

Current report no 27/2006

Subject: Resolutions of the Annual General Meeting of BZ WBK Shareholders

Bank Zachodni WBK hereby announces the contents of the resolutions adopted by the AGM on 4th April 2006.

By virtue of **Resolution no.1** Mr Sławomir Pajewski was elected Chairman of the AGM.

**Resolution no.2** set out the following agenda:

Agenda of the AGM:

1. Opening of the General Meeting of Shareholders.
2. Electing the Chairperson of the General Meeting of Shareholders.
3. Establishing whether the General Meeting of Shareholders has been duly convened and has the capacity to adopt resolutions.
4. Adopting the agenda for the Meeting.
5. Reviewing and approving the Management Board's annual report and financial statements for 2005.
6. Reviewing and approving the Management Board's annual report on the activities of the BZ WBK Group and the consolidated financial statements of the BZ WBK Group for 2005.
7. Allocation of the Bank's capital to cover negative impact of application of the International Financial Reporting Standards.
8. Adopting a resolution on profit sharing, dividend day and dividend payment day.
9. Adopting resolutions giving discharge to the members of the Management Board.
10. Review and approval of the Supervisory Board's report on its activities in 2005 and the Supervisory Board's report on the assessment of the separate and consolidated financial statements of the BZ WBK Group and the reports on the Bank's and the Group's activities in 2005.
11. Adopting resolutions giving discharge to the members of the Supervisory Board.
12. Reviewing the remuneration of the members of the Supervisory Board.
13. Adopting the Incentive Scheme.
14. Issue of bonds with pre-emptive rights under the Incentive Scheme program, excluding subscription rights.
15. Conditional increase in the share capital (excluding subscription rights) and introduction of amendments to statutes of Bank Zachodni WBK S.A.
16. Changes to the statutes of Bank Zachodni WBK S.A.
17. Adopting a uniform wording of the statutes of Bank Zachodni WBK S.A.
18. Granting approvals for the disposal of an organised part of Bank Zachodni WBK S.A.
19. Granting authorisations to enter into agreements with the National Depository of Securities in Poland.
20. Closing of the General Meeting of Shareholders.

The resolutions:

re. item 5

Resolution no. 3

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 SA seated in Wrocław for the period beginning on the first day of January of the year two thousand and five /1.01.2005/ and finishing on the thirty first day of December of the year two thousand and five /31.12.2005/, including:
  - balance sheet prepared as at the thirty first of December two thousand and five /31.12.2005/ which on the assets and liabilities side shows the amount of PLN 28 182 947 k,
  - profit and loss account for the accounting year from the first of January two thousand and five /1.01.2005/ until the thirty first of December two thousand and five /31.12.2005/ which shows profit-after-tax in the amount of PLN 446 223 k,
  - cash flow statement for the accounting year from the first of January two thousand and five /1.01.2005/ until the thirty first of December two thousand and five /31.12.2005/ which shows a decrease of PLN (627 882) k in the net cash balance,
  - movements in the equity showing as at 31 December 2005 the equity of PLN 3 188 930 k,
  - notes,
- b) Management Board report on BZ WBK SA Performance in 2005.

§ 2

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

re. item 6

Resolution no. 4

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 five /1.01.2005/ until the thirty first day of December of the year two thousand and five /31.12.2005/, including:
  - consolidated balance sheet prepared as at the thirty first of December two thousand and five /31.12.2005/ which on the assets and liabilities side shows the amount of PLN 29 604 085 k

- consolidated profit and loss account for the accounting year from the first of January two thousand and five /1.01.2005/ until the thirty first of December two thousand and five /31.12.2005/ which shows profit-after-tax in the amount of PLN 545 907 k,
- consolidated cash flow statement for the accounting year from the first of January two thousand and five /1.01.2005/ until the thirty first of December two thousand and five /31.12.2005/ which shows the decrease in net cash balance of PLN (639 069) k,
- movements in consolidated equity showing as at the thirty first of December two thousand and five /31.12.2005/ the amount of PLN 3 436 461 k,
- notes.

b) Report on Bank Zachodni WBK Group Performance in 2005.

§ 2

The resolution becomes effective on the day of its passing.

re. item 7

Resolution no. 5

Pursuant to art. 396 §5 of the Commercial Companies Code, the following is hereby resolved:

§ 1

1. General Meeting of Shareholders has allocated the amount of PLN 176 787 256,77 out of reserve capital to supplementary capital.
2. General Meeting of Shareholders has allocated the amount of PLN 176 787 256,77 out of supplementary capital to cover negative impact of first time application of the International Financial Reporting Standards as at 1<sup>st</sup> January, 2005, that is disclosed in the financial statements of Bank Zachodni WBK S.A. for the year 2005, in equity line described as 'Retained earnings'.

§ 2

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

re. item 8

Resolution no. 6

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

§ 1

1. General Meeting of Shareholders has divided the net profit generated by BZ WBK in the accounting year commenced on 01.01.2005 and ended on 31.12.2005 in the amount of PLN 446 222 568,35 in the following way:
  - PLN 437 761 704,00 will be allocated to the dividend to shareholders,
  - PLN 8 460 864,35 will be allocated to the reserve capital.

2. The number of shares eligible for the dividend is 72 960 284 (say: seventy two million nine hundred and sixty thousand two hundred and eighty four) series A, B, C, D, E, F and G.

Dividend per share is PLN 6,00

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

The dividend registration day is 21<sup>st</sup> April 2006.

The dividend will be paid on 11<sup>th</sup> May 2006.

§ 2

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

re. item 9

Resolution no. 7

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

§ 1

Mr. Jacek Kseń, the Management Board President, is granted the discharge for performance of his duties in the period from 1.01.2005 to 31.12.2005.

§ 2

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

Resolution no. 8

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

§ 1

Mr. Cornelius O'Sullivan, the 1<sup>st</sup> Vice-President of the Management Board, is granted the discharge for performance of his duties in the period from 1.01.2005 to 30.04.2005.

§ 2

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

Resolution no. 9

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

§ 1

Mr. Declan Flynn, the member of the Management Board, is granted the discharge for performance of his duties in the period from 1.01.2005 to 31.12.2005.

§ 2

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

Resolution no. 10

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

§ 1

Mr. Michał Gajewski, the member of the Management Board, is granted the discharge for performance of his duties in the period from 1.01.2005 to 31.12.2005.

§ 2

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

Resolution no. 11

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

§ 1

Mr. Justyn Konieczny, the member of the Management Board, is granted the discharge for performance of his duties in the period from 1.01.2005 to 31.12.2005.

§ 2

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

Resolution no. 12

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

§ 1

Mr. Janusz Krawczyk, the member of the Management Board, is granted the discharge for performance of his duties in the period from 1.01.2005 to 31.12.2005.

§ 2

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

Resolution no. 13

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

§ 1

Mr. Jacek Marcinowski, the member of the Management Board, is granted the discharge for performance of his duties in the period from 1.01.2005 to 31.12.2005.

§ 2

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

Resolution no. 14

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

§ 1

Mr. Mateusz Morawiecki, the member of the Management Board, is granted the discharge for performance of his duties in the period from 1.01.2005 to 31.12.2005.

§ 2

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

Resolution no. 15

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

§1

Mr. James Murphy, the member of the Management Board, is granted the discharge for performance of his duties in the period from 1.07.2005 to 31.12.2005.

§ 2

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

Resolution no. 16

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

§1

Mr. Feliks Szyszkowiak, the member of the Management Board, is granted the discharge for performance of his duties in the period from 1.01.2005 to 31.12.2005.

§ 2

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

Resolution no. 17

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

§ 1

Mr. Aleksander Kompf, the member of the Management Board, is granted the discharge for performance of his duties in the period from 21.06.2005 to 31.12.2005.

§ 2

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

re. item 10

Resolution no. 18

Pursuant to art. 382 §3 and 395 §5 of the Commercial Companies Code and “Best Practices in Public Companies 2005”, the following is resolved:

§ 1

Approval is given for:

- 1) the BZ WBK Supervisory Board’s report on its activity in the period from 1.01.2005 to 31.12.2005 (Appendix 1 hereto),
- 2) the BZ WBK Supervisory Board’s report on the examination of: BZ WBK financial statements for 2005; consolidated financial statements of the BZ WBK Group for 2005; report on BZ WBK operations, report on the BZ WBK Group operations and the

- Management Board's motion concerning distribution of profit earned in 2005 (Appendix 2 hereto),
- 3) the BZ WBK Supervisory Board's assessment of the BZWBK Group's operations in 2005 (Appendix 3 hereto).

§ 2

The Resolution becomes effective on the day of its signing.

Appendix 1

## **REPORT ON THE SUPERVISORY BOARD ACTIVITY IN 2005**

**Wrocław, February 2006**

### **I. COMPOSITION OF THE SUPERVISORY BOARD**

1. The Supervisory Board commenced its operations in 2005 in the following composition:

- Chairman of the Supervisory Board - Marian Górski
- Vice Chairman of the Supervisory Board - Gerry Byrne
- Members of the Supervisory Board:
  - Waldemar Frąckowiak
  - Aleksander Galos
  - Don Godson
  - Declan Mc Sweeney
  - John Power
  - Aleksander Szwarc
  - Jacek Ślotała

2. Changes in the Supervisory Board's composition in 2005:

- Mr. Marian Górski and Mr. Don Godson resigned from the function of the Supervisory Board Members as of the day of holding the Annual General Meeting of Bank Zachodni WBK Shareholders, i.e. 14<sup>th</sup> April 2005.
- Appointment of the Bank's Supervisory Board for the new term of office – in view of the expiry of the Supervisory Board term of office, the Annual General Meeting of Bank Zachodni WBK S.A. held on 14<sup>th</sup> April 2005, nominated the following individuals to the Supervisory Board for a new 3-year term of office:
  - Gerry Byrne
  - Waldemar Frąckowiak
  - Aleksander Galos
  - Kieran Crowley
  - Declan Mc Sweeney
  - John Power
  - Aleksander Szwarc
  - Jacek Ślotała

At the same time, the Bank's AGM appointed Mr. Aleksander Szwarc Chairman of the BZ WBK Supervisory Board.

On 14 April 2005, the Supervisory Board elected Mr. Gerry Byrne to act as Vice Chairman of the SB.

### 3. Independence of the Supervisory Board Members

All Members of the Supervisory Board submitted written statements on their independence status as well as their personal, factual and organizational connections with the Bank's shareholders. As at 14 April 2005, in line with the submitted statements, the status of an independent Supervisory Board Member was held by the following individuals:

- Waldemar Frąckowiak
- Aleksander Galos
- John Power (Chairman of the Audit Committee),
- Aleksander Szwarc (Chairman of the Supervisory Board),
- Jacek Ślotała.

## II. STATISTICAL DATA ON THE SUPERVISORY BOARD ACTIVITY IN 2005

In the period from 1 January to 31 December 2005, the Supervisory Board held 8 meetings and adopted 27 resolutions.

## III. MAIN AREAS OF THE SUPERVISORY BOARD'S ACTIVITY IN 2005

### 1. WORK ON THE FINANCIAL AND BUSINESS PLANS FOR 2006

As part of the planning process, the Supervisory Board held a discussion on the assumptions of the Financial and Business Plans submitted for approval by the Bank's MB taking account of the present and projected tendencies in the macroeconomic environment, program of strategic and long-term actions, implementation of which will support the Plan's delivery, assumptions behind the development of proposition for customers covering projections for the key business/product lines along with strategic objectives adopted for 2006:

- The Plan focus primarily on the income side of the P&L, including maximization of the business growth potential, leveraging the Bank's Branch network and alternative delivery channels, improvement in the credit portfolio quality and other efficiency ratios, and support for actions taken by the Bank determining business growth through appropriate allocation of resources. In addition, they show the Bank's strive for further improvement in profitability and ensuring the adequate return on equity.
- The very good quality of the loan portfolio, a low level of credit provisions, progress noted in reducing the cost/income ratio, increased share of the subsidiaries' contribution to BZ WBK Group performance will be conducive to executing the 2006 Plans. The incentive schemes adopted for 2006 will also support the process.



## **2. ASSESSMENT OF FINANCIAL PERFORMANCE AND PROGRESS AGAINST BUSINESS OBJECTIVES**

As part of its responsibilities arising from §32 of the Bank's Statutes, the Supervisory Board conducted on-going assessment of financial performance of the Bank and BZ WBK Group, taking account of the business and operating tendencies in place, opportunities and threats as well as variances against the Budget. The evaluation was based on the monthly financial reports presented by the Management Board. When assessing the financial results, the Bank's Supervisory Board primarily focused on the following:

- performance against the objectives set out in the 2005 Financial Plan,
- individual P&L lines against the assumptions adopted in the Plan and against the same lines in the corresponding periods of the previous year,
- changes in the mix of deposits and loans against the assumptions adopted in the Plan,
- structure of the bad debts portfolio and changes in the balance of provisions raised and released,
- level of costs.

In addition, the Supervisory Board periodically reviewed the performance against the business objectives set out in the 2005 Business Plan. The reviews aimed at assessing how the progress against Business Plan (related to such aspects as delivering distinctive customer proposition and other supportive actions) translated into the execution of "Po pierwsze klient" strategy adopted by BZ WBK and into capacity to deliver superior profits.

As part of its agenda, the Supervisory Board met management boards of the following subsidiaries of the Bank to become familiar with their current results and business standing and acknowledge their increasing contribution to the financial performance of BZ WBK Group:

- BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A (BZ WBK AIB Investment Funds Corporation S.A.)
- BZ WBK AIB Asset Management S.A.,
- Dom Maklerski BZ WBK S.A. (BZWBK Brokerage House)
- Leasing organization,
- BZ WBK Faktor Sp. z o.o.

Access of the Bank's subsidiaries to the Bank's branch network expands substantially their catchment area and on the other hand, services and products offered by subsidiaries supplement the Bank's offering and enhance its competitiveness on the market.

## **3. RISK MANAGEMENT. COMPLIANCE RISK**

The Supervisory Board was kept informed by the Audit Committee about the current results of the risks review related to the Bank's operations and progress in their mitigation. In view of introducing a new model of the Compliance function, the Supervisory Board held a special discussion devoted to this issue at which it voiced its support for its implementation.

## **4. PROGRESS IN THE IMPLEMENTATION OF KEY PROJECTS**

Within the Business reports presented by the Management Board and the Audit Committee, the SB was informed about the progress in the implementation of the key projects:

- Sarbanes-Oxley Program – works delivered by BZ WBK are a part of the program carried out by AIB Group and aim at meeting the requirements related to the stock exchange reports preparation. The dedicated Team and Steering Committee were appointed in the Bank to implement the Program.
- Trinity program – is pursued within AIB Group and a separate organizational structure has been set for it. The program is progressed in line with the Plan and it covers three projects: New Capital Accord (Basel 2), IAS (International Accounting Standards), IRIS (solutions with regard to Data Warehouse and tools for data analysis and presentation allowing to satisfy the Bank’s information needs in respect of finance and risk).

## **5. ADHERENCE TO “BEST PRACTICES”**

In view of the Warsaw Stock Exchange recommendation to consolidate the standards of corporate governance in public companies, the Supervisory Board approved the contents and manner of applying the modified corporate governance standards contained in the document “Best practices in public companies 2005” and recommended its adoption by the AGM.

## **6. OPERATIONS OF THE SB COMMITTEES**

Independent of the SB meetings, Members of the SB worked in the following internal SB committees:

- Nominations & Remuneration Committee,
- Audit Committee,
- Corporate Responsibility Committee.

The composition of individual committees was defined by force of the SB resolution. The scope of their operations and mode of work are defined by Terms of Reference adopted by force of the SB resolutions.

The operations of the Committees contribute materially to boosting the effectiveness of the SB work by way of supporting the SB in delivering its statutory tasks as well as by preparing working recommendations and proposed SB decisions in relation to the SB own motions as well as those submitted by the MB.

In order to ensure complete information on activities of the Sub-committees, their Chairmen submit to the SB their current reports at each SB meeting and the SB Members receive minutes of all Committee meetings.

- **NOMINATIONS & REMUNERATION COMMITTEE** - the Committee’s activities aim to demonstrate the Bank’s commitment to the fundamental corporate governance principles of independence, accountability and transparency of information by ensuring that the remuneration of Executive Directors and Senior Management is reviewed by a committee of non-Executive Directors, whose members have no personal financial interest, other than as shareholders, in these matters and who have due regard to the best interest of the Bank and its shareholders.

The Committee assists the Supervisory Board in:

1. overall monitoring of the market remuneration practices and levels;
2. preparing recommendations for the SB decisions as to fair and competitive Remuneration policies and practices, ensuring adequate motivation for the MB Members and senior management to constantly improve the Bank's performance.

In 2005, the composition of the Nominations & Remuneration Committee was as follows:

- Gerry Byrne (Chairman),
- Marian Górski (resigned on 13<sup>th</sup> April 2005),
- Aleksander Szwarc (appointed on 14<sup>th</sup> April 2005).

The Committee normally invites to its meetings the President of the Management Board, the Head of the HR Management Division and other individuals, as it deems necessary.

In 2005, the Committee held 4 meetings, during which it:

- Prepared recommendation re. 2004 bonus payment for the Management Board Members based on the adopted bonus scheme.
- Considered the MB's proposal on the annual salary review rules, and prepared recommendations for the SB on the rules of such a review for the MB members.
- Conducted the annual review of the bonus system for MB members and the senior executive population and tabled the recommendations re. rules of granting and determining the bonus pool for 2006. The amount of the individual annual bonus will depend on the delivery of objectives under the three key result areas: Business, Customer and People. Each of them has a percentage weighting assigned which will impact the overall annual bonus amount.
- Considered and recommended to the SB changes to the bonus schemes of some business units in the Bank to align them better to the specific nature of their operations.
- Worked on a long-term incentive scheme for Senior Management with a view to finalizing it at such date that the essential outline of the program, including draft resolutions allowing for its launch and which require the AGM consent, could be adopted by the AGM in April 2006. The Scheme will be executed by way of issuing bonds with pre-emptive rights by the Bank, which will give the Scheme participants the right, subsequent to meeting specific economic criteria, to take up the Bank's shares issued under the conditional increase in the Company's share capital.

While preparing recommendations for the Supervisory Board, the Committee used the results of the current survey re. remuneration in the banking sector carried out by an independent agency.

- **AUDIT COMMITTEE** – was appointed by the Supervisory Board of Bank Zachodni WBK to assist the Board in fulfilling its oversight responsibilities to shareholders and other stakeholders in relation to:
  1. the quality and integrity of the accounting policies, financial statements and disclosure practices;
  2. compliance with relevant laws and regulations, taxation obligations and relevant Codes of Conduct and business ethics;
  3. the independence and performance of the internal and external Auditors; and
  4. the system of internal control and management of financial and non-financial risks.

In 2005, the AC composition was as follows:

- John Power (Chairman),

- Waldemar Frąckowiak
- Aleksander Szwarc (resigned on 13<sup>th</sup> April 2005)
- Aleksander Galos

All Members of the Audit Committee, including its Chairman, enjoy the status of independent Supervisory Board Members.

The Committee undertakes its duties in line with an agreed annual work plan. The Audit Committee met nine times during the course of the 2005 and reviewed key areas of material controls, including financial, operational and regulatory compliance controls and risk management systems. On a regular basis it receives reports on risk management, fraud, anti money laundering, legal and corporate governance matters in order to assess the effectiveness of the risk management and control frameworks. In 2005, these reports included material notifications arising under the Group “Speak up” policy, updates on significant projects in the Bank including Basel II compliance and IT system implementations.

The independent Auditors, KPMG, the Bank’s Internal Auditor and the President were invited to attend all meetings. Other members of the Management Board were also invited to attend as appropriate in order to present reports on operations of the divisions and areas they were in charge of.

The Committee receives reports from the external auditor and regularly holds discussions with both the internal and external auditors in the absence of the Bank’s Management Board representatives.

The Committee reviewed and discussed the Company’s audited financial statements with the Management Board, which has primary responsibility for preparing the financial statements. The Committee also reviewed and discussed with KPMG their independent review of the financial statements and resultant recommendations for the Bank’s Management Board.

With the implementation of International Financial Reporting Standards (IFRS) for the 2005 financial year, the Committee has reviewed both the impact of adopting IFRS on the opening balance sheet at 1<sup>st</sup> January 2005 and that suitable policies were being applied in the adoption of the new standards.

In reliance of these reviews and discussions, the Committee recommended the Supervisory Board approve the audited financial statements for inclusion in the Company’s annual report for the year ended 31 December 2005. The Supervisory Board accepted the Committee’s recommendations.

The Committee recommended to the Supervisory Board the election of KPMG as the Company’s independent accountants. In addition, a process was put in place whereby the Audit Committee reviews and, if considered appropriate, approves, 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 is safeguarded.

- **CORPORATE RESPONSIBILITY COMMITTEE** - operates to inspire and assist the Bank in the process of contributing to the community development, by way of presenting to the SB the tasks related to assessment and possible recommendations re. those strategies, values and objectives, which while being consistent with the Bank's vision, values and objectives, will allow to shape a desired brand value.

In 2005, the Corporate Responsibility Committee's was composed of:  
Gerry Byrne (Chairman)  
Jacek Ślotała

The Committee meets on a quarterly basis. Updates were provided to the Supervisory Board on a regular basis in terms of the agenda and progress of the Committee. During the course of the year, key areas that were addressed included:

- Corporate Giving Policy – “Bank of Children's Smiles”
- Brand Philosophy & Image
- Enhancement of BZWBK Corporate identity
- Review and Approval of Marketing, Promotion, Sponsorship and Corporate Giving Plans / Budgets.

In 2005, a material progress was achieved in relation to the Committee’s key areas of responsibility. The outputs reflect a coherent and focused approach to delivering on the Committee's objectives and thereby ensuring that BZWBK is widely acknowledged as being in line with international best practice in terms of the standards for Corporate Responsibility.

## **7. OTHER**

- In addition to formal meetings, the Supervisory Board – in relation to commencing a new 3-year term of office – held a special working meeting in July 2005. At this meeting, the SB reviewed its tasks, activities and strategic challenges for assessment and enhancement of work effectiveness. As a result of the discussion on operations’ enhancement of the Supervisory Board and its Committees, a new, more effective model of organizing meetings was developed.
- On the occasion of the SB meeting held in September 2005 in Kraków, the Board Members participated in meetings with representatives of the Corporate Business Center in Kraków and directors of Małopolsko-Podkarpacki Region.

## Appendix 2

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

- **FINANCIAL STATEMENTS OF BANK ZACHODNI WBK S.A. FOR YEAR 2005**
- **MANAGEMENT BOARD REPORT ON BANK ZACHODNI WBK S.A. PERFORMANCE IN 2005**
- **CONSOLIDATED FINANCIAL STATEMENTS OF BZ WBK GROUP FOR YEAR 2005**
- **MANAGEMENT BOARD REPORT ON BANK ZACHODNI WBK GROUP PERFORMANCE IN 2005**

## **- MOTION OF THE MANAGEMENT BOARD ON THE 2005 PROFIT DISTRIBUTION**

**Wroclaw, February 2006**

### **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 4 April 2006:

- Financial Statements of Bank Zachodni WBK S.A. for year 2005,
- Management Board Report on Bank Zachodni WBK S.A. Performance in 2005,
- Consolidated Financial Statements of Bank Zachodni WBK Group for year 2005,
- Management Board Report on Bank Zachodni WBK Group in 2005,
- Management Board motion on the 2005 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 2005**

By force of resolution no. 19/2005, adopted on 21 June 2005, the Supervisory Board selected KPMG Polska Sp. z o.o. as the Bank's auditor and vested it with a task of auditing the 2005 Financial Statements. The above audit covered the following documents produced by the Bank's Management Board:

1. Financial Statements of Bank Zachodni WBK S.A. for year 2005:
  - Balance sheet as at 31 December 2005,
  - Profit & Loss Account for the accounting period from 1 January to 31 December 2005,
  - Cash Flow Statement for the accounting period from 1 January to 31 December 2005,
  - Movements in equity,
  - Off-balance sheet liabilities,
  - Notes.
2. Management Board Report on Bank Zachodni WBK S.A. Performance in 2005.
3. Consolidated Financial Statements of Bank Zachodni WBK Group for year 2005:
  - Consolidated Balance Sheet as at 31 December 2005,
  - Consolidated Profit & Loss Account for the accounting period from 1 January to 31 December 2005,

- Consolidated Cash Flow Statements for the accounting period from 1 January to 31 December 2005,
- Movements in equity,
- Off-balance sheet liabilities,
- Notes.

#### 4. Management Board Report on Bank Zachodni WBK Group in 2005.

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

- opinions of a chartered auditor on the audited Financial Statements of Bank Zachodni WBK SA and Bank Zachodni WBK Group for year 2005,
- report on the audit of the Financial Statements of Bank Zachodni WBK SA for 2005,
- report on the audit of the Consolidated Financial Statements of Bank Zachodni WBK Group for 2005,

the Supervisory Board stated that the 2005 Financial Statements of Bank Zachodni WBK S.A. and the 2005 Consolidated Financial Statements of Bank Zachodni WBK Group presented by the Management Board, comply with the books, documents and the actual state of affairs and give a true, fair and clear view of the financial position of Bank Zachodni WBK and Bank Zachodni WBK Group as at 31 December 2005 and of the financial results for the accounting period from 1 January to 31 December 2005.

The Supervisory Board decided with resolution no. 5/2006, dated 21 February 2006, to submit to the AGM for approval:

- Financial Statements of Bank Zachodni WBK S.A. for year 2005
- Management Board Report on Bank Zachodni WBK S.A. Performance in 2005,
- Consolidated Financial Statements of Bank Zachodni WBK Group for year 2005,
- Management Board Report on Bank Zachodni WBK Group in 2005,

#### **2. Review of the Bank's Management Board motion on the 2005 profit distribution**

The Supervisory Board examined the Bank's Management Board motion related to the 2005 profit distribution, and with resolution no. 6/2006, dated 21 February 2006 decided to recommend approval of the above motion to the Annual General 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. 9/2006, dated 21 February 2006, the Supervisory Board presents this report to the Annual General Meeting of Shareholders of Bank Zachodni WBK.

## ASSESSMENT OF THE BZWBK GROUP'S OPERATIONS IN 2005

According to preliminary data of the Chief Statistics Office, the GDP growth in 2005 was 3.2% against 5.3% in 2004. The slow-down in the annual GDP growth stemmed from the sluggish economy in the first six months of 2005. That was reflected in the deterioration of the annual growth rates for both consumer and investment demand. In both cases, it was related to some extent to the high base effect connected with the pre-accession boom in the first half of 2004. Despite the zloty appreciation for many months, the GDP growth in 2005, and in particular in its first half, was driven primarily by net exports. In the first half of 2005, the good situation in foreign trade triggered the economic growth of 2.5%. The second half of the year was much better than the first one with a strong improvement in Q4, when the domestic demand increased by 5.1%, including the growth in investments by 9.8% and individual consumption by 3.1%.

Throughout 2005, we noted a regular improvement in the financial standing of households. The nominal salary dynamics showed a moderate acceleration but combined with the employment rate increase and a strong drop in inflation, the real payroll budget in the sector of enterprises demonstrated the highest growth for years. The registered unemployment rate fell in H2 2005 to below 18% hitting the record low since 2001. The inflation pressure was reduced throughout 2005. Consumer Price Index (CPI) was falling on a regular basis and at the year-end it was only 0.7% yoy against 4.4% yoy in December 2004. Lack of the inflation pressure symptoms – despite the gradual acceleration of the economic growth - facilitated the reduction in the NBP base interest rates in 2005. All in all, from the beginning to the end of the year, the reference rate dropped by 2pp down to 4.5%.

In 2005, Bank Zachodni WBK Group's generated PBT of PLN 689.5m and was 21% up on 2004, whereas PAT totaled PLN 516.3m and was up by 18%. As a result, the return on equity (ROE) was 18%. In 2005, earnings per share (EPS) went up from PLN 6.00 in 2004 to PLN 7.08. At 2004-end, the Bank's share price was PLN 97.00 and throughout 2005, it increased by 46% to reach PLN 141.50.

Such good performance of the Group in 2005 was primarily driven by: positive trends in the franchise development - an 8% growth in the deposit and savings base, higher income and lower costs, a 13% increase in the personal loan portfolio and a regular improvement in the quality of assets reflected by the drop in non-performing loans from 8.5% to 6.9% (one of the best ratios in the Polish banking sector).

In 2005, Bank Zachodni WBK Group's generated total net income of PLN 1 944.0m. If we exclude the non-recurring gains from the sales of CardPoint SA company in 2004, the growth in income is 6%.

Net interest income totaled PLN 909.3m outperforming the figure from 2004 by 4%. This result was substantially driven by the robust increase in personal loans, deposit base growth and effective management of the Bank's liquidity in the decreasing interest rates environment.

Net commission income of PLN 696.9m was 9% up on 2004. The highest growth in income was recorded in the following areas: distribution of Arka BZ WBK investment



funds (+115%) and insurance products (+117%), issuance and service of other institutions' cards (+83%), international payments (+18%) and credit cards (+9%).

FX profit totaled PLN 218.3m which represents a 10.8% growth on 2004. This increase stemmed from the growth in the bank's activity with regard to fx transactions executed on its own and customers' behalf.

Operating costs of Bank Zachodni WBK S.A. Group totaled PLN 1,193.5m and were flat on 2004. Staff costs and costs of the bank's operations totaled PLN 978.3m and went up by 2.6% throughout the year. The Group's staff costs were PLN 574.5m and increased by 8.3% as a result of pay raises, staff bonus payments and increase in employment by 178 FTEs. The resultant growth was offset by savings in operating costs which were cut by 4.6% to PLN 403.8m thanks to adherence to the purchasing policy and enhancement of operating processes.

The group's success was to reduce the cost/income ratio from 65.1% in 2004 to 61.4% in 2005.

As at 31 December 2005, the balance sheet total of Bank Zachodni WBK Group was PLN 29,604.1m, i.e. 7.5% up on 2004. The bank recorded a substantial growth in the balance of funds acquired from customers and banking institutions. On the assets' side, the most dynamic growth was recorded in the bank's placements on the interbank market and investments in financial assets, primarily the State Treasury bonds which were included in the portfolio mitigating the risk of the bank's balance sheet structure.

As at December-end 2005, the group's liabilities toward customers totaled PLN 20,839.0m exceeding the 2004 level by 8%.

Funds accumulated in current accounts of personal customers and public sector's entities, excluding one-day deposits, totaled PLN 7,352m and were 28.1% up on 2004. This growth was driven by interest rate cuts which increased the customers' propensity to keep funds in current accounts. Concurrently, the term deposit base (including one-day deposits) was flat on 2004 and totaled PLN 13,052.5m. As regards the mix of the bank's deposits, personal deposits continued to prevail (54.1%), yet as a result of strong upward trend in the deposit base of institutional customers (businesses and public sector's entities), its share in the bank's total liabilities toward customers increased by 5.8pp.

Bank Zachodni WBK S.A., through the network of its branches, actively sold ARKA funds. As at December-end 2005, assets managed by BZ WBK AIB Asset Management S.A., together with investment funds of BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A., went up by 170% against 2004-end and totaled PLN 8,473.8m.

As at December-end 2005, gross amounts due from customers totaled PLN 14,923.7m, i.e. they increased by 1.7% during the year. A strong growing trend was manifested by personal loans. The personal credit portfolio increased within the 12 months of 2005 by 13.1% to reach PLN 3,306.3m. The most dynamic growth was recorded in the cash loan (+89%) and mortgage loan (+7.1%) books as well as in the credit card related debt (+4,2%). The growth in the business loan portfolio in 2005 was hampered by the lower level of investments than expected and premature repayment of short-term liabilities prompted by high liquidity of enterprises. The satisfactory growth rate was recorded with regard to property and structure finance deals.

The loan portfolio quality improved during the year. As at 31 December 2005, customer loans categorized as non-performing ones accounted for 6.9% of the gross portfolio and their provision cover totaled 62.4%. In 2004, the ratios were 8.5% and 51.3%, respectively. This

drop stems from the consistent adherence to the bank's credit risk management policy and strong focus on issues related to the portfolio quality.

Bank Zachodni WBK S.A. is an effectively managed and safe financial institution. On 23 November 2005, the rating agency Fitch Ratings, Ltd. informed about upgrading the individual rating for Bank Zachodni WBK from "C/D" to "C". At the same time, it affirmed the other ratings at: Long-term rating 'A', Short-term 'F1', and Support '1' with the Positive outlook.

The upgrade reflects improvements in BZ WBK's profitability resulting from its completed restructuring program, better asset quality and further strengthening of its capital base.

The Long-term, Short-term and Support ratings are based on the potential for support from BZ WBK majority shareholder, Allied Irish Banks plc. Long-term rating is currently constrained by the Country Ceiling for Poland.

re. item 11

#### Resolution no. 19

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

##### § 1

Mr. Aleksander Szwarc, the Chairman of the Bank's Supervisory Board in the period from 10. 04. 2005 to 31. 12. 2005 and the member of the Bank's Supervisory Board in the period from 01.01.2005 to 10.04.2005, is granted the word of approval for performance of his duties.

##### § 2

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

#### Resolution no. 20

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

##### § 1

Mr. Gerry Byrne, the Vice Chairman of the Bank's Supervisory Board, is granted the word of approval for performance of his duties in the period from 1.01.2005 to 31.12.2005.

##### § 2

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

#### Resolution no. 21

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

##### § 1

Mr. Marian Górski, the Chairman of the Bank's Supervisory Board, is granted the word of approval for performance of his duties in the period from 1.01.2005 to 10.04.2005.

##### § 2

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

Resolution no. 22

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

§ 1

Mr. Kieran Crowley, the member of the Bank's Supervisory Board, is granted the word of approval for performance of his duties in the period from 10.04.2005 to 31.12.2005.

§ 2

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

Resolution no. 23

Pursuant to art. 395, §2 point 3 of the Polish Companies Code, the following is 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 1.01.2005 to 31.12.2005.

§ 2

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

Resolution no. 24

Pursuant to art. 395, §2 point 3 of the Polish Companies Code, the following is 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 1.01.2005 to 31.12.2005.

§ 2

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

Resolution no. 25

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

§ 1

Mr. Don Godson, the member of the Bank's Supervisory Board, is granted the word of approval for performance of his duties in the period from 01.01.2005 to 10.04.2005.

§ 2

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

Resolution no. 26

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

§ 1

Mr. Declan McSweeney, the member of the Bank's Supervisory Board, is granted the word of approval for performance of his duties in the period from 1.01.2005 to 31.12.2005.

§ 2

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

Resolution no. 27

Pursuant to art. 395, §2 point 3 of the Polish Companies Code, the following is 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 1.01.2005 to 31.12.2005.

§ 2

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

Resolution no. 28

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

§ 1

Mr. Jacek Ślotała, the member of the Bank's Supervisory Board, is granted the word of approval for performance of his duties in the period from 1.01.2005 to 31.12.2005.

§ 2

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

re. item 12

Resolution no. 29

Pursuant to art. 392 §1 of the Commercial Companies Code the following is resolved:

§ 1

1. The following remuneration per month is set for:
  - 1) the Chairman of the Supervisory Board - 11,700 PLN,
  - 2) Supervisory Board members domiciled in Poland - 7,500 PLN,
  - 3) Supervisory Board members not domiciled in Poland - 1,850 euro.
2. Irrespective of the remuneration specified in section 1 the following additional remuneration is set for the members of the Supervisory Board who are members of individual Committees at the Supervisory Board. The remuneration is paid for participation in each meeting of the Committee:
  - for the Audit Committee Chairman domiciled in Poland - 5,500 PLN per meeting,
  - for the Audit Committee Chairman not domiciled in Poland – 1,250 euro per meeting,
  - for other members of the Audit Committee domiciled in Poland - 4,000 PLN per meeting,

- for other members of the Audit Committee not domiciled in Poland - 1,000 euro per meeting
- for the Nominations & Remuneration Committee members domiciled in Poland - 2,000 PLN per meeting,
- for the Nominations & Remuneration Committee members not domiciled in Poland – 500 euro per meeting,
- for the Corporate Responsibility Committee members domiciled in Poland – 2,000 PLN per meeting,
- for the Corporate Responsibility Committee members not domiciled in Poland – 500 euro per meeting.

## § 2

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

## § 3

The resolution becomes effective on the day of its adoption.

re. item 13

### Resolution no. 30

The Company's Shareholders' General Meeting, pursuant to 393, as well as art. 448 and subsequent articles of the Commercial Companies Code, hereby resolves as follows:

## § 1

1. A three-year long Incentive Scheme, starting in 2006, shall be introduced into the Company.
2. The Incentive Scheme is addressed to the Company's employees or employees of subsidiaries of Bank Zachodni WBK S.A. who significantly contribute to the growth in its value and in effect to the growth in the value of its shares.
3. The objective underlying the Incentive Scheme is creation of an instrument that will ensure stronger links of the Incentive Scheme Participants referred to in § 2 with the Company and will represent an effective incentive.

## § 2

1. The Incentive Scheme Participants ("Participant") are members of the Management Board and Senior Management of Bank Zachodni WBK S.A. as well as its subsidiaries nominated by the Management Board and approved by the Company's Supervisory Board. However, less than 100 individuals would qualify.
2. A natural person loses the Right of the Incentive Scheme's Participant if after being classified for it, s/he will stop working for Bank Zachodni S.A. or its subsidiaries prior

to the date of convening the Company's General Meeting which will approve its financial statements for the last year of the three-year Incentive Scheme period.

3. The Supervisory Board – acting in the Company's interest – may decide to retain the Rights of the Incentive Scheme Participant despite surfacing of circumstances referred to in item 2, if there are special reasons for that.

### § 3

1. The Incentive Scheme provides the Participants with the Right to buy bonds issued pursuant to the Shareholders' General Meeting's resolution re. issue of bonds with pre-emptive rights under the Incentive Scheme as well as with the conditional right to buy shares of H series at a preferential price to be issued pursuant to the Shareholders' General Meeting's resolution re. conditional increase in the share capital and amendments to the Company's Statutes as part of the conditional increase in the share capital. The entitlements described above are hereafter referred to as "Rights".
2. The conditional Right of the Incentive Scheme Participant to buy shares of H series at a preferential price depends on meeting the for exercising the Right which are referred to in § 5. The value of the aforementioned Right is also called an "Award".
3. The maximum number of shares that can be bought by the Incentive Scheme's Participant cannot be higher than the quotient of the percentage set by the Supervisory Board of his/her annual salary arising from the individual Participant's employment contract in 2006 and the average market price of the Bank's shares from 30 stock exchange sessions prior to the date of adopting this resolution less the issue price of H series shares. The value described above represents the Maximum Award.

### § 4

1. The plan of the Incentive Scheme delivery envisages that at the first stage the Incentive Scheme's Participants, in the year of being qualified for the Scheme, will be entitled to buy bonds issued pursuant to the Shareholders' General Meeting's resolution re. issue of bonds with pre-emptive rights under the Incentive Scheme.
2. The plan of the Incentive Scheme delivery envisages that at the second stage, the Incentive Scheme Participants will be entitled to take up shares of H series but as long as the criteria for exercising the Right are met.

### § 5

1. The criterion for exercising the Right is growth in consolidated EPS (consolidated Earnings per Share) within 3 years of the Incentive Scheme's validity as described in § 6.
2. It is the Supervisory Board that decides about the satisfaction of criteria for exercising the Right in the form of a resolution based on the level of the consolidated after tax profit disclosed in the Company's financial statements approved by the Shareholders' General Meeting. The Supervisory Board shall make appropriate resolution not later than 30<sup>th</sup> August 2009.

### § 6

1. The Award amount depends on the EPS growth over the Incentive Scheme period.
2. Depending on the EPS growth, the Incentive Scheme's Participants are entitled to:
  - i) 25% of the Maximum Award if the Company's cumulated EPS growth during 3 years of the Incentive Scheme validity is not lower than 5%, plus the annual inflation rate (CPI) published annually by the GUS (Chief Statistics Office).
  - ii) 100% of the Maximum Award if the Company's cumulated EPS growth during 3 years of the Incentive Scheme validity is not lower than 12%, plus the annual inflation rate (CPI) published annually by the GUS (Chief Statistics Office).
  - iii) Proportionally between 25% and 100% of the Maximum Award if the Company's cumulated EPS growth during 3 years of the Incentive Scheme validity ranges from 5% to 12%, plus the annual inflation rate (CPI) published annually by the GUS (Chief Statistics Office).

#### § 7

1. The Supervisory Board is entitled to adopt the Incentive Scheme Terms of Reference with a view to appropriately implementing the Incentive Scheme provided this is not in conflict with resolutions of the Shareholders' General Meeting.
2. The Supervisory Board is entitled to define in detail the principles of classifying individuals as the Incentive Scheme Participants. The Supervisory Board will create the list of Participants. The impact of inheritance on the manner of the Incentive Scheme implementation will be determined in The Incentive Scheme Terms of Reference.
3. The Supervisory Board is entitled to define in detail the manner of the Incentive Scheme implementation.
4. The Supervisory Board is entitled to define in detail the contents and manner of exercising the Right as well as to define in detail the contents and manner of exercising the Award.
5. The Supervisory Board is entitled to define principles and mode of resolving disputes related to the Incentive Scheme.
6. The Company's Management Board as well as each Participant of the Incentive Scheme are authorized to request the Supervisory Board for their stance on the disputable issue related to the Incentive Scheme.

#### §8

The resolution becomes effective on the day of its adoption.

The objection to the resolution was recorded in the minutes.

re. item 14

Resolution no. 31

Pursuant to 393, item 5 of the Commercial Companies Code, the Company's Shareholders' General Meeting resolves as follows:

## § 1

- 1 The Company issues bonds, hereinafter referred to as “bonds with pre-emptive rights” or “bonds” entitling the bondholders to:
  - (i) return of the bonds’ nominal value and
  - (ii) subscription for the Company’s shares with priority over its shareholders as long as the criteria described in the Incentive Scheme referred to in the resolution of the Shareholders’ General Meeting of 4 April 2006 re. adopting the Incentive Scheme in the Company are met.
- 2 The Company issues 200,000 (say: two hundred thousands) bonds with pre-emptive rights, referred to in item 1.
- 3 The issue of bonds with pre-emptive rights is deemed effective when at least 1,000 of them are taken up.
- 4 The bonds can be subscribed only by the Participants of the Incentive Scheme.
- 5 The detailed conditions of the bonds issue shall be determined by the Supervisory Board in the Incentive Scheme Terms of Reference.
- 6 The bonds with pre-emptive rights have the following parameters:
  - i) bonds are registered,
  - ii) bonds are dematerialized,
  - iii) bonds expire on 30 November 2009,
  - iv) the unit nominal value of each bond with pre-emptive rights is 1 grosz (say: one grosz);
  - v) the bonds with pre-emptive rights are not secured;
  - vi) the bonds with pre-emptive rights are not interest bearing;
  - vii) bonds with pre-emptive rights entitle to receive a payment in the amount corresponding to their nominal value at the redemption date and to take up the Company’s shares prior to its shareholders, where this right has been described in detail in § 2 .

## § 2

1. One bond with pre-emptive rights entitles to take up one share of H series in relation to the conditional increase in the Company’s share capital at the issue price equal to the nominal value of these shares.
2. Taking up shares of H series by a holder of bonds with pre-emptive rights is reliant on meeting the criteria described in the Incentive Scheme referred to in the resolution of the Shareholders’ General Meeting of 4 April 2006 re. adoption of the Incentive Scheme in the Company.

## § 3

1. Bonds with pre-emptive rights are issued in line with art. 9 sec. 3) of the Bonds Act dated 29 June 1995.
2. Bonds with pre-emptive rights will be allocated in line with the Incentive Scheme referred to in the resolution of the Shareholders’ General Meeting of 4 April 2006 re. adoption of the Incentive Scheme.
3. The bondholders’ rights arising from the granted priority rights will expire on 31 October 2009.

## § 4



Acting for the benefit of the Company and with a view to making it possible to offer to the management of the Company and its subsidiaries the Incentive Scheme which will allow the Company to generate competitive financial results and tighten the relations with the Company's key employees, the existing shareholders will be deprived of the right over taking up bonds with pre-emptive rights.

§5

The resolution becomes effective on the day of its adoption.

The objection to the resolution was recorded in the minutes.

re. item 15

Resolution no. 32

The General Shareholders' Meeting acting pursuant to Article 448 and the subsequent articles of the Commercial Companies Code hereby resolves as follows:

§ 1

1. The share capital is conditionally increased by the maximum, nominal value of PLN 2,000,000 (say: two million Polish zloty).
2. The share capital shall be conditionally increased by way of issuing new, ordinary and bearer shares, H series with a nominal value of PLN 10 (say: ten Polish zloty) each, in a number not higher than 200,000 (say: two hundred thousand).
3. The issue of H series shares will materialise if at least 1,000 shares are taken up.

§ 2

1. The conditional increase in the share capital shall be undertaken to allocate the shares of H series to persons who benefit from rights arising from of the bonds issued by the Company pursuant to the General Shareholders' Resolution of 4 April 2006 re. issue of bonds with pre-emptive rights under the Incentive Scheme.
2. The conditional increase in the share capital shall be undertaken as part of the Incentive Scheme referred to in the Shareholders' Resolution of 4 April 2006 regarding the issue of bonds with pre-emptive rights under the Incentive Scheme.
3. Holders of the bonds issued by the Company pursuant to the General Shareholders' Resolution of 4 April 2006 re. issue of bonds with pre-emptive rights under the Incentive Scheme and their legal successors are the Entitled pursuant to Article 449, §1, section 4 of the Commercial Companies Code.

§ 3

1. The date of shortlisting the individuals entitled to take up the shares of H series under the Incentive Scheme referred to in the Resolution of the General Shareholders' Meeting of 4 April 2006 re. issue of bonds with the pre-emptive rights under the

Incentive Scheme shall expire on 30 August 2009 and the date of exercising the right to take up the shares of H series shall expire on 31 October 2009.

2. The Management Board is hereby authorised to set deadlines necessary to carry out the issue of H series shares, unless they are directly or indirectly defined in this resolution or other resolutions of the Shareholders' General Meeting relating to the Incentive Scheme.

#### § 4

1. The shares of H series shall be taken up for cash contributions.
2. The issue price of the H series shares shall be PLN 10.

#### § 5

1. The H series shares shall authorise the holder to the receipt of dividend commencing on 1 January 2009 on condition of a prior registration of the shares in the securities account.
2. The H series shares shall be admitted to the stock exchange market managed by the Warsaw Stock Exchange S.A.
3. The Management Board is hereby authorised to perform any activities necessary to achieve the objective referred to in Section 2, unless a specified activity must be performed by a different body of the Company in accordance with the Polish laws & regulations or the resolutions of the Shareholders' General Meeting relating to the Incentive Scheme.

#### § 6

Acting to the Company's benefit with a view to making it possible to offer to the management of the Company and its subsidiaries the Incentive Scheme, which will allow the Company to generate competitive financial results and tighten the relations with the Company's key employees, the existing shareholders will be deprived of the pre-emptive rights to take up the H series shares.

#### § 7

1. Acting pursuant to Article 5, section 8 of the Financial Instruments Act dated 29 July 2005, the Management Board is hereby authorised to enter into agreements with the National Depository of Securities for a registration of the H series shares.
2. The Management Board is hereby authorised to specify detailed terms & conditions for the issue of the H series shares, unless this breaches the powers of other bodies of the Company or the shareholders' resolutions relating to the Incentive Scheme.

#### § 8

Due to the conditional increase in the share capital, the Company's Statutes shall be amended by adding § 10 with the wording as follows:

„ § 10 a

1. The share capital is conditionally increased by the maximum, nominal value of PLN 2,000,000 (say: two million Polish zloty).
2. The Bank's share capital shall be conditionally increased by way of issuing new, ordinary and bearer shares, H series of a nominal value PLN 10 (say: ten Polish zloty) each, in a number not higher than 200,000 (say: two hundred thousand).
3. The H series shares shall be taken up by persons authorised on the strength of bonds issued in accordance with the General Shareholders' Meeting resolution regarding the issue of bonds with pre-emptive rights under the Incentive Scheme.

## § 9

The resolution becomes effective on the day of its adoption.

The objection to the resolution was recorded in the minutes.

re. item 16

## Resolution no. 33

### § 1

Pursuant to article 430 of the Commercial Companies Code, the Annual General Meeting of Shareholders introduces the following changes to the Bank's Statutes:

1. §19, section 4 shall read as follows:  
"4. The General Meeting of Shareholders is held in the Bank's registered office, in Warsaw or in another location indicated in the notice of General Meeting."
2. § 26 shall have § 26a added, reading as follows:  
„§ 26a. 1. From amongst its members the Supervisory Board may appoint an Audit Committee or other committees to support and facilitate the work of the Supervisory Board.  
2. The terms of reference for such committees are determined by the Supervisory Board.”;
3. § §32 point 12 shall read as follows:  
“12) informing the Banking Supervision Commission on other Management Board members and, each time, on changes to the Management Board composition and those who, based on the internal split of responsibilities, are responsible for the operation of the Internal Audit Function and for credit risk management,”;
4. §37 shall read as follows:  
“§37.1. The Management Board manages the Bank's-related issues unless specified otherwise in clause 2 and 3.”  
2. The President of the Management Board can, by way of an ordinance, vest individual Management Board members with the power to handle individual issues based on the internal split of responsibilities within the Management Board, and also can allocate some temporary tasks to them.  
3. Pursuant to the internal split of responsibilities within the Management Board:

- 1) in particular, President of the Management Board is in charge of the internal audit unit and credit risk management function,
  - 2) the branch network reports to the Management Board member the appointment of which requires approval of the Banking Supervision Commission.
  4. The President of the Management Board manages the work of the Management Board, in particular, convenes the Management Board meetings, sets the agenda and chairs the meetings. The President has also the casting vote when two sides have exactly the same number of votes.”;
5. §42 shall read as follows:
- “§42.1. The Bank operates an internal control system, which support decision-making processes to ensure effectiveness and efficiency of the Bank’s activities, reliability of financial reporting and compliance of the Bank’s actions with legal requirements and internal regulations.
2. The internal control system includes:
- 1) a clearly defined management structure, with defined lines of authority and accountability,
  - 2) control performed by each Bank employee and his/her line manager and persons co-operating with them – in order to ensure compliance of the employees’ actions with legal requirements and internal regulations and to respond to any existing deficiencies on an ongoing basis,
  - 3) a comprehensive annual budgeting and financial reporting system, which incorporates clearly-defined and communicated common accounting policies and financial control procedures, including those relating to authorisation limits,
  - 4) appropriate policies and procedures relating to capital management, asset and liability management, credit risk management and operational risk management,
  - 5) business continuity planning and physical and computer security,
  - 6) activities of the Internal Audit Function, which is responsible for the independent and objective audit and evaluation of the adequacy and effectiveness of the Bank’s internal control system and for providing its opinion concerning the management of the Bank’s activity, including the effectiveness of management of risks connected with this activity.
3. The Bank’s Management Board is responsible for designing, implementing and functioning of the system of internal control.
4. The Supervisory Board is responsible for the supervision over the implementation of the internal control system and for assessing its adequacy and effectiveness.
5. The Supervisory Board opines on the appointment the of Head of the Internal Audit by the Management Board as well as termination of his/her employment and rules of compensating members of the Internal Audit Function.
6. The Audit Committee of the Supervisory Board supervises the activity of the Internal Audit Function.
7. The results of internal audits together with the recommendations are provided periodically to the Management Board and the Audit Committee of the Supervisory Board.

## § 2

The introduction of the amendments to the Statutes in the scope defined in §1 requires the approval of the Banking Supervision Commission.

## § 3

The Resolution comes into force on the day of registration of the amendments to the Statutes by the relevant registration court.

The objection to the resolution was recorded in the minutes.

re. item 17

Resolution no. 34

§1

Pursuant to art. 430 of the Code of Commercial Companies, the Annual General Meeting of Shareholders hereby decides to adopt the consolidated text in the reading specified below:

**Statutes  
of  
Bank Zachodni WBK S.A.**

I. General Provisions

§ 1

The name of the Bank is “Bank Zachodni WBK Spółka Akcyjna”.

§ 2

The founder of the Bank is the State Treasury.

§ 3

The Bank has its registered seat in Wrocław.

§ 4

The Bank operates in the territory of the Republic of Poland and abroad.

§ 5

The Bank can establish branches and other units in Poland and abroad.

§ 6

Provisions of the Commercial Companies Act and the Banking Law apply to all matters not regulated herein.

## II. Scope of Business

### § 7

The scope of the Bank's business includes:

1. The following banking operations:
  - 1) accepting money deposits payable on demand or at a due date as well as operating accounts for these deposits, including accepting and depositing cash in domestic and foreign banks,
  - 2) operating other bank accounts,
  - 3) granting loans,
  - 4) granting and confirming bank guarantees as well as opening and confirming letters of credit,
  - 5) issuing banking securities,
  - 6) performance of financial settlements,
  - 6a) issue of electronic money instrument,
  - 7) granting cash advances,
  - 8) concluding check and B/E transactions,
  - 9) issuing payment cards and processing card operations,
  - 10) performing term financial transactions,
  - 11) trading in receivables,
  - 12) safekeeping of objects and securities as well as providing access to safe deposit boxes,
  - 13) providing agency services in international funds transfers and settlements in international trade,
  - 14) granting and confirming guarantees,
  - 15) performing operations related to the issue of securities,
  - 16) acting as the representative of bond holders.
  - 17) purchase and sale of fx values
2. Other operations consisting in:
  - 1) taking up or acquiring shares and units and/or rights attached to shares of another corporate entity and contributions to limited partnerships or limited joint stock partnerships, or units and investment certificates in investment funds and making contributions to limited liability companies within the limits specified by the Banking Law act,
  - 2) raising liabilities related to the issue of securities,
  - 3) trading in securities in the Bank's own account or at the request of third parties,
  - 4) performing swaps of debts into components of the debtor's assets,
  - 5) acquiring and disposing of real estates and debts secured with mortgage,
  - 6) providing consulting and advisory services in relation to financial matters,
  - 6a) providing certification services in accordance with the electronic signature regulations, excluding qualified certificates,
  - 7) providing other financial services including:
    - a) operating brokerage activities and agency in operating brokerage activities, operating securities accounts and agency in selling units and investment certificates of investment funds,
    - b) providing agency and co-operation in obtaining loans and advances,

- c) performing collection activities on the basis of documents certifying the existence of cash receivables,
  - d) concluding and executing agreements with businesses, including foreign ones, on agency in lodgments to bank accounts,
  - e) financial and operational participation in international projects and undertakings,
  - f) performing fiduciary activities,
  - g) providing leasing, factoring, forfeiting, franchising services as well as stand-by and firm commitment underwriting,
  - h) trading in transferable property rights from securities and in transferable property rights, the price of which directly or indirectly depends on the price of securities (derivatives) – in the Bank’s account or at the request of third parties,
  - i) performing activities, as requested by the Minister of Treasury and set forth in the Act of 30/08/1996 on commercialization and privatization of state owned enterprises,
  - j) accepting the State Treasury shares for management.
- 8) Providing sales-related services for open pension funds,
  - 9) Performing the function of a custodian as specified in regulations on organization and functioning of pension funds,
  - 10) Performing the function of a custodian as specified in regulations on organization and functioning of investment funds,
  - 11) agency in selling insurance, lease, factoring, forfeiting and franchising products,
- 3. The Bank can also perform, upon the request of other banks, the operations referred to in Sections 1 and 2, as long as these operations fall within the scope of the mandating bank’s activities.
  - 4. In the course of its operations, the Bank co-operates with domestic, foreign and international banks and financial institutions.
  - 5. The Bank provides services in the area of cash transport.

#### § 8

The Bank may establish or join clearing houses organized under the Commercial Companies law, for the purpose of exchanging payment orders and making mutual settlements resulting from such orders.

#### § 9

If, under any special provision, the Bank is required to obtain separate permits to conduct any of the operations listed in § 7 hereinabove, such operations may only be performed only after such permit has been obtained.

### **III. The Bank’s share capital**

#### § 10

The share capital of the Bank amounts to PLN 729.602.840 (seven hundred twenty nine million six hundred and two thousand eight hundred and forty zloty) and is divided into 72,960,284 (seventy two million nine hundred and sixty thousand two hundred and eighty four) bearer shares of the nominal value of PLN 10 (ten zloty) each, including:

- 1) 5,120,000 (five million one hundred and twenty thousand) series A ordinary bearer shares,

- 2) 724,073 (seven hundred and twenty four thousand and seventy three) series B ordinary bearer shares,
- 3) 22,155,927 (twenty two million one hundred and fifty five thousand nine hundred and twenty seven) series C ordinary bearer shares,
- 4) 1,470,589 (one million four hundred and seventy thousand five hundred and eighty nine) series D ordinary bearer shares,
- 5) 980,393 (nine hundred and eighty thousand three hundred and ninety three) series E ordinary bearer shares,
- 6) 2,500,000 (two million and five hundred) series F ordinary bearer shares,
- 7) 40,009,302 (forty million nine thousand three hundred and two) series G ordinary bearer shares.

#### § 10a

1. The share capital is conditionally increased by the maximum, nominal value of PLN 2,000,000 (say: two million Polish zloty).
2. The Bank's share capital shall be conditionally increased by way of issuing new, ordinary and bearer shares, H series of a nominal value PLN 10 (say: ten Polish zloty) each, in a number not higher than 200,000 (say: two hundred thousand).
3. The H series shares shall be taken up by persons authorised on the strength of bonds issued in accordance with the General Shareholders' Meeting resolution regarding the issue of bonds with pre-emptive rights under the Incentive Scheme.

#### § 11

Bearer shares are shares admitted to public trading.

#### § 12

Shares can be redeemed, following the shareholder's approval, by way of their purchase by the Company (voluntary redemption).

#### § 13

1. The Company can purchase the shares it issued with a view to redeeming them not earlier, however, than after the GM has passed a resolution approving this redemption.
2. Resolution referred to in item 1 should define the legal basis for the redemption, the minimum amount of the remuneration that the shareholder of the redeemed shares is entitled to or rationale behind redeeming the shares without remuneration, the way of reducing the share capital and the source of financing the redemption, maximum number of shares that the Company can purchase for redemption, the maximum total purchase price and the timeframe when the shares should be purchased.

#### § 14

The Company's Management Board announces the information about purchasing shares for redemption not later than within 30 days after the date when the shares are to be purchased as stipulated in the resolution referred to in § 13, convening at the same time, the general meeting of shareholders to pass a resolution on the redemption of the purchased shares and reduction in the share capital.

#### § 15



If the Company does not conclude any agreement on the purchase of shares for redemption within the timeframe specified in the resolution referred to in §13, the Management Board shall announce the ineffective expiration of the deadline within 30 days after this expiration.

§ 16

Voluntary redemption must not be carried out more often than once in an accounting year.

§ 17

The Bank can issue convertible bonds.

**IV. The Authorities of the Bank**

§ 18

The authorities of the Bank are:

1. General Meeting of Shareholders;
2. Supervisory Board;
3. Management Board.

**V. General Meetings of Shareholders**

§ 19

1. General Meetings may be either ordinary or extraordinary.
2. The Ordinary General Meeting should be held annually, not later than by the end of June every year.
3. The Extraordinary General Meeting is convened in the circumstances specified in the Commercial Companies Code.
4. The General Meeting of Shareholders is held in the Bank's registered office, in Warsaw or in another location indicated in the notice of General Meeting.

§ 20

1. The Ordinary General Meeting is convened by the Management Board.
2. The Supervisory Board can convene the Ordinary or Extraordinary General Meeting of Shareholders in the circumstances specified in the Commercial Companies code and when the Management Board fails to convene it within two weeks from the date of submitting such a request by shareholders who represent at least one tenth of the share capital.

§ 21

The draft resolutions and other important materials proposed to be adopted by the AGM should include the rationale and the opinion of the Supervisory Board, except for the issues related exclusively to the Supervisory Board.

§ 22

Each share entitles to one vote.

§ 23

Chairman or Vice Chairman of the Supervisory Board opens each General Shareholders' Meeting and conducts an election of the Chairman of the Meeting. If none of the above is available to open the General Shareholders Meeting, the Meeting shall be opened by a member of the Supervisory Board.

§ 24

1. The General Shareholders' Meeting adopts resolutions on matters solely within their discretions, arising from the Commercial Companies code regulations, banking law and Statutes.
2. Purchase or disposal of real estate, perpetual usufruct rights or a share in real estate does not require a resolution of the General Shareholders' Meeting.
3. The General Meeting 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.

§ 24<sup>1</sup>

In a given financial year, the entity acting as a certified auditor of the financial report issued by the Bank or by its subsidiaries for the current year, discussed in separate regulations, cannot act as the auditor responsible for special issues.

## **VI. Supervisory Board**

§ 25

1. The Supervisory Board consists of at least 5 (five) members appointed for a joint three year term of office. Members and Chairman of the Supervisory Board are appointed and recalled by the General Shareholders' Meeting. The Management Board informs the Banking Supervision Commission about the composition of the Supervisory Board. At least half of the Supervisory Board's members, including its Chairman, should hold Polish citizenship.
2. At least two of the Supervisory Board's members should be independent members, including an independent chairman of audit committee. The independent members of the Supervisory Board should be free from any connections with the company and shareholders or employees, which could significantly impact the capacity of the independent member to take objective decisions.
3. The Supervisory Board's independent member, referred to in sec. 2, cannot be specifically the person:
  - 1) who was the member of the Bank's Management Board over the period of last 3 years,
  - 2) who was the chartered auditor or employee of the entity authorized to examine the Bank's financial reports over the period of last 3 years,
  - 3) who, directly or indirectly, receives from the Bank the remuneration different from the one arising from the function of the Supervisory Board member, which would have significant impact on taking independent decisions,
  - 4) who holds, directly or indirectly, more than 1% of the Bank's shares
  - 5) who is a next of kin to the members of the Supervisory Board and the Management Board and also to the persons referred to in points 1-4, where the next of kin shall mean a spouse, own child or an adopted child under 18, family member or other person who is in the same household with the member of the Supervisory Board.

4. Without the consent of the majority of independent members of the Supervisory Board, the resolutions cannot be adopted with regard to the issues referred to in:

- 1) § 32 point 4 and 5 of the Statutes, if the agreement with the entity connected with the Bank has to be concluded, the member of the Bank's Supervisory Board or the Bank's Management Board and the entities connected with them,
- 2) §32 point 7 and 10 of the Statutes.

#### § 26

The Supervisory Board appoints Vice Chairman of the Board and may appoint a Secretary of the Board from amongst its members.

#### § 26a

1. From amongst its members the Supervisory Board may appoint an Audit Committee or other committees to support and facilitate the work of the Supervisory Board.
2. The terms of reference for such committees are determined by the Supervisory Board.

#### § 27

1. The Supervisory Board members can perform their duties in person only.
2. The remuneration of the Supervisory Board members is set by the General Meeting of Shareholders.

#### §28

The Supervisory Board operates pursuant to the terms of reference it adopted. The terms of reference of the Supervisory Board specify its organization and manner of operations.

#### § 29

1. Meetings of the Supervisory Board are convened by Chairman or Vice Chairman of the Supervisory Board on their own initiative, upon a motion of the Management Board or at the request of a member of the Supervisory Board.
2. Meetings of the Supervisory Board may also be held without the need of gathering all members in one place by using telecommunications or audio-visual media that enable simultaneous communication of all the meeting attendees. The rules of organizing meetings according to this procedure are set out in the Supervisory Board Regulations.

#### § 30

1. Resolutions of the Supervisory Board are adopted by an absolute majority of votes of the Board members attending the meeting. In the event of a parity of votes, the Chairman of the Supervisory Board has a casting vote.
2. If necessary, resolutions of the Supervisory Board may be adopted by way of a written procedure. Resolutions adopted pursuant to the written procedure are presented for approval to all members of the Supervisory Board, and become effective once they have been signed by at least half of the Supervisory Board members, including its Chairman.
3. Members of the Supervisory Board may participate in passing resolutions by means of a written proxy vote through another member of the Supervisory Board. A written vote may not be cast in the case of matters introduced to the agenda during a Supervisory Board meeting. The rules of voting by means of this procedure are determined by the Supervisory Board Regulations.

### § 31

The Supervisory Board expresses its opinion on all motions and requests that require a resolution of the General Shareholders' Meeting, except for matters related exclusively to the Supervisory Board.

### § 32

The Supervisory Board exercises on-going supervision over the Bank's activities. In addition to the statutory rights and responsibilities and those set forth in the Bank's Statutes, the Supervisory Board has the discretions to:

- 1) examine the financial statements in terms of their compliance with books, documents and current status;
- 2) approve annual and long-term development plans for the Bank and financial plans for its operations prepared by the Management Board;
- 3) approve motions of the Bank's Management Board concerning the establishment and liquidation of Bank's branches abroad;
- 4) approve equity investments by the Bank, if
  - the value of such investment exceeds a PLN equivalent of EUR 4,000,000, where "the investment value" means the purchase price or sales price of a particular asset, 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 AGM or the Meeting of Partners, while "the value of investment" shall mean the purchase price or the sales price of a given asset, 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;An equity investment is understood, in particular, as joining by the Bank and exiting from joint undertakings, i.e. incorporating and dissolving commercial law companies, joining and exiting commercial law companies, including contributions made to limited partnerships or limited joint stock partnerships. Purchase of shares and interests with a guarantee of their repurchase by another entity is not an equity investment.
- 5) 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 mortgage creditor, 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;
- 6) examine the Management Board's reports and its motions regarding the profit distribution or coverage of losses;
- 7) determine remuneration of the Management Board members;
- 8) conclude contracts on behalf of the Bank, falling within the authority of the Supervisory Board, including employment contracts or management contracts with Members of the Management Board, where the Supervisory Board may appoint its Chairperson or another Supervisory Board member to submit a declaration of will in this respect,

- 9) 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;
- 10) appoint a chartered auditor to audit the financial statements of the Bank;
- 11) apply to the Banking Supervision Commission for a consent to appoint two members of the Management Board of the Bank, including the President;
- 12) informing the Banking Supervision Commission on other Management Board members and, each time, on changes to the Management Board composition and those who, based on the internal split of responsibilities, are responsible for the operation of the Internal Audit Function and for credit risk management;
- 13) appoint and recall President of the Management Board and other members of the Management Board;
- 14) suspend Management Board members from office, for important reasons, and second members of the Supervisory Board to temporarily perform duties of those Management Board members who cannot perform their roles,
- 15) present the concise assessment of the Bank's standing to the AGM on an annual basis.

#### § 33

The Supervisory Board is entitled to make recommendations to the Management Board of the Bank, in particular, these regarding financial and organizational restructuring of the Bank, and concluding long-term agreements binding upon the Bank by the Management Board.

### **VII. Management Board**

#### § 34

The Bank's Management Board consists of at least three members, including President. Management Board members may perform functions of the first vice-president and vice-presidents of the Management Board. Appointment to these functions is made by the Supervisory Board [at least half of the Management Board members must be of Polish citizenship].

#### § 35

The Supervisory Board appoints and recalls President of the Management Board and the remaining members of the Management Board.

#### § 36

1. The Management Board's term of office is three years.
2. The Management Board members are appointed for a joint term of office.

#### § 36a

1. The decisions to incur obligations or transfer assets whose total value for one entity exceeds 5% of the Bank's own funds are made by the Management Board, except as provided in section 2 and § 32 point 4 and 5.
2. The decisions referred to in section 1 may be taken by the Bank's Committees or other persons duly authorised by the Management Board by way of a resolution.

#### § 37

1. The Management Board manages the Bank's-related issues unless specified otherwise in clause 2 and 3.
2. The President of the Management Board can, by way of an ordinance, vest individual Management Board members with the power to handle individual issues based on the internal split of responsibilities within the Management Board, and also can allocate some temporary tasks to them.
3. Pursuant to the internal split of responsibilities within the Management Board:
  - 1) in particular, President of the Management Board is in charge of the internal audit unit and credit risk management function,
  - 2) the branch network reports to the Management Board member the appointment of which requires approval of the Banking Supervision Commission.
4. The President of the Management Board manages the work of the Management Board, in particular, convenes the Management Board meetings, sets the agenda and chairs the meetings. The President has also the casting vote when two sides have exactly the same number of votes.

#### § 37a

Bodies entitled to issue internal regulations:

- 1) as regards issues requiring a decision of the General Meeting – the General Meeting in a form of a resolution;
- 2) as regards issues requiring a decision of the Supervisory Board – the Supervisory Board in the form of a resolution;
- 3) as regards issues requiring a decision of the Management Board and/ or approvals of the Supervisory Board or the General Meeting – the Management Board in the form of a resolution, provided however, that the required approval has been obtained.
- 4) as regards issues requiring the decision of the Management Board but not requiring an approval of another body – the Management Board in the form of a resolution,
- 5) as regards issues important for the Bank, which go beyond the scope of the operations of an individual division – the President of the Management Board in the form of an ordinance;
- 6) as regards operations of the reporting divisions – the Management Board member in the form of an ordinance;
- 7) as regards issues specified in the sets of regulations referred to in points 2-4 above – the Bank Director in the form of an ordinance;
- 8) as regards issues referred to in the Management Board resolution re. establishment of a committee – the committee chairman in the form of an ordinance.

#### § 38

1. If necessary, resolutions of the Management Board may be adopted by way of a written procedure. Resolutions adopted pursuant to the written procedure are presented for approval to all members of the Management Board, and become effective once they have been signed by at least a half of the Board members, including its President.
2. In exceptional circumstances, the Management Board meetings can be held without the need to gather all the Management Board members in one location, but using telecommunication and audiovisual equipment to ensure concurrent communication of all individuals attending the meeting. The rules underlying the organization of meetings are defined in the Regulations of the Management Board.

3. Members of the Management Board may participate in passing resolutions by means of a written proxy vote through another member of the Management Board. A written vote may not be cast in the case of matters introduced to the agenda during a Management Board meeting. The rules of voting by means of this procedure are determined by the Management Board Regulations.

#### § 39

The Management Board manages the Bank and represents it. All matters that are not within the sole competence of other authorities of the Bank on the basis of provisions of law or these Statutes, shall remain within the Management Board's scope of responsibilities.

#### § 40

The following individuals are authorized to make declarations of will on behalf of the Bank:

- 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.

### **VIII. Organization of the Bank**

#### § 41

1. The Bank's basic organizational structure is as follows:
  - 1) the Business Support Centre – acting as the head office;  
The following units operate within the Business Support Centre:
    - a) divisions,
    - b) areas,
    - c) centers,
    - d) departments,
    - e) offices,
    - f) stand-alone teams,
  - 2) Branches.
2. The detailed organizational structure of the Bank is outlined in the Bank's Organizational Regulations adopted by the Management Board and approved by the Supervisory Board and the related resolutions issued by the Bank's Management Board.
3. There are also Committees established by the Management Board operating in the Bank.

#### § 42

1. The Bank operates an internal control system, which support decision-making processes to ensure effectiveness and efficiency of the Bank's activities, reliability of financial reporting and compliance of the Bank's actions with legal requirements and internal regulations.
2. The internal control system includes:
  - 1) a clearly defined management structure, with defined lines of authority and accountability,
  - 2) control performed by each Bank employee and his/her line manager and persons co-operating with them – in order to ensure compliance of the employees' actions with legal

requirements and internal regulations and to respond to any existing deficiencies on an ongoing basis,

3) a comprehensive annual budgeting and financial reporting system, which incorporates clearly-defined and communicated common accounting policies and financial control procedures, including those relating to authorisation limits,

4) appropriate policies and procedures relating to capital management, asset and liability management, credit risk management and operational risk management,

5) business continuity planning and physical and computer security,

6) activities of the Internal Audit Function, which is responsible for the independent and objective audit and evaluation of the adequacy and effectiveness of the Bank's internal control system and for providing its opinion concerning the management of the Bank's activity, including the effectiveness of management of risks connected with this activity.

3. The Bank's Management Board is responsible for designing, implementing and functioning of the system of internal control.

4. The Supervisory Board is responsible for the supervision over the implementation of the internal control system and for assessing its adequacy and effectiveness.

5. The Supervisory Board opines on the appointment the of Head of the Internal Audit by the Management Board as well as termination of his/her employment and rules of compensating members of the Internal Audit Function.

6. The Audit Committee of the Supervisory Board supervises the activity of the Internal Audit Function.

7. The results of internal audits together with the recommendations are provided periodically to the Management Board and the Audit Committee of the Supervisory Board.

## **IX. Equity and funds of the Bank**

### **§ 43**

The Bank has equity adequate to the scale of its operations.

### **§ 44**

The equity of the Bank consists of:

1. share capital (Tier 1 capital)
2. supplementary funds
3. items reducing the Bank's equity

### **§ 45**

1. The supplementary capital is raised from:
  - a) share premium
  - b) allocations from after-tax profit.
2. At least (8%) eight per cent of the Bank's after-tax profit should be allocated to the supplementary capital as the annual transfers from the after-tax profit until the value of the supplementary capital equals at least one third of the value of the Bank's share capital. The amount is set by the General Shareholders' Meeting.
3. The supplementary capital may also be fed with funds coming from other sources, if permitted by law.
4. The supplementary capital is earmarked for covering the Bank's balance sheet losses. The decision on using the supplementary capital is taken by the General Shareholders' Meeting.



§ 46

1. The reserve capital is created out of allocations from the after-tax profit, in an amount resolved by the General Shareholders' Meeting.
2. The reserve capital is earmarked for covering balance sheet losses, should they exceed the supplementary capital. Decisions on using the reserve capital are taken by the General Shareholders' Meeting.

§ 47

1. The general risk fund for non-identified risks of banking operations is raised from after-tax profit allocations in the amount resolved by the General Shareholders' Meeting.
2. The general risk fund is earmarked for the coverage of costs and losses related to non-identified risks of banking operations for which the Bank has not raised a separate provision.

§ 48

The Banking Law and other detailed regulations specify the principles of incorporating other items into the Bank's own additional funds.

§ 49

1. The Bank raises and releases special funds pursuant to a resolution of the General Shareholders' Meeting, unless the obligation to raise special funds is stipulated by law.
2. Regulations of special funds are adopted by the Supervisory Board .

## **IX. Financial Management**

§ 50

The Bank conducts its financial management based on financial plans approved by the Supervisory Board. Detailed principles of the Bank's financial management are set out by the Management Board.

§ 51

1. The Bank may allocate its after-tax profit in the amounts determined by the General Shareholders' Meeting to:
  - a) supplementary capital
  - b) reserve capital
  - c) dividends to shareholders
  - d) special funds
  - e) general risk fund
  - f) other purposes.
2. The General Shareholders Meeting can allocate the dividend or part thereof to pay for shares to be taken up by the existing shareholders in the raised share capital of the Bank.
3. The dividend may be paid in the form of cash or securities. The dividend to the State Treasury, as the shareholder, shall be paid in cash.
4. The Bank's Management Board is authorized to make an advance payment of dividend anticipated for the end of the accounting year, provided the Bank has sufficient funds for such a payment. The disbursement of such an advance payment requires approval of the Supervisory Board.

§ 52

The Bank runs its accountancy in accordance with applicable regulations.

§ 53

Annual financial statements should be produced not later than within three months after the end of each accounting year. The accounting year is a calendar year.

**X. Final Provisions**

§ 54

All announcements required by law are released by the Bank in “Monitor Sądowy i Gospodarczy” (Judicial and Business Journal).

**§ 2**

Resolution becomes effective as of the day of its adoption.

The objection to the resolution was recorded in the minutes.

re. item 18

Resolution no. 35

Pursuant to art. 393 point 3 of the Commercial Companies Code the following is resolved:

§ 1

1. The AGM hereby approves disposal of an organised part of the Bank's enterprise, as defined in art. 55 (1) of the Civil Code, under the name Training Centre in Zakrzewo.

2. The organised part of the Bank's enterprise includes, among other things, the following:

- a) Right of perpetual usufruct of land owned by the State Treasury, with a total area of 154,611 sqm, located in Zakrzewo, Gmina KłECKO, KW 45712 kept by the District Court in Wągrowiec;
- b) Freehold of buildings and other assets permanently fixed to the land, constituting a separate property, erected on the land referred to in item a), including in particular: palace, annexe, garages, carriage house, 8-apartment residential building, two utility buildings, boiler house, bus garage, fencing, technical infrastructure, technical infrastructure lines, deep water well, smaller structures;
- c) Ownership right of the chattels in the buildings and other assets referred in item b);
- d) Rights attaching to the lease agreements and other transferable rights connected with the Training Centre in Zakrzewo;
- e) Receivables and cash related to the functioning of the Training Centre in Zakrzewo;

- f) Receivables and other rights related to the provision of services by the personnel of the Training Centre in Zakrzewo;
- g) The enterprise's trade secrets;
- h) Business records and documents;

3. The organised part of the Bank's enterprise referred to in section 1 will be purchased by a limited-liability company whose share capital will be fully acquired by the Bank ("Company").

4. The Company's share capital will be covered with a non-cash contribution in the form of the organised part of the enterprise referred to in section 1 ("Contribution-In-Kind").

5. The AGM authorises the Bank's Management Board to set the final selling price of the Contribution-In-Kind, however not lower than its carrying amount.

6. The AGM authorises the Management Board to take other decisions as required for due implementation of this Resolution.

#### § 2

The Resolution becomes effective on the day of its adoption.

re. item 19

#### Resolution no. 36

Pursuant to art. 5 section 8 of the Act on Trading in Financial Instruments of 29 July 2005, the following is resolved:

#### § 1

The BZ WBK Management Board shall be authorised to conclude agreements with the National Depository of Securities to register all series of the bonds issued as part of the 2<sup>nd</sup> Programme of BZ WBK Investment Bonds Issue under Management Board Resolution no. 50/2003 of 20 August 2003.

#### § 2

The resolution becomes effective on the day of its adoption.

Legal basis:

§39 clause 1, point 5 of the Ordinance of the Minister of Finance, dated 19 October 2005, re: current and periodical information submitted by the issuers of securities

