholders and customers, their organization, corporate governance framework and key internal systems and functions, as well as statutory bodies and rules concerning their cooperation. The aforementioned Rules are available at the KNF website (www.knf.gov.pl), "About the market" tab, and at the bank's website (www.bzwbk.pl), "Investor Relations" tab.

"Rules of Corporate Governance for Supervised Institutions" were adopted by Bank Zachodni WBK as of 1 January 2015 by virtue of Management Board Resolution no. 116/2014 of 9 October 2014 and Supervisory Board Resolution no. 58/2014 of 17 December 2014. Since the above guidelines are also applicable to shareholders, they were submitted to and approved by the General Meeting (GM) of Bank Zachodni WBK on 23 April 2015.

3. Management Board's Statement on Corporate Governance

In 2015, Bank Zachodni WBK duly complied with all the corporate governance rules set forth in the existing version of "Code of Best Practice for WSE Listed Companies". In this period, no corporate governance breaches were reported.

4. Equity Securities of the Issuer

Structure of Share Capital

Ownership structure of share capital of Bank Zachodni WBK as at 31.12.2015 and 31.12.2014

Shareholder	Number of Shares Held		% in the Share Capital & Voting Power at AGM	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Banco Santander S.A.	68 880 774	68 880 774	69,41%	69,41%
ING OFE	5 110 586	5 110 586	5,15%	5,15%
Others	25 243 174	25 243 174	25,44%	25,44%
Total	99 234 534	99 234 534	100,0%	100,0%

According to the information held by the BZ WBK Management Board as at 31 December 2015, the shareholders having minimum 5% of the total number of votes at the BZ WBK General Meeting of Shareholders were Banco Santander and ING Otwarty Fundusz Emerytalny (ING OFE) with shareholdings of 69.41% and 5.15%, respectively.

Compared with 31 December 2014, there were no changes to the amount and structure of the share capital.

Structure of share capital of Bank Zachodni WBK as at 31.12.2015 and 31.12.2014 by share series

Date of change	Series /issue	Type of share	Type of preferences	Limitation of rights to shares	Number of shares	Nominal value of series/issue (in PLN)
from 4.01.2013 from 11.07.2014 from 18.07.2014	A	bearer	none	none	5 120 000	51 200 000
	B	bearer	none	none	724 073	7 240 730
	C	bearer	none	none	22 155 927	221 559 270
	D	bearer	none	none	1 470 589	14 705 890
	E	bearer	none	none	980 393	9 803 930
	F	bearer	none	none	2 500 000	25 000 000
	G	bearer	none	none	40 009 302	400 093 020
	H	bearer	none	none	115 729	1 157 290
	I	bearer	none	none	1 561 618	15 616 180
	J	bearer	none	none	18 907 458	189 074 580
	K	bearer	none	none	305 543	3 055 430
	L	bearer	none	none	5 383 902	53 839 020
Total					99 234 534	992 345 340

Rights and Restrictions Attaching to the Issuer's Securities

The shares of Bank Zachodni WBK S.A. are ordinary bearer shares. Each share carries one vote at the General Meeting of Shareholders. The nominal value is PLN 10 per share. All the shares issued have been fully paid up.

The bank did not issue any series of shares that would give their holders any special control rights or would limit their voting power or other rights. Neither are there any restrictions on the transfer of title to the issuer's shares.

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

5. Governing Bodies

General Meetings of Shareholders

Annual General Meeting of 2015

The Annual General Meeting of Shareholders of Bank Zachodni WBK held on 23 April 2015 (AGM) approved the unconsolidated and consolidated financial statements of Bank Zachodni WBK for 2014 as well as the Supervisory Board's report on its activities in 2014 along with the assessment of the financial statements and reports of the bank and BZ WBK Group for 2014. The AGM granted discharge to members of the Management and Supervisory Boards for the performance of their duties in the previous year and agreed on the distribution of the net profit for 2014, i.e. the allocation of its part to capital reserves, with the remaining part left undistributed as per the recommendation of the KNF to retain the entire profit for 2014 until the regulator determines an additional capital requirement for the bank. The AGM appointed a new member of the Supervisory Board (Mr. José Garcia Cantera), determined the remuneration of the Supervisory Board members and adopted the Rules of Corporate Governance for Supervised Institutions published by the KNF on 22 July 2014. In addition, the AGM approved the interim financial statements of Dom Maklerski BZ WBK for the 10-month period ending 31 October 2014 and gave discharge to members of the Management and Supervisory Boards of the above company.

Organisation and Powers of the General Meeting of Shareholders

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

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

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

Candidates for the Supervisory Board attain votes on an individual basis, in alphabetical order.

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

Shareholders' Rights

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

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

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

Method of Changing the Statutes

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

Supervisory Board

Below is the composition of the Bank Zachodni WBK Supervisory Board as at 31 December 2015 vs. 31 December 2014.

Role in the Supervisory Board	Ref.	Composition as at 31.12.2015	Ref.	Composition as at 31.12.2014
Chairman of the Supervisory Board:	1.	Gerry Byrne	1.	Gerry Byrne
	-	-	2.	José Antonio Alvarez
Members of the Supervisory Board:	2.	Danuta Dąbrowska	3.	Danuta Dąbrowska
	3.	David R. Hexter	4.	David R. Hexter
	4.	José Garcia Cantera	-	-
	5.	Witold Jurcewicz	5.	Witold Jurcewicz
	6.	José Luis de Mora	6.	José Luis de Mora
	7.	John Power	7.	John Power
	8.	Jerzy Surma	8.	Jerzy Surma
	9.	Marynika Woroszyńska-Sapieha	9.	Marynika Woroszyńska-Sapieha
	10.	José Manuel Varela	10.	José Manuel Varela

On 5 February 2015, Mr. José Antonio Álvarez resigned with immediate effect as the bank's Supervisory Board member due to his appointment as a CEO of Banco Santander. Mr. José Garcia Cantera was nominated as a new member of the Supervisory Board by virtue of AGM Resolution of 23 April 2015. Other members were appointed for a new joint term of office by the Annual General Meeting of 16 April 2014.

As at 31 December 2015, the following members of the Supervisory Board held independent status: Danuta Dąbrowska, David R. Hexter, Witold Jurcewicz, Jerzy Surma and Marynika Woroszyńska-Sapieha.

In the period from 1 January to 31 December 2015, eleven Supervisory Board meetings were held at which sixty eight resolutions were passed. The average attendance level was 92.2%.

Detailed information about the education and professional experience of the bank's Supervisory Board members can be found at the bank's website: <http://www.bzwbk.pl/relacje-inwestorskie/spolka/rada-nadzorcza/rada-nadzorcza.html>.

Role of the Supervisory Board

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

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

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

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

Supervisory Board Committees

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

The following Supervisory Board committees operate at Bank Zachodni WBK: Audit and Compliance Committee, Risk Oversight Committee and Remuneration and Nominations Committee. The responsibilities of the Committees are set out in their respective Terms of Reference introduced by virtue of Supervisory Board resolutions.

Supervisory Board Committees as at 31.12.2015					
Role in the Supervisory Board	Ref.	Composition as at 31.12.2015	Audit and Compliance Committee	Risk Oversight Committee	Nominations & Remuneration Committee
Chairman of the Supervisory Board: Members of the Supervisory Board:	1.	Gerry Byrne			●
	2.	Danuta Dąbrowska	●		●
	3.	David R. Hexter	●	●	
	4.	José Garcia Cantera			
	5.	Witold Jurcewicz		●	●
	6.	José Luis de Mora			●
	7.	John Power		●	●
	8.	Jerzy Surma		●	●
	9.	Marynika Woroszyńska-Sapieha			●
	10.	José Manuel Varela		●	

● Chairman
● Members

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

The **Risk Oversight Committee** presents the Supervisory Board with conclusions and recommendations on the general risk management framework and risk appetite, in accordance with applicable policies and limits. The Committee supervises stress tests against own assumptions and KNF requirements. It reviews the Risk Appetite Statement, assesses business strategy in terms of its adequacy for risk exposure, the goals and financial plans of the organisation, verifies the risk profile and KPIs, and monitors internal controls. The majority of the Committee is comprised of independent Supervisory Board members.

The Audit and Compliance Committee and Risk Oversight Committee convene at least four times per year at dates corresponding to the reporting and audit cycle. Additional meetings are held if the Chairman or members consider it necessary.

The **Remuneration and Nominations Committee** presents the Supervisory Board with recommendations with regard to the composition and succession plans for the Management Board. It monitors the remuneration market and recommends fair remuneration policies and practices in order that it may incentivise senior management to deliver better results. It defines the remuneration policy and the individual pay packages for Management Board members and performs annual reviews of the remuneration payable to the Management and Supervisory Board members. The Committee also has oversight of the bonus scheme for Management Board members, and analyses incentive solutions and other remuneration schemes proposed for implementation at the bank and its subsidiaries.

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

The Annual Reports on activities of the Supervisory Board and its Committees, the Supervisory Board's reports on examination of the bank's and the Group's Annual Report along with an assessment of the Group's operations, including internal control and risk management system, are included in materials submitted to shareholders before the General Meeting of Bank Zachodni WBK and published in current reports containing the resolutions passed by this body.

Management Board

The table below presents the composition of the Bank Zachodni WBK Management Board as at 31 December 2015 together with the roles and responsibilities of its members.

Role in the Management Board	Ref.	Composition as at 31.12.2015	Reporting Areas as at 31.12.2015	Ref.	Composition as at 31.12.2014	Reporting Areas as at 31.12.2014
President	1.	Gerry Byrne *	Units reporting directly to the President: Internal Audit Area, Corporate Communications & Marketing Area, Central Operations Area, Board Office	1.	Mateusz Morawiecki	Units reporting directly to the President: Internal Audit Area, Corporate Communications & Marketing Area, Mobile & Internet Banking Area, Board Office
Board Members:	2.	Andrzej Burliga	Risk Management Division	2.	Andrzej Burliga	Risk Management Division
	3.	Eamonn Crowley	Financial Management Division	3.	Eamonn Crowley	Financial Management Division
	4.	Beata Daszyńska-Muzyczka	Business Partnership Division	4.	Piotr Partyga	Business Partnership Division
	5.	Michael McCarthy	Business & Corporate Banking Division	5.	Michael McCarthy	Business & Corporate Banking Division
	6.	Carlos Polaino Izquierdo	Financial Accounting & Control Division	6.	Marco Antonio Silva Rojas	Financial Accounting & Control Division
	7.	Juan de Porras Aguirre	Global Corporate Banking	7.	Juan de Porras Aguirre	Global Banking & Markets Division
	8.	Marcin Prell	Legal & Compliance Division	8.	Marcin Prell	Legal & Compliance Division
	9.	Mirosław Skiba	Retail Banking Division	9.	Mirosław Skiba	Retail Banking Division
	10.	Feliks Szyszowskiak	Small & Medium Enterprise Banking Division	10.	Feliks Szyszowskiak	Business Support Division
	11.	Paweł Wieczorek	Technology Division	-	-	-

* Chairman of the Supervisory Board performing duties of the President of the Management Board until the appointment of a new President following resignation of Mateusz Morawiecki

The Management Board of Bank Zachodni WBK as at 31 December 2015 was appointed for a new term of office by the bank's Supervisory Board on 23 April 2015. The composition changed as follows: Mr. Marco Antonio Silva Rojas in charge of the Financial Accounting and Control Division and Mr. Piotr Partyga in charge of the Business Partnership Division ceased to be members of the Management Board and were replaced by Mr. Carlos Polaino Izquierdo and Ms. Beata Daszyńska-Muzyczka, respectively. In relation to changes in the organisational structure, the former Head of the Business Support Division, Mr. Feliks Szyszkowski, took charge of the newly created SME Banking Division, while Mr. Paweł Wieczorek was appointed as the Head of the transformed Business Support Division, which now operates as the Technology Division.

On 9 November 2015, Mr. Mateusz Morawiecki resigned with immediate effect as the President of the bank's Management Board due to his appointment as Deputy Prime Minister in the newly created Polish government. As a consequence, on 9 November 2015, the bank's Supervisory Board delegated its Chairman – Mr. Gerald Byrne – to serve as the President of the Management Board until the successor is appointed.

Detailed information about the education and professional experience of the bank's Management Board members can be found at the bank's website: <http://www.bzwbk.pl/relacje-inwestorskie/spolka/zarzadz/zarzadz-banku-bz-wbk-sa.html>.

Appointment and Removal of Executives

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

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

Powers of Executives

The Bank Zachodni WBK Management Board manages and represents the bank. The Management Board possesses comprehensive powers that are not otherwise governed or stipulated by law or Statutes within the remit of other governing bodies of the bank.

The Management Board takes decisions to raise obligations or transfer assets where the 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 refer such decisions to other committees or persons in the bank. The Management Board's 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 proposed 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 or 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 functioning in the bank include: Risk Management Committee, Credit Committee, Provisions Committee, Risk Management Forum, Credit Policy Forum for Retail Portfolios, Credit Policy Forum for SME Portfolios, Credit Policy Forum for Business and Corporate Portfolios, Assets and Liabilities Committee (ALCO), Operational Risk Management Committee, Deposit Working Group, CRM Committee, Settlement Committee, Anti-Money Laundering and Counter-Terrorism Financing Committee, Urban Regeneration Fund Investment Committee, Procurement Investment Forum, Procurement Investment Committee, Compliance Committee, Local Marketing and Monitoring Committee, Monitoring Committee and Public Policy Committee.

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

Role of the Management Board

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

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

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

Other Information on Management and Supervisory Boards

Remuneration of Supervisory and Management Board Members

Pursuant to the Statutes of Bank Zachodni WBK the remuneration of Supervisory Board members is set by a General Meeting of Shareholders of Bank Zachodni WBK. As at 31 December 2015, the remuneration for the Supervisory Board of Bank Zachodni WBK was set by virtue of Resolution no. 53 of the General Meeting of Shareholders of Bank Zachodni WBK of 16 April 2014.

Pursuant to the Statutes of Bank Zachodni WBK, the remuneration of the President and members of the Management Board is set by the Supervisory Board, having due regard to recommendations of the Remuneration and Nominations Committee. The Remuneration and Nominations Committee defines the remuneration policy in respect of Management Board members and individual terms and conditions as part of remuneration packages for each Management Board member. It also performs annual reviews of the remuneration of Management Board members. In 2015, the remuneration of the Management Board members remained unchanged.

The prevailing Bank Zachodni WBK remuneration policy for the governing bodies and the management defines the form, structure and method of determining remuneration for their members. It is linked with strategic goals of the organisation, its long and short-term operational objectives, interests and performance, and incorporates solutions preventing discrimination of any kind. Incentive programmes make remuneration contingent on actual long-term financial standing of the bank and assessment of its stability

In relation to the upcoming implementation of Directive no. 2013/36/EU in Poland, the AGM of Bank Zachodni WBK held on 16 April 2014 conditionally agreed that the variable component of the remuneration of persons holding managerial positions shall not exceed 200% of the fixed component of the total remuneration of each person.

Information on remuneration for BZ WBK Supervisory and Management Board members for 2015 and the comparable period is presented in Note 44 to the Financial Statements of Bank Zachodni WBK for 2015.

Agreements between Bank Zachodni WBK and its Executive Directors

Bank Zachodni WBK Management Board members signed agreements prohibiting competition after termination of their role on the Management Board. A Management Board member who is not appointed for a new term of office or is removed from the Board is entitled to a one-off severance payment. The severance payment does not apply if the Management Board member accepts a new role in the bank, is removed due to gross negligence, resigns or is not granted discharge.

Shares and Conditional Rights Held by Supervisory and Management Board Members

As at the date of release of the Annual Report of Bank Zachodni WBK for 2015 and Annual Report for 2014, none of the members of the Supervisory Board held any shares in Bank Zachodni WBK.

The table below presents the shares of Bank Zachodni WBK and attached conditional rights held by the Management Board members as at 31 December 2015 and 31 December 2014.

Management Board members	31.12.2015		31.12.2014	
	No. of BZ WBK shares	Rights	No. of BZ WBK shares	Rights
Mateusz Morawiecki *			13 711	3 857
Andrzej Burliga	4 888	2 204	4 888	2 204
Eamonn Crowley	-	2 094	1 003	2 094
Beata Daszyńska-Muzyczka **	923	700		
Michael McCarthy	1 075	2 424	1 075	2 424
Carlos Polaino Izquierdo **	-	1 000		
Juan de Porras Aguirre	-	2 217	-	2 217
Piotr Partyga ***			2 855	2 094
Marcin Prell	-	1 983	-	1 983
Marco Antonio Silva Rojas ***			-	2 704
Mirosław Skiba	3 257	2 248	5 857	2 248
Feliks Szyszkowski	3 704	2 248	4 704	2 248
Paweł Wieczorek **	-	800		
Total	13 847	17 918	34 093	24 073

* As at 9.11.2015 Mr Mateusz Morawiecki submitted his resignation from the position of the President of the Management Board due to his appointment as Deputy Prime Minister. Until the appointment of a new President his duties are performed by Gerry Byrne.

** As at 23.04.2015 the Bank's Supervisory Board appointed the Bank's Management Board for the next term in office with three new Board Members: Mrs Beata Daszyńska-Muzyczka, Mr Carlos Polaino Izquierdo and Mr Paweł Wieczorek.

*** As at 23.04.2015 Mr Piotr Partyga and Mr Marco Antonio Silva Rojas terminated their employment with Bank Zachodni WBK upon the expiry of their terms in office.

Pursuant to Bank Zachodni WBK AGM Resolution of 16 April 2014 regarding satisfaction of the criteria for the exercising of awards under the three-year 4th Incentive Scheme, the bank allotted 38,570 out of 305,543 series K shares to members of the Management Board.

In relation to the launch of the 5th Incentive Scheme for the years 2014-2016, approved by the Extraordinary General Meeting of Shareholders held on 30 June 2014, the Management Board members – as obligatory participants – were vested with conditional rights to buy 24,073 of the total of 250k incentive shares.

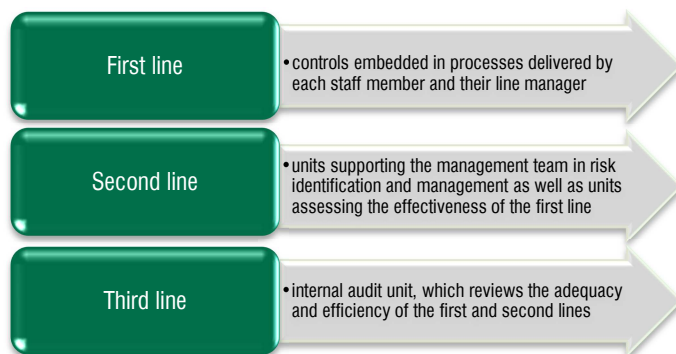
6. Control System of Financial Statements

Internal Control System and Risk Management

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

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

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



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

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

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

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

In order to manage risk associated with the preparation of financial statements, the bank follows legal and regulatory changes related to reporting obligations and updates its accounting rules and disclosures accordingly. The bank, through its representatives sitting on the supervisory boards of individual subsidiaries, exercises oversight of its consolidated subsidiaries.

Financial statements are approved by the Disclosure Committee, which is responsible for ensuring that the financial disclosures of BZ WBK comply with all legal and regulatory requirements before they are released.

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

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

Internal Control Compliant with the Sarbanes-Oxley Act

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

The certification process for compliance with the Sarbanes-Oxley Act in 2015 covered all key business areas of Bank Zachodni WBK and was carried out using solutions and methodology based on Santander Group's approach. The scope of testing included risk factors which were particularly significant for the reliability and accuracy of financial statements, taking into account the local control environment. The design and effectiveness of controls were tested by a dedicated second line unit. The effectiveness tests covered processes and key controls in the business and IT areas as well as entity level controls (Global Framework).

In view of the requirements arising from external regulations, Bank Zachodni WBK took measures to adjust the internal control system accordingly. Specifically, the bank modified and extended the existing controls to satisfy the Volcker Rule (section 619 of Dodd-Frank Wall Street Reform and Consumer Protection Act) and ensure compliance with RDA/RRF (Basel Committee on Banking Supervision 239: Principles for effective risk data aggregation and risk reporting).

The assessment of the design and effectiveness of the internal control system covers all available information and related recommendations, including those concerning audit and post-inspection. Results of assessments and tests form the basis for the bank's management to make representations on the effectiveness of the control environment.

As part of the SOX certification process for 2015, the bank's management confirmed that no incidents were identified in Bank Zachodni WBK which could significantly affect the relevant processes and threaten the effectiveness of the internal control over financial reporting.

Selection of Auditor

In accordance with § 32 (10) of the Statutes of Bank Zachodni WBK, applicable regulations and industry practice, on 25 May 2015, the bank's Supervisory Board passed a resolution appointing Deloitte Polska as the entity to review and audit the bank's unconsolidated and consolidated financial statements for H1 2015 and the entire year 2015. The bank signed agreements with Deloitte Polska for the terms required to carry out the specified work.

The bank also contracted Deloitte Polska and other companies from Deloitte Group for consulting and tax advisory services. In the bank's view, the above advisory services do not affect the impartiality and independence of the auditor.

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

Remuneration of Auditor

The table below shows the remuneration paid to Deloitte Polska for audit/review of the financial statements of Bank Zachodni WBK pursuant to agreements concluded in 2015 and 2014.

Remuneration of External Auditors	PLN k	
	Reporting Year ended on 31.12.2015	Reporting Year ended on 31.12.2014
Audit fees in respect of annual reports of the parent bank ¹⁾	1 544	1 813
Audit fees related to assurance services, including the review/audit of interim reports of the parent bank ²⁾	2 029	2 048
Fees for non-assurance services ³⁾	199	20

1) Remuneration for services performed in 2015 based on the agreement with BZ WBK on review and audit of financial statements (including consolidation package) of 29 May 2015.

2) Remuneration for the review and other assurance services performed in 2015 based on:

- Agreement on review and audit of financial statements of 29 May 2015 regarding the review of financial statements, Pillar 3 disclosures and assets held.
- Annex of 19 October 2015 regarding the internal control system (to the agreement on the audit of consolidation package of 29 May 2014).

3) Remuneration for services rendered in 2015 based on agreements with BZ WBK on accounting advisory services and the execution of agreed procedures regarding the Jessica Project.

7. Pending Court Proceedings

As at 31 December 2015, no case was pending before any court or state administration agencies with relation to any claims made by or against Bank Zachodni WBK amounting to a minimum of 10% of its equity.

	PLN m	
Court Proceedings with BZ WBK as a Party	31.12.2015	31.12.2014
Amounts claimed by the Bank	93,3	63,9
Claims against the Bank	198,1	170,2
Receivables due to bankruptcy or arrangement cases	13,6	0,0
Value of all litigation	305,0	234,1
Share [%] of all litigation in equity	1,6%	1,4%
Completed significant court proceedings	16,1	158,9