

**Interim consolidated
financial statements of
Bank Zachodni WBK S.A. Group
for the 6 months period
ended 30 June 2007**

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1. Consolidated income statement

For reporting periods ending on:		01.01.2007- 30.06.2007	01.01.2006- 30.06.2006
Interest and similar income		944 665	799 408
Interest expense and similar charges		(350 589)	(306 991)
Net interest income	Note 9	594 076	492 417
Fee and commission income		868 907	662 948
Fee and commission expense		(113 233)	(80 563)
Net fee and commission income	Note 10	755 674	582 385
Dividend income	Note 11	64 446	57 130
Net trading income and revaluation	Note 12	32 691	29 004
Gains (losses) from other financial securities	Note 13	3 470	25 698
Gains (losses) from investment in subsidiaries and associates	Note 14	-	6 243
Other operating income	Note 15	21 249	18 180
Impairment losses on loans and advances	Note 16	24 359	(16 347)
Operating expenses		(717 257)	(623 993)
Bank's staff, operating expenses and management costs	Note 17,18	(627 649)	(521 093)
Depreciation/amortisation		(68 098)	(86 424)
Other operating expenses	Note 19	(21 510)	(16 476)
Operating profit		778 708	570 717
Share in net profits (losses) of associates accounted for by the equity method		36	743
Profit before tax		778 744	571 460
Corporate income tax	Note 20	(147 221)	(107 887)
Profit for the period		631 523	463 573
of which:			
attributable to the Company's equity holders		558 596	423 904
attributable to the Minority equity holders		72 927	39 669
Net earnings per share (PLN/share)			
Basic earnings per share	Note 21	7,66	5,81
Diluted earnings per share		7,65	5,81

2. Consolidated Balance sheet

		30.06.2007	31.12.2006	30.06.2006
ASSETS				
Cash and balances with central bank	Note 22	762 897	1 534 480	984 152
Loans and advances to banks	Note 23	2 736 901	3 154 546	3 584 742
Financial assets held for trading	Note 24	424 102	1 104 604	2 161 140
Hedging derivatives	Note 25	32 185	19 956	20 005
Loans and advances to customers	Note 26	20 650 181	17 620 066	15 498 630
Investment securities	Note 27	8 996 182	8 021 289	6 834 466
Investments in associates	Note 28	35 936	36 201	68 858
Intangible assets	Note 29	111 515	135 032	139 495
Property, plant & equipment	Note 30	479 189	493 657	486 419
Deferred tax assets	Note 31	464 758	392 467	451 398
Other assets	Note 32	535 430	479 885	389 738
Total assets		35 229 276	32 992 183	30 619 043
LIABILITIES				
Deposits from banks	Note 33	3 555 187	2 608 377	3 375 774
Hedging derivatives	Note 25	7 111	12 912	15 753
Financial liabilities held for trading	Note 24	280 411	228 415	288 252
Deposits from customers	Note 34	25 218 044	24 222 051	21 558 833
Debt securities in issue	Note 35	589 675	646 342	795 252
Current income tax liabilities		60 056	7 643	57 120
Deferred tax liabilities	Note 36	334 677	293 529	254 785
Other liabilities	Note 37	1 035 514	896 172	925 299
Total liabilities		31 080 675	28 915 441	27 271 068
Equity				
Capital and reserves attributable to the Company's equity holders		3 996 275	3 960 001	3 279 076
Share capital	Note 38	729 603	729 603	729 603
Other reserve funds	Note 39	2 054 612	1 857 147	1 853 650
Revaluation reserve	Note 40	420 775	508 548	163 978
Retained earnings		232 689	106 481	107 941
Profit of the current period		558 596	758 222	423 904
Minority interest		152 326	116 741	68 899
Total equity		4 148 601	4 076 742	3 347 975
Total equity and liabilities		35 229 276	32 992 183	30 619 043

3. Movements on consolidated equity

MOVEMENTS ON CONSOLIDATED EQUITY	Equity					Total
	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Minority interest	
Opening balance as at 31.12.2006	729 603	1 857 147	508 548	864 703	116 741	4 076 742
Net change in available for sale investments	-	-	(87 773)	-	372	(87 401)
Share scheme charge	-	3 508	-	-	-	3 508
Net gains not recognised in income statement	-	3 508	(87 773)	-	372	(83 893)
Net profit	-	-	-	558 596	72 927	631 523
Total recognised increase in equity in 1H 2007	-	3 508	(87 773)	558 596	73 299	547 630
Dividend relating to 2006	-	-	-	(437 762)	(37 723)	(475 485)
Transfer to other reserve capitals	-	193 908	-	(193 908)	-	-
Transfer from other reserve funds	-	-	-	-	-	-
Other	-	49	-	(344)	9	(286)
As at 30.06.2007	729 603	2 054 612	420 775	791 285	152 326	4 148 601

MOVEMENTS ON CONSOLIDATED EQUITY	Equity					Total
	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Minority interest	
Opening balance at 31.12.2005	729 603	2 028 706	250 088	373 121	54 943	3 436 461
Net change in available for sale investments	-	-	258 695	-	25	258 720
Share scheme charge	-	3 674	-	-	-	3 674
Net gains not recognised in income statement	-	3 674	258 695	-	25	262 394
Net profit	-	-	-	758 222	86 024	844 246
Total recognised increase in equity in 2006	-	3 674	258 695	758 222	86 049	1 106 640
Dividend relating to 2005	-	-	-	(437 762)	(27 044)	(464 806)
Transfer to other reserve capitals	-	6 589	-	(6 589)	-	-
Transfer from other reserve funds	-	(168 326)	-	168 326	-	-
Other	-	(13 496)	(235)	9 385	2 793	(1 553)
As at 31.12.2006	729 603	1 857 147	508 548	864 703	116 741	4 076 742

MOVEMENTS ON CONSOLIDATED EQUITY	Equity					Total
	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Minority interest	
Opening balance at 31.12.2005	729 603	2 028 706	250 088	373 121	54 943	3 436 461
Net change in available for sale investments	-	-	(85 876)	-	-	(85 876)
Share scheme charge	-	176	-	-	-	176
Net gains not recognised in income statement	-	-	(85 876)	-	-	(85 876)
Net profit	-	-	-	423 904	39 669	463 573
Total recognised increase in equity in 1H 2006	-	176	(85 876)	423 904	39 669	377 873
Dividend relating to 2005	-	-	-	(437 762)	(27 044)	(464 806)
Transfer to other reserve capitals	-	6 589	-	(6 589)	-	-
Transfer from other reserve funds	-	(168 326)	-	168 326	-	-
Other	-	(13 495)	(234)	10 845	1 331	(1 553)
As at 30.06.2006	729 603	1 853 650	163 978	531 845	68 899	3 347 975

4. Consolidated cash flow statement

	01.01.2007 -30.06.2007	01.01.2006 -30.06.2006
Profit (loss) before tax	778 744	571 460
Total adjustments:	(329 238)	309 295
Share in net profits (losses) of associates accounted for by the equity method	(36)	(743)
Depreciation	68 098	86 424
Impairment losses	-	(1 808)
Gains (losses) on exchange differences	(129)	(1 855)
Interests and similar charges	519	129 135
Dividend income	(64 446)	(57 130)
(Profit) loss from investing activities	(4 125)	(28 497)
Change in provisions	7 596	1 478
Change in trading portfolio financial instruments	714 468	211 823
Change in loans and advances to banks	436 597	(219 542)
Change in loans and advances to customers	(3 027 951)	(1 321 182)
Change in deposits from banks	517 567	653 239
Change in deposits from customers	1 023 219	988 012
Change in liabilities arising from debt securities in issue	(93)	(2 687)
Change in assets and liabilities arising from deferred taxation	859	(4 314)
Change in other assets and liabilities	104 647	(23 975)
Paid income tax	(106 556)	(99 494)
Other adjustments	528	411
Net cash flow from operating activities - indirect method	449 506	880 755
Inflows	1 724 387	1 011 882
Sale of shares or interests in subsidiaries and associates	-	13 537
Sale of investment securities	1 658 146	939 880
Sale of intangible and tangible fixed assets	1 792	1 014
Dividends received	64 446	57 130
Proceeds from other investments	3	321
Outflows	(2 768 766)	(1 007 908)
Purchase of investment securities	(2 741 219)	(988 655)
Purchase of intangible and tangible fixed assets	(26 372)	(18 347)
Other investments	(1 175)	(906)
Net cash flow from investing activities	(1 044 379)	3 974
Inflows	811 346	191 819
Drawing of long-term loans	768 837	156 819
Issue of debt securities	42 509	35 000
Outflows	(969 104)	(669 947)
Repayment of long-term loans	(368 855)	(85 201)
Debt securities buy out	(99 083)	(88 000)
Dividends and other payments to shareholders	(475 485)	(464 806)
Other financing outflows	(25 681)	(31 940)
Net cash flow from financing activities	(157 758)	(478 128)
Total net cash flow	(752 631)	406 601
Cash at the beginning of the accounting period	1 547 604	593 686
Cash at the end of the accounting period	794 973	1 000 287

Additional notes to consolidated financial statements

5. General information about issuer

Bank Zachodni WBK S.A. is a bank seated in Poland (50-950 Wrocław, Rynek 9/11, TIN 896-000-56-73, National Official Business Register number (REGON) 930041341), registered in the District Court for Wrocław-Fabryczna, VI Economic Unit of the National Court Registry under 0000008723 number. Consolidated financial statements of Bank Zachodni WBK S.A. includes bank's stand alone financial information as well as information from its subsidiaries (all together called Group) and share of net assets of associated entities. The bank's ultimate parent company is Allied Irish Bank plc.

Group of Bank Zachodni WBK consists of the following subsidiaries and associates entities:

	Subsidiaries	Registered office	% of votes on AGM 30.06.2007	% of votes on AGM 31.12.2006	% of votes on AGM 30.06.2006
1.	BZ WBK Faktor Sp. z o.o.	Warszawa	100,00	100,00	100,00
2.	BZ WBK Inwestycje Sp. z o.o.	Poznań	100,00	100,00	100,00
3.	Dom Maklerski BZ WBK S.A.	Poznań	99,99	99,99	99,99
4.	BZ WBK Finanse & Leasing S.A.	Poznań	99,99	99,99	99,99
5.	BZ WBK Leasing S.A.	Poznań	99,99	99,99	99,99
6.	BZ WBK Nieruchomości S.A. i Wspólnicy Spółka Komandytowa*	Poznań	-	99,99	99,99
7.	BZ WBK Nieruchomości S.A.	Poznań	99,99	99,98	99,96
8.	Brytyjsko-Polskie Towarzystwo Finansowe WBK-CU Sp. z o.o.	Poznań	60,00	60,00	60,00
9.	BZ WBK AIB Asset Management S.A.**	Poznań	50,00	50,00	50,00
10.	BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A.	Poznań	100% of votes is held by BZ WBK AIB Asset Management S.A	100% of votes is held by BZ WBK AIB Asset Management S.A	100% of votes is held by BZ WBK AIB Asset Management S.A

*Company BZ WBK Nieruchomości S.A. i Wspólnicy Spółka Komandytowa was terminated on 27 of February 2007.

**In case of BZ WBK AIB Asset Management S.A., the Bank is a co-owner of the company together with AIB Capital Markets plc. Both owners of BZ WBK AIB Asset Management S.A. are members of Allied Irish Banks Group and each holds an equal stake of 50% in the company's share capital. In practice, Bank Zachodni WBK S.A. exercises control over the company and its subsidiary, BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A., because through its agency the ultimate parent (Allied Irish Banks) pursues its policy in Poland. Therefore the company is treated as a subsidiary undertaking.

	Associates	Registered office	% of votes on AGM 30.06.2007	% of votes on AGM 31.12.2006	% of votes on AGM 30.06.2006
1.	POLFUND - Fundusz Poręczeń Kredytowych S.A.	Szczecin	50,00	50,00	50,00
2.	NFI Magna Polonia S.A.	Warszawa	28,77	28,77	29,89

Bank Zachodni WBK S.A. is a universal commercial bank that offers a wide range of banking services for individual and business customers and operates in domestic and foreign markets. Additionally, through its subsidiaries, BZ WBK Group offers the following services:

- trading in securities,
- leasing,
- asset / fund management, insurance services
- trading in stocks and shares of commercial companies.

Financial highlights of BZWBK Group

FINANCIAL HIGHLIGHTS		PLN '000		EUR '000	
		1 H 2007: 01.01.2007 for the period: -30.06.2007	1 H 2006: 01.01.2006 - 30.06.2006	1 H 2007: 01.01.2007 -30.06.2007	1 H 2006: 01.01.2006 -30.06.2006
Consolidated financial statements					
I	Interest and similar income	944 665	799 408	245 457	204 966
II	Fee and commission income	868 907	662 948	225 772	169 978
III	Operating profit	778 708	570 717	202 335	146 330
IV	Gross profit	778 744	571 460	202 345	146 521
V	Net profit attributable to the Company's equity holders	558 596	423 904	145 143	108 688
VI	Total net cash flow	(752 631)	406 601	(195 560)	104 251
VII	Total assets	35 229 276	30 619 043	9 355 058	7 572 598
VIII	Deposits from banks	3 555 187	3 375 774	944 072	834 885
IX	Deposits from customers	25 218 044	21 558 833	6 696 597	5 331 858
X	Total liabilities	31 080 675	27 271 068	8 253 406	6 744 588
XI	Total equity	4 148 601	3 347 975	1 101 652	828 010
XII	Minority interest	152 326	68 899	40 450	17 040
XIII	Net profit attributable to the Minority	72 927	39 669	18 949	10 171
XIV	Number of shares	72 960 284	72 960 284		
XV	Net book value per share in PLN/EUR	56,86	45,89	15,10	11,35
XVI	Solvency ratio	13,34%	15,53%		
XVII	Profit (loss) per share in PLN/ EUR	7,66	5,81	1,99	1,49
XVIII	Diluted earnings (loss) per share in PLN/EUR	7,65	5,81	1,99	1,49
XIX	Declared or paid dividend per share in PLN/EUR	6,00	6,00	1,59	1,48

Stand alone financial statements					
I	Interest and similar income	882 318	739 366	229 257	189 571
II	Fee and commission income	484 988	435 691	126 017	111 710
III	Operating profit	629 934	430 182	163 679	110 297
IV	Gross profit	629 934	430 182	163 679	110 297
V	Net profit	537 480	357 147	139 656	91 571
VI	Total net cash flow	(753 747)	404 768	(195 850)	103 781
VII	Total assets	33 088 728	29 120 837	8 786 640	7 202 067
VIII	Deposits from banks	2 495 924	2 971 323	662 787	734 858
IX	Deposits from customers	25 551 028	21 704 784	6 785 020	5 367 954
X	Total liabilities	29 462 652	26 089 719	7 823 743	6 452 421
XI	Equity attributable to the Company's equity holders	3 626 076	3 031 118	962 897	749 646
XII	Number of shares	72 960 284	72 960 284		
XIII	Net book value per share in PLN/EUR	49,70	41,54	13,20	10,27
XIV	Solvency ratio	11,85%	14,14%		
XV	Profit (loss) per share in PLN/ EUR	7,37	4,90	1,91	1,26
XVI	Diluted earnings (loss) per share in PLN/EUR	7,36	4,90	1,91	1,26
XVII	Declared or paid dividend per share in PLN/EUR	6,00	6,00	1,59	1,48

The following principles were applied in order to convert financial figures into EUR:

- for balance sheet items – 3,7658 EUR rate to PLN as at 30.06.2007 stated by National Bank of Poland (NBP), 4,0434 EUR rate to PLN as at 30.06.2006.
- For profit and loss items -as at 30.06.2007 - 3,8486 (an average EUR rate to PLN in NBP on the last day of each month in the first half of 2007), as at 30.06.2006 - 3,9002 (an average EUR rate to PLN in NBP on the last day of each month in the first half of 2006)

6. Significant accounting policies

Statement of compliance

The interim consolidated financial statements of the BZWBK Group for the 6 month period ended 30 June 2007 have been prepared in accordance with the International Financial Reporting Standard for interim financial reporting as adopted by the European Union and with respect to matters not regulated by the above Standard, in accordance with the Accounting Act dated 29 September 1994 (Official Journal from 2002, No 76, item 694 with amendments) and the respective bylaws and in accordance with the requirements for issuers of securities admitted or sought to be admitted to trading on an official stock-exchange listing market.

Basis of preparation

The financial statements are presented in PLN, rounded to the nearest thousand.

The financial statements are prepared on a fair value basis for derivative financial instruments, financial instruments at fair value through profit and loss account, and available-for-sale financial assets, except those for which a reliable measure of fair value is not available. Other financial assets and financial liabilities (including loans and advances) are recognized at amortised cost using the effective interest rate less impairment or purchase price less impairment.

The preparation of financial statements in conformity with IFRSs requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The accounting policies have been applied consistently by Group entities.

Comparability with results of previous periods

To ensure comparability and IFRS 7 implementation, the following substantial changes were made to the presentation of financial data compared to 2006:

a) Consolidated income statement:

- Accrued interest on hedging IRS of PLN 4 251 k currently disclosed in net interest income, was previously classified as „Gains (losses) on financial instruments measured at fair value through profit and loss”,
- Presentation of realised f/x margins (previously “F/X profit”) of PLN 93 114 k currently classified as “Commission income”,
- Other trading f/x transactions of PLN 11 835 k previously disclosed as “F/X profit”, currently classified to „Net trading and revaluation income”,
- Change of presentation of “Gains and losses on hedging transactions” of PLN 2 628 k, currently in „Gains (losses) from other financial securities”,
- Change in classification of gains on execution of Euroindex options related to indexed customer deposits, currently being a part of „ Gains (losses) on financial instruments measured at fair value through profit and loss” while previously amount of PLN 3 697 k was classified as “Net trading and revaluation income”

b) Consolidated balance sheet:

- Change of presenting derivatives as at 30.06.2006 totaling PLN 349 798 k, presented now as net amounts under „Financial assets held for trading” and „Financial liabilities held for trading”,
- Reclassification of interest from IRS valuation to „Hedging derivatives” as at 30.06.2006 totaling PLN 15 460 k in assets and PLN 1 701 k in liabilities and as at Y/E 2006 totaling PLN 16 948 k and PLN 3 024 k respectively,
- Change of presenting „Liabilities due to current income tax” as at H1 2006 totaling PLN 57 120 k presented previously under „Other liabilities”,
- Reclassification of bonds to „Receivables from customers” totaling PLN 34 516 k as at 30.06.2006 presented previously under „Investment securities”,
- Change of presenting incoming and outgoing SWIFT transactions as at 30.06.2006 that currently total PLN nil after netting,
- Change of presenting liabilities towards international financial organization by BZ WBK Leasing S.A. as at H1 2006 totaling PLN 67 360 k relating to „Deposit from customers” that were previously presented under „Deposits from banks”.

Also, the following IFRS 7 based changes were made in consolidated balance sheet as regards data presentation:

- Reclassification of trading derivatives to „Financial assets held for trading” totaling PLN 362 675 k as at Y/E 2006 and PLN 332 353 k as at 30.06.2006 that were previously presented under „Derivative financial instruments”,
- Reclassification of trading derivatives to „Financial liabilities held for trading” as at Y/E 2006 totaling PLN 223 409 k and PLN 264 293 k as at 30.06.2006 that were previously presented under „Derivative financial instruments”,
- Change of presenting „Reverse repo transactions” totaling PLN 107 516 k as at 30.06.2006 presented currently under „Loans and advances to banks” totaling PLN 85 670 k and „Loans and advances to customers” totaling PLN 21 846 k (PLN 15 629 k as at the end of 2006),
- Change of presenting „Repo transactions” totaling PLN 1 661 617k as at 30.06.2006 and PLN 1 230 682 k as at the end of 2006, currently presented under „Deposits from banks”, „ Deposits from customers” and „Financial liabilities held for trading”.

Basis of consolidation

Subsidiaries

Subsidiaries are those enterprises which are controlled by BZWBK S.A. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Control also exists when the parent owns half or less of the voting power of an entity when there is:

- (a) power over more than half of the voting rights by virtue of an agreement with other investors;
- (b) power to govern the financial and operating policies of the entity under a statute or an agreement;
- (c) power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; or
- (d) power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Purchase method of accounting

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. However, during the reporting period there was no such acquisition as mentioned above.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's

carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the reporting currency at the foreign exchange rates ruling at the dates that the fair values were determined.

Hedge accounting

Derivative financial instruments are initially recognised at fair value. After their initial recognition, derivatives are measured at their fair values without any deduction for transactions costs to be incurred on sale or disposal.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification) or based on a valuation technique whose variables include only data from observable markets.

The Group uses derivative financial instruments to hedge its exposure to interest rate risks arising from operational, financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments and recognised at fair value.

Hedge accounting recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item.

At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged. The Group also documents, at inception and on going basis, an assessment of the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value.

Fair value hedge

This is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

A fair value hedge is accounted for as follows: the gain or loss from remeasuring the hedging instrument at fair value (for a derivative hedging instrument) shall be recognised in profit or loss; and the gain or loss on the hedged item attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognised in profit or loss. This applies if the hedged item is otherwise measured at amortised cost. Recognition of the gain or loss attributable to the hedged risk in profit or loss applies if the hedged item is an available-for-sale financial asset.

Financial assets and financial liabilities***Classification***

The Group classifies its financial instruments into the following categories:

- financial assets or financial liabilities at fair value through profit or loss;
- loans and receivables;
- available-for-sale financial assets
- and financial liabilities measured at amortised cost.

Financial asset or financial liability at fair value through profit or loss

This is a financial asset or liability that meets either of the following conditions.

- (1) Classified as held for trading. A financial asset or financial liability is classified as held for trading if:
 - a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
 - b) it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking;
 - c) derivatives are held for trading unless the derivative is a designated and effective hedging instrument.
- (2) Upon initial recognition it is designated by the Group as at fair value through profit or loss. As at the balance sheet date the Group doesn't hold the category of financial instrument.

Loans and receivables

Loans and receivables arise when the Group provides money to a debtor for a purpose other than short-term profit taking. Loans and receivables comprise loans and advances to banks and customers including purchased receivables and investments in debt instruments provided that they are not quoted in an active market.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost using EIR method include deposits from banks, deposits from customers, repo transactions and debt securities in issue.

Recognition

A regular way purchase or sale of a financial asset classified at fair value through profit or loss, held to maturity (at present, in our portfolio we haven't such assets) and available for sale are recognised using settlement date accounting. The method is applied consistently for all purchases and sales of financial assets. Loans are recognised when cash is advanced to the borrowers.

Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the Group transfers the contractual rights to receive the cash flows.

Measurement

When a financial asset or financial liability is recognised initially, it is measured at fair value plus (in the case of a financial asset or financial liability not at fair value through profit or loss) transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

There is no issue of the first day valuation within the Group due to the fact that transactions are concluded at fair value corresponding to market prices.

After initial recognition, the Group measures financial assets, including derivatives that are assets, at their fair values, without any deduction for transaction costs it may incur on sale or other disposal, except for (a) loans and receivables which shall be measured at amortised cost using the effective interest method; (b) investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, except for:

- (a) financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are measured at fair value,
- (b) financial liabilities resulting from transferring a financial asset that is not to be derecognised.

Financial assets and financial liabilities that are designated as hedged items are subject to measurement under hedge accounting requirements.

Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or financial liability that is not part of a hedging relationship is recognised, as follows:

A gain or loss on a financial asset or financial liability classified as at fair value through profit or loss is recognised in profit or loss.

A gain or loss on an available-for-sale financial asset, except for impairment losses, is recognised directly in equity, through the statement of changes in equity until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the entity's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities) the Group establishes fair value by using valuation techniques which include recent arms length market transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Where a fair value cannot be reliably estimated, unquoted instruments that do not have a quoted market price in an active market are measured at cost and periodically tested for impairment.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when there is a legally enforceable right to set off the recognised amounts and when there is an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Sale and repurchase agreements

The Group also generates funds by selling financial instruments under repurchase agreements whereby the instruments must be repurchased at the same price plus initially agreed interest.

Securities sold subject to repurchase agreements ("repos") are not derecognised at the balance sheet date. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

Impairment of financial assets

Assets carried at amortised cost

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. It may not be possible to identify a single, discrete event that caused the impairment. Rather the combined effect of

several events may have caused the impairment. Losses expected as a result of future events, no matter how likely, are not recognised. Objective evidence that a financial asset or group of assets is impaired includes observable data about the following loss events:

- (a) significant financial difficulty of the issuer or obligor;
- (b) a breach of contract, such as a default or delinquency in interest or principal payments;
- (c) the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;
- (d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - (i) adverse changes in the payment status of borrowers in the group, or
 - (ii) national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If a loan or receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The carrying amount of the asset shall be reduced through identification of a provision. The amount of the loss shall be recognised in profit or loss.

As a practical expedient, the Group may measure impairment of a financial asset carried at amortised cost on the basis of an instrument's fair value using an observable market price. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

The Group periodically reviews its loan portfolio to check whether there is any objective evidence that a financial asset or group of financial assets are impaired.

The analysis of impairment is carried out:

- with reference to individual credit exposures representing significant reporting items (in excess of PLN 2 m),
- with reference to the portfolio of credit exposures which individually are not significant.

With regard to impairment, the review of individual loan exposures is carried out once a quarter or more often, if needed. Impairment for the portfolio, which is assessed jointly, is verified monthly.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised by the Group are not included in a collective assessment of impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms (for example, on the basis of the Group's credit risk evaluation or the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). The characteristics chosen are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status or other factors that are indicative of incurred losses in the group and their magnitude). The Group reviews regularly the methodology and assumptions used for estimating future cash flows in order to reduce any differences between loss estimates and actual loss experience.

In the case of credit exposures for which no indications of impairment were identified, the Group (Bank) carries out the impairment analysis based on the concept of losses already incurred but not yet reported and connected with loan impairment (IBNR), which is estimated on the basis of the historical loss experience for loans with a similar risk profile, on the basis of estimated period between the occurrence of impairment and the identification as well as evidencing loss, and on the basis of historical data corrections, as described above.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting the provision. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

When a loan has been subject to a specific provision and the prospects of recovery do not improve, a time will come when it may be concluded that there is no real prospect of recovery. When this point is reached, the amount of the loan which is considered to be beyond the prospect of recovery is written off against the related provision for loan impairment. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Available-for-sale financial assets

For financial assets classified as available-for-sale for which there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in profit or loss. The amount of the cumulative loss that is removed from equity and recognised in profit or loss shall be the difference between the acquisition cost (net of any principal repayments and amortisation) and current fair value. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

Off balance sheet liabilities

For off-balance sheet liabilities, provisions for impairment is measured using the existing credit limit and the recoverable amount defined as the present value of the estimated future cash flows discounted by the effective interest rate. For off-balance sheet liabilities the cash flows are calculated with reference to the existing credit limit at the date corresponding to the maturity of the obligation and depend on the probability of outflow of the funds from the Bank.

Finance lease receivables

Leases where the Group transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable at an amount equal to the net investment in the lease is recognised.

The recognition of finance lease income is based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

Finance lease receivables are included in loans and advances to customers.

Property, plant and equipment***Owned assets***

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses.

Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Subsequent expenditure

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- | | |
|-----------------------|--------------|
| • buildings | 40 years |
| • structures | 22 years |
| • plant and equipment | 3 – 14 years |

Fixed assets held for sale

On initial date of classification of non-current assets as assets held-for-sale, the Group measures them at the lower of its carrying amount and fair value less cost to sell.

Any initial or subsequent write-down of the asset held-for-sale to fair value less cost to sell are recognised in the profit and loss account.

Intangible assets***Computer software***

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- software development costs 3 – 5 years
- computer software 3 – 5 years

Other items***Other trade and other receivables***

Trade and other receivables are stated at their cost less impairment losses.

Borrowings

Borrowings are recognised initially at fair value, being the issue proceeds (fair value of consideration received) net of transaction costs occurred. Borrowings are subsequently stated at amortised cost.

Liabilities

Liabilities, other than financial liabilities held for trading, are stated at cost.

Impairment of assets other than financial assets

The carrying amounts of the Group's assets, other than deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Calculation of recoverable amount

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Equity

Equity comprises capital and funds created in accordance with applicable law, acts and the Statutes. Equity also includes retained earnings and prior year losses carried forward.

Share capital is stated at its nominal value in accordance with the Statutes and the entry in the court register.

Supplementary capital is created from profit allocations and share issue premiums.

Reserve capital is created from profit allocations and is earmarked for covering balance sheet losses.

Revaluation reserve comprises differences from the valuation of financial assets available for sale taking into account the deferred income tax.

Revaluation reserve is not distributable.

On the day of derecognition of all or part of financial assets available for sale the total effects of periodical change in the fair value reflected in the revaluation reserve are reversed. Total or part of the previous revaluation charge increases or decreases the value of the given financial asset available for sale.

Net financial result for the accounting year is the profit disclosed in the profit and loss account of the current year adjusted by the corporate income tax charge.

Dividends

Dividends on redeemable preference shares are recognised as a liability and expressed on an accrual basis.

Dividends for particular year, which have been declared but not paid at the balance sheet date are recognised as dividend liabilities in "other liabilities" item.

Employee benefits

Short-term service benefits

The Group's short-term employment benefits include wages, bonuses, holiday pay and social insurance payments are recognised as an expense as incurred.

Long-term service benefits

The Group's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The accrual for retirement bonus granted under the provisions of the Collective Labour Agreement and terms of individual employee contracts as well as the accrual for disability pension bonus were estimated on the basis of an actuarial valuation. The actuarial valuation of those accruals is updated on an annual basis.

The identifiable actuarial gains and losses include: retrospective adjustments to the actuarial assumptions being the difference between the previous actuarial assumptions and the actual occurrences and the effects of changes in the actuarial assumptions.

Profit Sharing Scheme

BZWBK Group has recognized in the consolidated financial statements a liability resulting from a profit sharing scheme granted to employees of selected subsidiaries in accordance with other long term employee benefits as described in IAS 19. The scheme, formally based on issue of shares that are purchased by entitled employees of subsidiaries, has characteristics of a long term profit sharing scheme (not share based payments), as all shares issued under the scheme are subjected to conditional obligation to dispose shares at a price different from the fair value of shares. Resulting from the classification of the scheme BZWBK Group recognized a liability in its financial statements in an amount of estimated present value of expected future pay-outs considering a relevant service period in correspondence with employee related expenses. Concerning the above any pay-outs under the scheme are not recognized as net profit appropriation.

Share based payments

BZWBK Group operates a share based compensation plan. For grants of share based payments after 7 November 2002 (IFRS 2.53), the fair value of the employee services received is measured by reference to the fair value of awards granted on the day of the grant. The cost of the employee services received in exchange for awards granted is recognized in the income statement over the period during which the employees become unconditionally entitled to the share based payments, which is the vesting period. The amount expensed is determined by reference to the fair value of awards granted. The fair value of awards granted is determined using the share based payments pricing models, which take into account the exercise price of the award, the share price at date of grant, the risk free rate, the expected volatility of the share price over the life of the award and other relevant factors. Vesting conditions included in the terms of the grant are not taken into account in estimating fair value except where those terms relate to market conditions. Non-market vesting conditions are taken into account by adjusting the number of awards included in the measurement of the cost of employee services so that ultimately, the amount recognized in the income statement reflects the number of vested awards. The expense related to share based payments is credited to the shareholder's equity. Where the share based payment arrangements give rise to the issue of new shares, the proceeds of issue of the shares are credited to share capital (nominal amount) and share premium (if any) when awards are exercised.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provisions for off balance sheet items such as guarantees, letters of credit, and unutilised irrevocable credit facilities are recognised in accordance with this policy.

Net interest income

Interest income and expenses for all financial instruments is recognised in the income statement at amortised cost using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees (e.g. arrangement, drawdown, renewal, restructure fees and fees for annexes which modify payments) and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Net commission income

Fees and commissions settled under effective interest rate are listed above. Fees on overdrafts, revolving loans, credit cards and off balance sheet liabilities are brought in a straight-line method to the profit and loss account.

Other fees and charges, which are not settled according to effective interest rate, are taken to profit and loss account on an on-going basis.

Dividend income

Dividends are taken to the profit and loss account at the moment of acquiring rights to them.

Profit on disposal of subsidiaries and associates

Profit on the sale of interests in subsidiaries is set as a difference between the net asset value and their sale price.

Profit on the sale of interests in associates is set as a difference between the carrying amount and their sale price.

Other operating income and costs

Other operating income and costs include expenses and revenues, which are not related directly to the statutory activity of the Group. These are primarily revenues and costs from the sale and liquidation of fixed assets, income from sale of other services, paid and received damages, penalties and fines.

Operating lease payments

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge to be allocated so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Corporate income tax

Corporate income tax consists of current and deferred tax.

Current tax is calculated based on the gross accounting income/loss adjusted by revenues which in line with tax regulations are not taken to taxable income and by costs which tax regulations do not recognize as tax deductible costs. Moreover, for tax purposes, the gross accounting income/loss is adjusted for income and costs from previous years realized for tax purposes in a given accounting period, and for deductions from income, e.g. donations.

The Group creates a provision for deferred tax in respect of all taxable temporary differences and deferred tax assets with regard to all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities should be measured as the multiple of a temporary difference and the tax rates that are expected to apply to the period when the asset is realised or the liability is settled (liability method), based on tax rates/laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are not discounted.

7. Segmental reporting

BZ WBK Group's operating activities have been divided into four business segments: Treasury operations, Investment Banking, Branch operations and Leasing operations.

- Activity of the Treasury Operations Segment comprises foreign exchange and interbank transactions as well as transaction in derivative instruments and debt securities
- Activity of the Investment Banking Segment includes investment activities of Bank Zachodni WBK S.A., asset management and brokerage operations
- Activity of the Branch Operations Segment comprises branch network operations, Corporate Banking and the related internet distribution of services and products.
- Leasing Operations Segment centralises the Group's leasing activity.

Income and costs of the individual segment mean income and costs earned/incurred on sales to external clients or on transactions with other segments of the Group. They are disclosed in the P&L account and can be allocated to a particular business segment on a rational bases.

The segment's assets and liabilities are operational assets and liabilities used by that segment in its operating activities. They can be, based on rational premises, allocated to a particular business segment.

Allocations of internal income and expenses were taken into account in determining the profitability of individual segments. Sale prices between the segments are close to market prices. Operating costs and income are

appropriately allocated to a relevant segment. Costs and income, which cannot be rationally assigned, are stated in "unallocated costs" and "unallocated income".

BZ WBK Group operates exclusively in the territory of Poland and no significant differences in risk were identified as regards the geographical location of its outlets. Therefore, the issuer did not present financial statements with a breakdown into geographical segments.

Consolidated income statement (by business segments)
30.06.2007

	Branch operations	Treasury operations	Investment banking	Leasing operations	Eliminations	Total
1. Total segments income	1 524 750	325 826	512 133	78 611	(570 340)	1 870 980
Segments income (external)	1 189 224	123 349	480 551	77 856		1 870 980
Segments income (internal)	335 526	202 477	31 582	755	(570 340)	-
2. Total segments costs	(1 133 467)	(260 642)	(252 272)	(58 205)	570 340	(1 134 246)
Segments costs (external)	(899 890)	(21 332)	(162 818)	(50 206)		(1 134 246)
Segments costs (internal)	(233 577)	(239 310)	(89 454)	(7 999)	570 340	-
3. Dividend income			64 446			64 446
4. Movements in provisions	27 630	-	-	(3 271)	-	24 359
Write off	(126 500)			(9 339)		(135 839)
Write back	154 130			6 068		160 198
5. Segments income on investment in associates	-	-	36	-	-	36
6. Segments gross profit	418 913	65 184	324 343	17 135	-	825 575
7. Unallocated income						-
8. Unallocated costs						(46 831)
9. EBT						778 744
10. Income tax						(147 221)
11. Minority interest						(72 927)
12. Profit for the period						558 596

Additional information
30.06.2007

	Branch operations	Treasury operations	Investment banking	Leasing operations	Total
1. Segments assets	18 386 367	12 201 571	1 096 439	2 112 962	33 797 339
2. Segments investments in associates	-	-	35 936	-	35 936
3. Unallocated assets	-	-	-	-	1 396 001
Total assets	18 386 367	12 201 571	1 132 375	2 112 962	35 229 276
1. Segments liabilities	23 724 823	3 216 524	1 393 020	1 731 921	30 066 288
2. Unallocated liabilities	-	-	-	-	1 014 387
3. Equity	-	-	-	-	4 148 601
Total liabilities	23 724 823	3 216 524	1 393 020	1 731 921	35 229 276
1. Amortisation	59 542	791	2 143	1 105	63 581
2. Capital expenditures	20 231	104	4 304	3 051	27 690

Consolidated income statement (by business segments)
30.06.2006

	Branch operations	Treasury operations	Investment banking	Leasing operations	Eliminations	Total
1. Total segments income	1 344 144	317 932	344 753	73 901	(546 546)	1 534 184
Segments income (external)	1 030 801	105 000	325 207	73 176		1 534 184
Segments income (internal)	313 343	212 932	19 546	725	(546 546)	-
2. Total segments costs	(1 024 335)	(266 824)	(162 792)	(54 759)	546 546	(962 164)
Segments costs (external)	(792 932)	(19 556)	(101 111)	(48 565)		(962 164)
Segments costs (internal)	(231 403)	(247 268)	(61 681)	(6 194)	546 546	-
3. Dividend income			57 130			57 130
4. Movements in provisions	(14 578)	-	-	(1 769)	-	(16 347)
Write off	(167 293)			(9 322)		(176 615)
Write back	152 715			7 553		160 268
5. Segments income on investment in associates	-	-	743	-	-	743
6. Segments gross profit	305 231	51 108	239 834	17 373	-	613 546
7. Unallocated income						-
8. Unallocated costs						(42 086)
9. EBT						571 460
10. Income tax						(107 887)
11. Minority interest						(39 669)
12. Profit for the period						423 904

Additional information

30.06.2006

	Branch operations	Treasury operations	Investment banking	Leasing operations	Total
1. Segments assets	12 947 458	13 664 254	525 544	1 807 326	28 944 582
2. Segments investments in associates			68 858		68 858
3. Unallocated assets					1 605 603
Total assets	12 947 458	13 664 254	594 402	1 807 326	30 619 043
1. Segments liabilities	20 368 737	3 994 521	675 233	1 294 178	26 332 669
2. Unallocated liabilities					938 399
3. Equity					3 347 975
Total liabilities	20 368 737	3 994 521	675 233	1 294 178	30 619 043
1. Amortisation	76 684	745	1 720	856	80 005
2. Capital expenditures	13 679	1 221	1 426	1 367	17 693

8. Risk management

BZWBK assumes a variety of risks in its ordinary business activities. These includes credit risk, market risk, liquidity risk and operational risk. The role of risk management is to ensure that BZWBK continues to take risk in controlled way in order to enhance shareholders value. BZWBK's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits continually. BZWBK continues to modify and enhance its risk management practices to reflect changes in market, products, regulatory environment and evolving best practice.

Primary responsibility for risk management establishment and framework lies with the Management Board (MB). MB formally approves the overall business strategies and policies, reviews Group's financial performance, risk management activities and controls. MB has established set of committees, which are responsible for risk developing and monitoring in their specified areas: Asset and Liabilities Committee (ALCO), Operational Risk Management Committee (ORMCO) and Credit Committees.

ALCO is chaired by MB President and is responsible for capital, funding, liquidity, market risk and structural balance sheet activities. Upon the recommendation from the ALCO the MB approves the Strategies and Policies for liquidity, market and structural balance sheet risk management along with the limits that define the maximum acceptable exposure to individual risk types.

Operating risk

Operational risk covers threats of loss resulting from incorrect internal processes, systems, human errors or external circumstances.

Policies, standards and procedures implemented in the Bank result in an environment where operational risk is managed directly by organizational units in their respective areas.

The Bank has implemented a policy for operational risk management and a number of detailed procedures and guidelines for BZWBK and subsidiaries where it is described how operational risk is identified, assessed, monitored and mitigated.

Operational risk management in BZWBK Group includes:

- operational risk self-assessment,
- fraud prevention (including money laundering prevention),
- data protection (including protection of personal data),
- reporting and learning from operational losses,
- preparation, analysis and regular testing of BCM plans,
- regular reporting to BZWBK Board of issues relating to operational risk.

Bank Zachodni WBK S.A. cooperates with AIB Group as regards preparation and implementation of operational risk management strategy and policy as well as selection and implementation of tools supporting operational risk management to ensure compliance with New Capital Accord requirements.

Credit risk

Bank Zachodni WBK's credit delivery activities focus on growing a high quality loan-book with a good yield and customer satisfaction.

Credit risk arises mainly from lending activities on the retail, corporate and inter-bank markets. This risk is managed as part of the policy approved by the Management Board on the basis of the adopted credit delivery procedures as well as on the basis of discretionary limits allocated to individual credit officers based on their knowledge and experience. The bank's internal system of credit grading and monitoring allows for an early identification of likely defaults that might impair the loan book.

Credit Policy Forum

To manage the credit risk effectively, Bank Zachodni WBK S.A. established the Credit Policy Forum whose key role is to develop and approve credit and sectoral policies, industrial analyses, credit grading systems and credit risk assessment addressed for the branch network and Business Support Centre units directly responsible for business growth and support. The Credit Policy Forum is composed of senior representatives of individual Bank Zachodni WBK divisions.

Credit Policies

Credit policies contain guidelines for the identification and assessment of areas where specific types of risks manifest themselves and also provide the methods of limiting those risks to a level acceptable to the bank (e.g. FX risk in the case of foreign currency loans). Credit policies comply with the AIB Group standards and are adapted to the local credit market conditions where Bank Zachodni WBK S.A. operates.

At the same time, credit policies are subject to periodical reviews aimed to bring these guidelines up to date with the bank's current needs.

Credit Grading

Intensive work has been undertaken to further develop credit risk assessment tools to conform to the Basel requirements and IAS. These efforts are accomplished based on AIB Group expertise and best practices, as well as in close liaison with external, internationally recognized advisors.

Currently the bank uses new credit risk grading models for its key credit portfolios, including corporate customers, SMEs, housing loans, cash loans, credit cards and retail overdrafts. Work is under way to develop tools compliant with Basel requirements for other portfolios, i.e. income-producing real estate and public sector.

Provisioning

In Bank Zachodni WBK S.A. and its subsidiaries provisions are raised in accordance with the International Accounting Standards/International Financial Reporting Standards (IAS/IFRS). The provisions reflect credit impairment which is recognised if the bank presents an objective evidence that such amounts cannot be

recovered in line with the signed loan agreement. The impairment is calculated on the basis of the estimated recoverable amount. Impairments are analysed using both the individual and collective approach.

Ensuring adequate level of provisions is the responsibility of the Provisions Committee.

Return on Risk

Bank Zachodni WBK S.A. continues to develop and implement risk based methods of grading loans, allocating capital and measuring returns. Currently for all significant portfolios risk valuation models based on EVA (Economic Value Added) are being implemented.

Credit Decision Making Process

The credit decision-making process as part of the risk management policy is based upon Individual Credit Discretions vested in credit officers, commensurate with their knowledge and experience relating to particular activities (retail banking, corporate banking and SMEs). Credit exposures in excess of PLN 15m are referred to the Credit Committee composed of senior management and top executives of Bank Zachodni WBK S.A.

Bank Zachodni WBK S.A. continually strives to ensure best quality credit service to meet the borrowers' expectations and relevant risk policy standards. To this end, the credit risk approval function has been basically separated from the sales function. Credit decision making functions and sales functions are combined only at the Branch Banking level and these are limited to exposures up to a pre-defined ceiling. The responsibility for credit decisions and loan portfolio quality assurance lies with the Chief Credit Officer and his reporting managers.

In order to ensure better risk management, the bank implemented scoring techniques for retail customers, SMEs and home mortgages. The scoring systems are continuously upgraded which has improved the quality of risk management, accelerated the decision-making process.

Credit Reviews

Demonstrating the utmost care about the loan-book quality, Bank Zachodni WBK S.A. performs regular reviews to ensure conformity with the best credit practice, to determine the actual quality of the credit portfolio, to confirm that adequate credit grading and provisioning processes are in place and to objectively assess professionalism in credit management. The reviews are performed by the Credit Review Department and Quality Assurance Department which are a function independent of risk-taking units.

Credit risk concentration

Bank Zachodni WBK fully adheres to the standards provided for in the Banking Law with regard to the concentration of risk bearing exposures to a single entity or a group of entities connected in terms of capital or organisation. As at 30.06.2007, pursuant to art. 71 of the Banking Law Act, the maximum limits for the bank totalled:

- PLN 675 970 k (20% of bank's own funds pursuant to the Banking Law art. 127 and Banking Supervisory Resolution no. 5 & 6) in the case of exposures to subsidiary or dominant entities or to subsidiary entities of the entity dominant for the bank,
- PLN 844 962 k (25% of bank's own funds pursuant to the Banking Law art. 127 and Banking Supervisory Resolution no. 5 & 6) in other cases.

The policy pursued by the bank aims at minimising the credit concentration risk, by for example applying more rigorous rules than the regulatory ones in this respect, which are set out in the Large Exposures Policy. The effect of this policy is maintenance of high level of diversification of exposures towards individual customers.

The analysis of the bank's exposures in terms of sectoral concentrations, carried out at the end of June 2007, proved that the bank does not have any exposures in excess of the limits imposed by the regulator.

At the end of 1H 2007, the bank had credit exposures (balance sheet and off-balance sheet) exceeding 10% of its own funds attributable to 6 entities (three of which were members of the BZWBK Group) and which accounted for 81% of own funds (against the permissible norm of 800%).

A list of the 20 largest borrowers of Bank Zachodni WBK SA (performing loans) as of 30.06.2007 (excluding subsidiaries).

PLN k

No.	Industry code (PKD)	Total credit exposure	Balance	Committed credit line	Guarantees
1	70	596 432	333 077	262 694	662
2	70	549 014	512 085	36 928	-
3	70	372 581	113 650	238 931	20 000
4	40	330 509	182 316	75 603	72 591
5	15	310 000	250 021	59 979	-
6	20	294 069	69 390	209 983	14 696
7	70	201 550	71 118	130 432	-
8	65	200 000	51 525	148 475	-
9	70	196 674	141 196	55 478	-
10	70	191 002	146 453	44 549	-
11	26	179 653	179 653	-	-
12	70	174 099	2 660	171 438	-
13	52	155 000	141 948	8 017	5 035
14	70	151 507	87 573	63 934	-
15	45	146 620	61 071	7 414	78 135
16	24	144 667	144 667	-	-
17	70	140 668	104 461	36 206	-
18	70	137 522	116 531	20 992	-
19	65	136 189	135 141	-	1 048
20	29	135 451	125 451	10 000	-
		4 743 207	2 969 987	1 581 054	192 166

Credit risk management

The bank's credit risk management depends on internal ratings that, for presentational purposes are grouped in provisions cover differentiated classes.

The tables below present Group exposure to credit risk.

PLN m	Provision cover	Loans and advances to customers		Loans and advances to banks		Investment securities		Financial assets held for trading	
		30.06.2007	30.06.2006	30.06.2007	30.06.2006	30.06.2007	30.06.2006	30.06.2007	30.06.2006
Individually impaired									
class 5	up to 50 %	211	228						
class 6	50% - 70%	37	85						
class 7	70% - 85%	55	60						
class 8	over 85 %	178	227	6	8				
Gross amount		481	600	6	8	-	-	-	-
Allowance for impairment									
		(256)	(346)	(6)	(8)				
Net amount		225	254	-	-	-	-	-	-
Collectively impaired									
class 5	up to 50 %	88	113						
class 6	50% - 70%	53	73						
class 7	70% - 85%	122	129						
class 8	over 85 %	91	120						
Gross amount		354	435	-	-	-	-	-	-
Allowance for impairment									
		(250)	(293)						
Net amount		104	142	-	-	-	-	-	-
Not impaired portfolio (past-due and non-past due)									
class 1	up to 0,10 %	3 346	2 663	2 737	3 585	8 996	6 834	58	1 829
class 2	0,10% - 0,30%	4 795	3 545						
class 3	0,30% - 0,65%	3 955	3 541						
class 4	over 0,65 %	8 291	5 370						
Gross amount		20 387	15 119	2 737	3 585	8 996	6 834	58	1 829
Allowance for impairment									
		(120)	(93)						
Net amount		20 267	15 026	2 737	3 585	8 996	6 834	58	1 829
Other receivables									
		54	77	-	-	-	-	-	-
Total net carrying amount									
		20 650	15 499	2 737	3 585	8 996	6 834	58	1 829

To assess total credit risk exposure of "loans and advances to customers", off balance sheet exposures (note 44) should be taken into account.

PLN m	Loans and advances to customers	
	30.06.2007	30.06.2006
Not impaired portfolio		
Non-past due	20 302	15 055
Past-due	85	64
<i>0-30 days</i>	47	36
<i>30-60 days</i>	28	21
<i>60-90 days</i>	10	7
Gross amount	20 387	15 119

Portfolio of loans with incurred but not reported losses (IBNR) includes loans that in the past had renegotiated terms of agreements. For the current reporting period and comparable period it was PLN 26,2 m and PLN 28,7 m respectively.

PLN m	Loans and advances to customers		Loans and advances to banks	
	30.06.2007	30.06.2006	30.06.2007	30.06.2006
Individual allowances for impairment				
<i>class 5</i>	(26)	(26)	-	-
<i>class 6</i>	(23)	(53)	-	-
<i>class 7</i>	(41)	(46)	-	-
<i>class 8</i>	(166)	(221)	(6)	(8)
Total individual allowances for impairment	(256)	(346)	(6)	(8)
Collective allowances for impairment				
<i>class 5</i>	(35)	(31)	-	-
<i>class 6</i>	(32)	(44)	-	-
<i>class 7</i>	(95)	(100)	-	-
<i>class 8</i>	(88)	(118)	-	-
Total collective allowances for impairment	(250)	(293)	-	-
IBNR				
<i>class 1</i>	(3)	(2)	-	-
<i>class 2</i>	(9)	(6)	-	-
<i>class 3</i>	(19)	(16)	-	-
<i>class 4</i>	(89)	(69)	-	-
Total IBNR	(120)	(93)	-	-
Total allowances for impairment	(626)	(732)	(6)	(8)

Collateral

The tables below present different forms of collaterals against loans and advances to customers from non-banking sector.

Individual customers

Type of loan	Type of collateral
Cash credit	bills, guarantees, credit insurance
Credit on disposable assets	guaranty deposit, amounts frozen on account, investment funds
Student loan	guarantees
Housing loan	mortgage, credit insurance, transfer of claim

Business customers

Type of loan	Type of collateral
Commercial credit	guaranty deposit, registered pledge, bills
Revolving credit	assignment of credit, bills, guarantees, registered pledge
Building credit	mortgage
Investment credit	mortgage, guarantees, warranty
Granted and with supplements	guarantees, warranty

Terms of held collaterals are described in credit agreement. The value of liabilities pledged as collaterals is set after a comparison with the value of credit but it is not higher than incurred liability.

Industry concentration

The credit policy of Bank Zachodni WBK S.A. envisages lending to low risk industries and reduction of exposures to medium and high risk industries. In order to ensure adequate portfolio diversification and eliminate the risk of overexposure to a single industry, the bank provides funding to sectors and groups or capital units representing a variety of industries. As at the first half of 2007, the highest concentration level was recorded in the "property service" (24% of the Bank's credit exposure and 22% of the BZ WBK Group exposure). Such a concentration level is compliant with the bank's lending policies and the related risk is fully acceptable.

Groups of PKD by industries as at 30.06.2007:

PLN m	Industry	Exposure	
		30.06.2007	30.06.2006
	Agriculture	757	641
	Energy	544	588
	Production	3 910	3 259
	Construction	994	555
	Distribution	2 813	2 199
	Transportation	777	726
	Financial sector	754	775
	Property service	4 680	2 737
	Other industries	1 329	1 419
A	Total Business Loans	16 558	12 899
B	Personal (including mortgage loans)	4 961	3 647
A+B	BZWBK Group portfolio	21 519	16 546
C	Other receivables (commercial bonds., reverse repo)	24	47
D	Consolidation adjustment	(356)	(438)
A+B+C+D Total BZ WBK Group		21 187	16 155

Nominal value of portfolio adjusted for unamortised commissions

Geographical concentration

Bank Zachodni WBK S.A. is concentrated on running credit activities in the territory of the Republic of Poland – exposure towards non-residents represents a marginal part of the bank's portfolio. In Poland, the credit activities focus on the marketplace of western provinces and large cities (Warszawa, Poznań, Wrocław, Gdańsk, Kraków, Łódź), which stems from the location of the bank's business units – branches and Corporate Business Centres.

The bank's operational structure is based on three macroregions: Poznań (provinces: Wielkopolskie, Zachodniopomorskie, Kujawsko-Pomorskie and Lubuskie), Warsaw (provinces: Mazowieckie, Warmińsko-Mazurskie, Podlaskie, Lubelskie, Pomorskie and Łódzkie) and Wrocław (provinces: Dolnośląskie, Śląskie, Opolskie, Świętokrzyskie, Małopolskie and Podkarpackie). Credit portfolio breakdown into macroregions is very well balanced. Concentration in macroregion Warsaw accounts for 36% of the bank's total exposure, in macroregion Poznań 36% and Wrocław 29%. The macroregions are divided into regions. Wrocław Region shows the biggest credit exposure which represents 29% of the bank's total exposure.

PLN m	30.06.2007	30.06.2006
BZ WBK Group*	21 277	16 213
Macroregion Poznań	7 635	6 388
Region Poznań	2 621	2 221
Region Wielkopolska Północ	846	680
Region Wielkopolska Południe	1 675	1 485
Region Kujawsko-Pomorski	686	607
Region Lubuski	908	740
Region Zachodniopomorski	899	655
Macroregion Warszawa	7 704	5 321
Region Warszawa	5 908	3 919
Region Łódzki	487	410
Region Pomorsko-Mazurski	1 309	992
Macroregion Wrocław	6 071	4 735
Region Wrocław	1 618	1 225
Region Śląski	876	624
Region Dolnośląsko-Opolski	1 369	1 095
Region Dolnośląski Zachód	1 287	1 078
Region Małopolsko-Podkarpacki	921	713
Credit cards**	223	207
Consolidation adjustment	(356)	(438)

* Nominal value of credit portfolio

** Not allocated to macroregions

Market risk

Market risk is defined as an adverse earnings impact of changes in interest rates, FX rates, share quotations, stock exchange indices, etc. it arises in trading activity as well as in the natural course of transacting business (exchange rate products, interest rate products, equity linked trackers).

General principles of market risk management

The key objective of the market risk policy operated by the Group is to reduce the impact of interest and FX rates changes on the bank's profitability and market value as well as to increase income within the strictly defined risk limits and while ensuring the bank's liquidity.

Market risk is managed by qualified personnel using the appropriate systems and controls. Management of interest rate, FX and liquidity risks is centralised in the BZ WBK Treasury Division, while the market risk generated

by equity instruments - which exist in Brokerage House' portfolio - (shares, stock exchange indices) is managed by the BZ WBK Brokerage House.

Interest rate and FX risks incurred in other Divisions are transferred into Treasury Division where they are managed in a centralized way. In addition, Treasury Division has responsibility for the funding and liquidity management and deal executing on behalf of ALCO. ALCO is responsible for structural balance sheet risk management.

Market risks are managed by setting limits on the amount of capital that can be put at risk. These limits are based on risk measurement methodologies described below. Within the policy the operational Treasury limit is set by the Bank Director in charge of Treasury Division. Above limit is established in accordance with Treasury business strategy. In order to curtail losses on the trading portfolio, a stop-loss limit has been established, which allows trading positions to be closed in the event of losses exceeding the stated limit. Within Treasury Division, there is a dedicated market risk control unit responsible to ensure that the risk measurement methodologies used are appropriate for the risk being taken and monitoring and control procedures are in place.

Market risk activities and strategies are regularly reviewed by ALCO. It recommends policies and strategies to Management Board for approval. Risk limits are periodically reviewed to align them with the Group's strategy and the current objectives of the Group. In order to reduce the structural balance sheet risk and ensure a stable income stream for the Group a special portfolio was established with debt securities funded by net liabilities that are not sensitive to interest rate fluctuations. According to the Policy approved by the Management Board, any decisions relating to the value or structure of this portfolio are taken by ALCO.

Measurement methods

BZWBK uses several risk measures to assess market risk exposure : Value at Risk (VaR), sensitivity measures and stress testing.

VaR is determined as a difference between the market value of positions calculated using the current market prices/rates and the market values based on "worst case" movements in market rates. This is captured using statistical analysis of market rate movements (volatility) which assumes a normal distribution and is calculated to a 99% confidence level. Volatility is measured for different holding periods : 1 day, 10 days and 1 month depending on risk. VaR is calculated separately for interest rate, FX and equity risk.

The limitations of VaR measurements are well known to bank (among others VaR does not provide prediction of the maximum worst case losses, predicts future based on historical data, assumes static exposure over holding period). They stem from the need to make assumptions about the spread of likely future price and rate movements. BZWBK supplements its VaR methodology with sensitivity measures, which present how much the value of position could change for a given change in rates/prices. The sensitivity is measured at product, currency, desk and economic intent (trading, banking, hedging) levels. These measures can also be used to decide on hedging activities. Decision can be taken to close out positions when the level of sensitivity combined with the likelihood of a rate or price change exposes BZWBK to too high a potential loss in value. VaR and sensitivities measures provide estimates of probable maximum loss in normal market conditions. Stress tests are used to supplement these measures by estimating possible losses that may occur under extreme market conditions.

Interest rate risk

The risk is that changes in interest rate will have adverse effects on earnings and on the value of BZWBK's assets and liabilities. The main source of interest rate risk are transactions entered in the bank's branches and transactions entered in the money market by the Treasury Division. Additionally, interest rate risk can be generated by transactions concluded by other units, e.g. through acquisition of municipal / commercial bonds, or the bank's borrowings in the interbank market (e.g. loans from EBRD or from the Banking Guarantee Fund). However all positions which generate a revaluation risk are transferred by way of a system of internal contracts to the Treasury Division. Then the bank's dealers are responsible for investing surplus funds in relevant instruments in order to ensure a risk and reward balance for the interest rates affecting the bank's balance sheet and instruments portfolio.

The bank perceives margins as the main source of revenues, hence limits for the open interest rate positions and stop-loss limits for trading positions can be viewed as prudent.

The bank's subsidiaries also try to mitigate their interest rate risk – if there is a mismatch between the revalued assets and liabilities the companies enter into standard placements or derivative transactions with the bank, which – from the transaction date – manages this risk under a limit approved by the Management Board.

Interest rate risk is managed by setting limits on Value at Risk from the open interest rate risk of Treasury. VaR is determined as a difference between the market value of the interest rate position calculated using the current profitability curve and the worst-case profitability curve, which is based on a volatility of interest rates at a 99% confidence level for a three-year interest rate history. Volatility is based on a one-month position maintenance period. VaR is set both for the trading portfolio and the banking portfolio. The measurement excludes the securities portfolio managed by ALCO and used to hedge against the structural balance sheet risk. A stop-loss limit framework is also used to manage the risk of loss from positions that are subject to mark-to-market accounting. Stress tests are used to supplement above measures by estimating possible losses that may occur under extreme market conditions. These are based on current sensitivities report and sets of assumed extreme 1 day and 1 month rates movements reported over the last 6 years.

The tables below presents risk levels in 1H 2007 and comparable period (both measures assume 1 month holding time horizon):

Interest Rate Risk (PLN m)	<i>Value at Risk</i>		<i>Stress Scenario</i>	
	1H 2007	1H 2006	1H 2007	1H 2006
<i>Average</i>	17,50	11,87	82,02	50,36
<i>High</i>	21,57	20,09	131,03	107,49
<i>Low</i>	8,94	6,62	38,15	6,00
<i>30 June</i>	18,85	17,22	88,92	91,77

The Treasury Division operates within an operational VaR risk limit, which amounted to PLN 37,7m at the end of June 2007.

Interest rate risk management is centralised for maximum effectiveness, while maintaining segregation of risk measurement and risk control functions.

In managing interest rate risk, a distinction is made between trading and banking/investment activity. The trading book includes securities and derivatives that are held for trading purposes in Treasury. These are revalued daily at market process and any changes in value are immediately recognised in income. BZWBK's banking book consists branch banking loans and deposits, Treasury investment portfolio and derivatives dedicated for hedge accounting purposes.

The table below presents the sensitivity of above portfolios at the end of June 2007:

Interest Rate Risk (PLN m)	<i>Sensitivity</i>		
	Trading book	Banking book	Total
parallel increase of yield curves by 1 bp			
<i>0-3m</i>	(0,05)	(0,03)	(0,08)
<i>3m-1Y</i>	0,14	(0,05)	0,09
<i>1Y-5Y</i>	(0,06)	(0,27)	(0,33)
<i>over 5Y</i>	(0,01)	(0,03)	(0,04)
Total	0,02	(0,38)	(0,36)

The structural balance sheet risk is defined as the Bank's sensitivity to income volatility in its non-trading activity arising from movements in interest rates. Interest rate volatility affects the Bank's income from the investment of capital and from free current account balances (net interest rate insensitive liabilities (NIRIL)). The key objective of such approach is to smooth level of Net Interest Income over the time.

The supervision role over that risk is also in ALCO responsibilities. The level of such risk is closely monitored and actively managed thorough separate assets portfolios (NIRIL Portfolios). The NIRIL Portfolios consists from safe and liquid assets, which are also treated as liquidity reserve. The ALCO plays decision maker role in relation to those portfolios and Treasury is executing such decisions.

The following table presents interest rate sensitivities of each NIRIL portfolios at the end of June 2007:

Interest Rate Risk (PLN m)	<i>Sensitivity</i>		
	Capital Surplus portfolio	Business Surplus portfolio	Total
parallel increase of yield curves by 1 bp			
<i>0-3m</i>	0,00	(0,001)	(0,001)
<i>3m-1Y</i>	(0,03)	(0,06)	(0,09)
<i>1Y-5Y</i>	(0,43)	(0,80)	(1,23)
<i>over 5Y</i>	(0,51)	(0,32)	(0,83)
Total	(0,97)	(1,18)	(2,15)

FX risk

The key role of inter-bank trading is to maintain a presence which allows the bank to offer competitive pricing conditions for client transactions effected through the branch banking network and the Treasury Services Department. A secondary role is to generate additional profits on trading positions, which are subject to conservative and prudential limits.

The risk is that adverse movements in foreign exchange rates will result in losses. This risk is managed by setting limits on the Value at Risk based on the total open FX position of the bank. VaR is determined by means of a

statistical modelling process. VAR is the potential loss on open FX positions at a 99% confidence level where open positions are maintained for 10 business days. Statistical parameters are set on the basis of a 3-year history of exchange rates. Stress tests are used to supplement above measure by estimating possible losses that may occur under extreme market conditions. These are based on current FX exposure and assumed extreme rates movements scenarios over the last 3 years (calculations are provided for 1 day and 10 days holding periods). A stop-loss limit framework is also used to manage the risk of loss from trading position.

Open positions of subsidiaries are negligible and are not included in the daily risk assessment.

The tables below presents risk levels in 1H 2007 and comparable period (data for both measures are scaled to 1 month holding period to make it comparable to other risks):

FX Risk (PLN m)	<u>Value at Risk</u>		<u>Stress Scenario</u>	
1 month holding period:	1H 2007	1H 2006	1H 2007	1H 2006
<i>Average</i>	0,76	0,39	3,15	1,24
<i>High</i>	2,24	1,53	7,17	3,55
<i>Low</i>	0,04	0,05	0,30	0,30
<i>30 June</i>	0,94	0,52	2,56	2,40

The Treasury Division operates within an operational VaR risk limit, which amounted to PLN 2,6m at the end of June 2007.

FX risk management is centralised for maximum effectiveness, while maintaining segregation of risk measurement and risk control functions.

Equity risk

The entity responsible for equity risk management is BZWBK Brokerage House (BH). The source of this risk are transactions conducted on BH own account via stock exchanges and MS CTO (shares, futures).

This risk is measured based on industry standard Value at Risk, which is determined as a difference between the market value of BH transactions calculated using current market prices and worst-case prices that are based on volatility of equity instruments prices at a 99% confidence level for a three-year price history. Volatility is based on a one-month position maintenance period. PML measures also correlation between portfolio instrument's prices and hedging impact of Future contracts. Stress tests are used to supplement above measure by estimating possible losses that may occur under extreme market conditions.

The tables below presents risk levels in 1H 2007 and comparable period (data for both measures are scaled to 1 month holding period) :

Equity Risk (PLN m)	<u>Value at Risk</u>		<u>Stress Scenario</u>	
1 month holding period:	1H 2007	1H 2006	1H 2007	1H 2006
<i>Average</i>	0,44	0,28	1,33	0,84
<i>High</i>	1,13	0,82	3,38	2,46
<i>Low</i>	0,02	0,01	0,05	0,04
<i>30 June</i>	0,05	0,17	0,15	0,51

BH operates within operational limit that amounted to PLN 1,1 m as at the end of June 2007.

Liquidity risk

The Group's policy sets a limit on outflow of funds to a level where the outflow is covered by expected inflows and/or liquid assets (mainly securities), which can be sold or pledged in repo transactions or through a Lombard loan with the Central Bank.

The bank is obliged to maintain necessary funds to allow for all withdrawals of term deposits, demand deposits, loan payments, guarantee payments and settlements.

The liquidity is assessed using modified gap report, which is constructed separately for PLN and for other currencies. In line with the Liquidity Policy, the reported contract positions are subject to a number of modifications based on: statistical data on the behaviour of the deposit and credit base, estimated capacity to liquidate State Treasury securities by selling or pledging them in repo transactions or in lombard loan with NBP; estimated roll-over of transactions in the interbank market. Thus determined liquidity gap is used to establish liquidity ratios, that is projected consolidated outflows to the projected consolidated inflows in a time period. The liquidity policy specifies the minimum ratios for time periods up to one week, up to one month and over one month. The ratios are set for PLN and other currencies. If a "shortage" of PLN or other currencies occurs, a surplus of foreign currency / PLN can be used to cover the shortage of PLN / foreign currency, however the value of such a conversion is limited depending on assessment of the possibilities of the conversion in the wholesale market.

The Liquidity Policy adopted by the Management Board obliges the bank to maintain funds to cover 100% of the outflows expected to be received in the one-month time horizon and not less than 10% in a period longer than a month. At the end of June 2007, the Bank was complied with the foregoing requirements. The policy is designed to ensure a cover for short and medium term liabilities. However liquidity position in a longer time horizon is also monitored. Also, for the limits indicated above there is a number of observation ratios set daily, which support the liquidity management process (e.g. loans to deposits ratio, ratio of dependence on wholesale market financing).

The liquidity profile of Bank based on Treasury management report at the end of June 2007 and comparable period is presented below:

Liquidity Risk (PLN m)	<1W	<1M	<2Y	>2Y
30-06-2007				
<i>QLA*</i>	5 926	639	3	
<i>Treasury inflows</i>	2 278	3 034	8 792	
<i>Other inflows</i>	1 161	117	7 467	14 721
<i>Treasury outflows</i>	(2 135)	(2 792)	(8 429)	(326)
<i>Other outflows</i>	(6 133)	(817)	(9 016)	(14 491)
GAP	1 097	182	(1 183)	(96)
Cumulative Gap	1 097	1 279	96	

*QLA – Qualified Liquid Assets

Liquidity Risk (PLN m)	<1W	<1M	<2Y	>2Y
30-06-2006				
<i>QLA</i>	6 695	168	4	
<i>Treasury inflows</i>	2 830	2 098	9 100	58
<i>Other inflows</i>	415	111	5 397	11 130
<i>Treasury outflows</i>	(2 931)	(1 994)	(7 966)	(491)
<i>Other outflows</i>	(5 646)	(1 194)	(7 319)	(10 463)
GAP	1 362	(811)	(785)	234
Cumulative Gap	1 362	551	(234)	

The tables below show the gap arising from contractual maturity terms as at 30 June 2007 and in the comparable period. During the year there was an increase in customer deposits, which are characterised by a shorter maturity term. However the behaviour of the deposit base indicates that a significant part of these funds will remain with the Group. At the same time the Group maintains a significant value of securities used to hedge the liquidity position (sale, deposit under repo transactions or Lombard loan).

30.06.2007	up to 1 month	from 1 to 3 months	from 3 to 12 months	from 1 to 3 years	from to 3 to 5 years	over 5 years	insensitive	Total
Loans and receivables to banks	2 116	408	200	18	1	-	(6)	2 737
Financial assets held for trading	68	53	132	73	67	24	7	424
Loans and receivables to customers	1 249	1 330	4 856	5 456	2 504	5 881	(626)	20 650
Investment securities	18	55	967	2 361	3 213	1 717	665	8 996
Other assets								2 422
Long position	3 451	1 846	6 155	7 908	5 785	7 622	40	35 229
Deposits from banks	2 208	112	465	685	85	-	-	3 555
Deposits from customers	20 766	2 101	2 096	157	98	-	-	25 218
Financial liabilities held for trading	41	55	122	17	23	22	-	280
Debt securities in issue	50	140	123	241	-	-	36	590
Other liabilities								5 586
Short position	23 065	2 408	2 806	1 100	206	22	36	35 229
Balance sheet Gap	(19 614)	(562)	3 349	6 808	5 579	7 600	4	
Derivatives settled in gross terms								
Inflows	2 767	1 838	5 648	1 162	-	296	-	11 710
Outflows	2 732	1 838	5 641	1 124	-	296	-	11 632
Off balance sheet GAP	35	(1)	6	38	-	-	-	

30.06.2006	up to 1 month	from 1 to 3 months	from 3 to 12 months	from 1 to 3 years	from 3 to 5 years	over 5 years	insensitive	Total
Loans and receivables to banks	2 193	523	847	30	-	-	(8)	3 585
Financial assets held for trading	1 622	61	227	194	50	1	7	2 161
Loans and receivables to customers	1 122	1 076	3 877	4 090	2 063	4 002	(732)	15 499
Investment securities	140	158	1 259	2 138	1 571	1 318	250	6 834
Other assets								2 540
Long position	5 077	1 818	6 209	6 452	3 685	5 321	(483)	30 619
Deposits from banks	2 588	206	276	149	156	-	-	3 376
Deposits from customers	16 198	2 389	2 586	281	-	104	-	21 559
Financial liabilities held for trading	59	67	141	-	21	-	-	288
Debt securities in issue	-	198	149	404	-	-	45	795
Other liabilities								4 601
Short position	18 845	2 861	3 152	834	177	105	45	30 619
Balance sheet Gap	(13 769)	(1 042)	3 056	5 618	3 508	5 217	(528)	
Derivatives settled in gross terms								
Inflows	2 075	1 359	6 119	452	-	327		10 332
Outflows	2 078	1 369	6 109	460	-	327		10 343
Off balance sheet GAP	(3)	(10)	10	(9)	-	-		

Bank's liquidity risk management is centralised in the Treasury Division while control and measurement functions for liquidity risk are performed independent of the source of the liquidity risk.

Each subsidiary is responsible for its own liquidity. However for short and medium term liquidity management purpose all subsidiaries use a typical current account with credit limit and term deposits - if required - with parent company. It means that all cash flows of subsidiaries are centralized in the parent bank. Medium and long term funding - especially leasing companies - is under close supervision of parent company. BZWBK provides support to subsidiaries when they are entering into longer term funding transactions.

The bank has a scenario-based contingency plan approved by the Management Board to cater for unexpected liquidity problems, whether caused by external or internal factors.

Derivative transactions connected with market risks

The Group enters into derivative transactions for trading purposes and to mitigate / hedge against market risks. These transactions predominantly bear interest rate and FX risk, albeit the bank also enters into derivative transactions to fund FX assets, thus mitigating liquidity risk.

Individual types of transactions are characterised below:

FX transactions

FX forwards are agreements to buy or sell one currency for another at a specified price for delivery at a future date.

For such a pair of currencies, the making of a current buy/sell transaction and a forward repurchase/resell transaction represents a swap deal.

The Group enters into such transactions with customers and in the interbank market. The transactions are used for trading purposes or for liquidity management.

FX options are agreements to sell or buy a right to convert currencies in the future at a predetermined rate and settlement date. There are call and put options. A call option gives the holder the right to purchase a certain amount of a currency for a certain amount of another currency, while a put option gives the holder the right to sell a certain amount of a currency for a certain amount of another currency. It should be noted that the buyer of the option has the right but not obligation to enter into the transaction, while the writer of the option is obliged to enter into the transaction if the buyer chooses to exercise his right.

Acquisition of the buy/sell rights entails a premium to be paid to the writer of the option.

The bank concludes option contracts with customers and at the same time it closes the contracts in the interbank market thus avoiding open option positions exposed to market risk.

Interest rate transactions

The Group enters into the following interest rate transactions:

- Interest Rate Swaps – IRS
- Cross-currency Interest Rate Swaps – CIRS
- Forward Rate Agreements – FRA
- Interest rate option CAP type

IRSs are transactions where one stream of future interest payments is exchanged for another based on a previously specified principal (most often fixed interest rate payments are exchanged for interest payments based money market reference rates, e.g. WIBOR). These transactions are concluded in the interbank market and with bank customers. They are used to hedge/cancel open interest rate positions, but are also used for trading purposes.

CIRSs involve an exchange of interest rate payments in two different currencies. These transactions may also result in the exchange of principal amounts. The bank uses these instruments primarily for liquidity management – they ensure medium-term funding for the bank's FX assets.

FRAs are agreements for a pre-determined interest rate applicable for a fixed term and settled in a future period (usually within 1 month) and accrued on a principal amount specified in the agreement. The settled amount is determined based on the principal amount and the difference between the interest rate current on the settlement date (e.g. WIBOR) and the contract rate. The buyer of an FRA protects itself against a future increase in interest rates, while the seller of an FRA wants to protect itself against a future decline in interest rates. This instrument is also used for speculative reasons in anticipation of interest rate changes. The bank primarily uses this instrument in its trading portfolio.

A CAP entitles its holder make a profit when a specified interest rate is above a base rate determined in the option agreement (the difference is referred to the notional principal amount specified in the agreement). The bank concludes option contracts with customers and at the same time it closes the contracts in the interbank market thus avoiding open option positions exposed to market risk.

Equity instruments

The Group enters into the following equity transactions:

- Index options
- Futures

An index option entitles its holder make a profit from the difference between the value of the stock exchange index and the underlying value determined in the option agreement (the difference is also referred to the notional principal amount specified in the agreement). In the bank such options (also FX) are embedded in deposit products which in addition to guaranteed interest allow their holders to earn from favourable changes in stock exchange indices. In this product area, the bank sold call options to customers. Also, the bank closed its exposure to risk by purchasing options in the interbank market, so its open option positions are not exposed to market risk.

Futures contracts are commitments to either purchase or sell a designated financial instrument, currency, commodity or an index at a specified future date for a specified price and may be settled in cash or another financial asset. Futures are standardised exchange-traded contracts.

Capital Management

According to Polish Banking Law banks are obliged to maintain own funds at the level adequate to the risk arising from business. Capital Adequacy ratio (CAD) is used to measure capital adequacy and present relation between capital requirements due to credit risk, market risk, settlement/counterparty risk and own funds after obligatory reductions set by the Commission for Banking Supervision (KNB).

Capital requirements are also calculated in line with resolutions of the Commission for Banking Supervision.

Minimum level – required by Law – of CAD cannot be lower than 8% for the Bank and for the Group.

CAD ratio is treated as a key measure in the capital management process in BZWBK.

BZWBK capital policy assumes to maintain the level of CAD ratio of 10% for the Bank and for the Group as the regulatory method of CAD ratio calculation does not cover all types of risk associated with BZWBK activity.

BZWBK Management Board delegated rights relating to day-to-day capital management to Assets and Liabilities Committee (ALCO). The ALCO is responsible for ongoing monitoring of the level of own funds and capital requirements, and for initiation of all transactions impacting capital. However, all decisions as regards rising and releasing capital (incl. dividend payment) are finally taken in accordance with Law and the Bank's Statute by relevant Management/Supervisory bodies.

Also capital-related decisions with regard to subsidiaries are coordinated by the ALCO.

As at June 30, 2007 CAD ratio was in excess of 10% for the Bank and the Group.

The table below presents capital adequacy of BZWBK S.A. and BZWBK Group.

Amendments to the law introduced with effect from April 1, 2007 (Banking Supervision Ordinances No 1,2,3 of 2007) impacted mainly the level of own funds. The biggest impact has been noted on Revaluation Reserve of Financial Assets. Before April 2007 Revaluation Fund of Financial Assets was presented in net value (including deferred tax related to revaluation of financial assets).

	PLN k	30.06.2007	30.06.2006
I	Total Capital requirement (Ia+Ib+Ic)	2 026 951	1 510 829
	Including:		
Ia	- due to credit risk	1 977 740	1 468 830
Ib	- due to market risk	39 697	33 628
Ic	- Due to settlement/counterparty risk	9 514	8 371
II	Total own funds	4 025 694	3 283 734
III	Reductions:	645 846	351 212
IIIa	- Intangible assets	111 515	139 495
IIIb	- Capital investments	258 749	68 858
IIIc	- Planned dividend	275 582	142 859
IV	Own funds after reductions (II+III)	3 379 848	2 932 522
V	CAD (IV/(I*12.5))	13,34%	15,53%

Increase of reductions in capital investments results from revaluation of investments in entities of Commercial Union Polska Group as at 31.12.2006 and from a transaction made in 2007 which increased capital commitment

in Commercial Union Powszechne Towarzystwo Emerytalne BPH CU WBK SA from 10% to 11,1% of CU PTE's equities.

Capital requirements due to different risk types are determined in the Group in compliance with principles set forth in Resolution no. 1/2007 of the Commission for Banking Supervision.

The Group runs significant trade business and is subject to complete calculation of capital requirements due to different risks. The entire capital requirement as at end 1H 2007 totaled PLN 2 026 951 k including:

- PLN 1 977 740 k i.e. 97.57 % from credit risk
- PLN 39 697 k i.e. 1.96 % from market risk
- PLN 9 514 k i.e. 0.47 % from settlement and counterparty risk

The table below shows the calculations.

	30.06.2007		30.06.2006	
	Exposure amount	Capital requirement amount	Exposure amount	Capital requirement amount
Credit risk	24 721 748	1 977 740	18 360 377	1 468 830
Market risk	-	39 697	-	33 628
Settlement/delivery and counter party risk	-	9 514	-	8 371
Total		2 026 951		1 510 829

	30.06.2007	30.06.2006
Equity and short-term capital after reductions	3 379 848	2 932 522
CAD	13,34 %	15,53%

	30.06.2007			30.06.2006		
	Amount	Credit equivalent	RWA	Amount	Credit equivalent	RWA
STRUCTURE OF ASSETS BY RISK WEIGHT	34 890 184	21 541 038	21 541 038	28 740 378	16 260 034	16 260 034
Assets of the risk weight of 0%	9 727 088	-	-	8 493 822	-	-
Assets of the risk weight of 20%	3 453 631	690 726	690 726	3 993 993	798 799	798 799
Assets of the risk weight of 50%	1 718 307	859 154	859 154	1 582 655	791 328	791 328
Assets of the risk weight of 100%	19 991 158	19 991 158	19 991 158	14 669 908	14 669 908	14 669 908
Assets of the risk weight of 1250%	-	-	-	-	-	-
OFF BALANCE SHEET LIABILITIES	7 198 569	3 277 947	3 180 710	6 108 375	2 564 545	2 100 343
- Counterparty risk weight of 0%	40 025	36 917	-	20 076	19 571	-
Product risk weight of 0%	507	-	-	171	-	-
Product risk weight of 20%	-	-	-	-	-	-
Product risk weight of 50%	5 202	2 601	-	668	334	-
Product risk weight of 100%	-	-	-	-	-	-
Product risk weights for forward and option transactions	34 316	34 316	-	19 237	19 237	-
- Counterparty risk weight of 20%	189 805	75 400	15 080	701 592	555 789	111 158

Product risk weight of 0%	105 141	-	-	137 256	-	-
Product risk weight of 20%	-	-	-	-	-	-
Product risk weight of 50%	18 528	9 264	1 853	17 095	8 548	1 710
Product risk weight of 100%	16 421	16 421	3 284	512 056	512 056	102 411
Product risk weights for forward and option transactions	49 715	49 715	9 943	35 185	35 185	7 037
- Counterparty risk weight of 100%	6 968 739	3 165 630	3 165 630	5 386 707	1 989 185	1 989 185
Product risk weight of 0%	728 246	-	-	1 423 875	-	-
Product risk weight of 20%	-	-	-	-	-	-
Product risk weight of 50%	6 149 726	3 074 863	3 074 863	3 947 294	1 973 647	1 973 647
Product risk weight of 100%	90 767	90 767	90 767	15 538	15 538	15 538

9. Net interest income

Interest and similar income	01.01-30.06.2007	01.01-30.06.2006
Loans and advances to enterprises	368 753	277 978
Debt securities incl.:	207 129	209 483
<i>Trading portfolio</i>	5 879	31 663
<i>Investment portfolio</i>	201 250	177 820
Loans and advances to individuals of which:	193 153	155 181
<i>Mortgage loans</i>	76 708	61 245
Loans and advances to banks	94 400	81 167
Leasing agreements	66 644	62 367
Interest recorded on hedging IRS	(2 746)	(4 251)
Reverse repo transactions	3 176	2 305
Other from public sector	14 156	15 178
Total	944 665	799 408

Interest expense and similar charges	01.01-30.06.2007	01.01-30.06.2006
Deposits from individuals	(121 883)	(113 545)
Deposits from enterprises	(113 584)	(88 348)
Repo transactions	(34 742)	(31 430)
Deposits from banks	(33 585)	(30 419)
Debt securities in issue	(18 277)	(23 125)
Other from public sector	(28 518)	(20 124)
Total	(350 589)	(306 991)
Net interest income	594 076	492 417

As at 30.06.2007 net interest income includes interest accrued on impaired loans of PLN 9 307 k (as at 30.06.2006 - PLN 15 879 k)

10. Net fee and commission income

Fee and commission income	01.01-30.06.2007	01.01-30.06.2006
Asset management fees	317 055	159 879
Current accounts and money transfer	109 468	113 162
eBusiness & payments	113 788	112 809
Brokerage commissions	99 218	70 163
Profit on FX transaction	102 482	93 114
Distribution fees	47 600	50 419
Credit commissions (including factoring)	26 252	24 053
Credit cards	16 908	15 879
Insurance commissions	21 740	12 326
Off-balance sheet guarantee commissions	5 638	7 024
Issue arrangement	7 544	3 268
Finance lease commissions	438	296
Other commissions	776	556
Total	868 907	662 948

Fee and commission expense	01.01-30.06.2007	01.01-30.06.2006
Distribution fees	(37 162)	(17 693)
eBusiness & payments	(23 369)	(19 245)
Brokerage commissions	(15 931)	(16 642)
Asset management fees and other costs	(20 211)	(12 218)
Finance lease commissions	(2 271)	(2 971)
Insurance commissions	(2 929)	(2 741)
Credit cards	(2 212)	(1 106)
Credit intermediation costs	(3 488)	(871)
Other	(5 660)	(7 076)
Total	(113 233)	(80 563)

Net commission income	755 674	582 385
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Included above is fee and commission income of PLN 49 236 k (1H 2006: PLN 47 252 k) and fee and commission expenses of PLN (7 971) k (1H 2006: PLN (4 948) k) other than fees included in determining the effective interest rate), relating to financial assets and liabilities not carried at fair value through profit or loss.

11. Dividend income

Dividend income	01.01-30.06.2007	01.01-30.06.2006
Dividends from investment portfolio entities	63 503	56 651
Dividends from entities measured at fair value through profit and loss	943	479
Total	64 446	57 130

12. Net trading and revaluation income

Net trading and revaluation income	01.01-30.06.2007	01.01-30.06.2006
Profit/(loss) on derivative instruments	16 629	19 133
Profit/ (loss) on equity instruments	7 744	(2 934)
Profit on interbank FX transactions	5 184	10 277
Profit/(loss) on debt instruments	1 053	970
Other F/X related income	2 081	1 558
Total	32 691	29 004

13. Gains (losses) from other financial securities

Gains (losses) on other financial securities	01.01-30.06.2007	01.01-30.06.2006
Profit on sale of available-for-sale financial instruments	3 680	21 359
Reversal (charge) due to impairment losses	-	1 711
Total profit on available-for-sale financial instruments	3 680	23 070
Change in fair value of hedging instruments	7 336	11 807
Change in fair value of underlying hedged positions	(7 546)	(9 179)
Total profit (losses) on hedging and hedged instruments	(210)	2 628
Total	3 470	25 698

14. Gains (losses) on sale of subsidiaries and associates

Gains less losses on sale of subsidiaries and associates	01.01-30.06.2007	01.01-30.06.2006
Sale of subsidiaries	-	(1 568)
Sale of associates	-	7 811
Total	-	6 243

15. Other operating income

Other operating income	01.01-30.06.2007	01.01-30.06.2006
Sundry income	5 949	5 009
Release of provision for future commitments and other assets	4 995	3 581
Recovery of non-credit receivables	833	1 078
Received compensations, penalties and fines	429	1 152
Sales or liquidation of fixed assets, intangible assets and assets for disposal	897	663
Donation received	4	106
Other incl.:	8 142	6 591
<i>Financing Premium from EBRD</i>	<i>960</i>	<i>1 329</i>
<i>Costs of bailiff reimbursement</i>	<i>532</i>	<i>782</i>
<i>Reimbursements of BFG charges</i>	<i>1 269</i>	<i>596</i>
<i>Other</i>	<i>5 381</i>	<i>3 884</i>
Total	21 249	18 180

16. Impairment losses on loans and advances

Impairment losses on loans and advances	01.01-30.06.2007	01.01-30.06.2006
Impairment charge	17 985	(23 705)
Incurred but not reported losses charge	(12 915)	(8 684)
Recoveries	18 106	8 666
Off balance sheet credit related items	1 183	7 376
Total	24 359	(16 347)

17. Employee costs

Employee costs	01.01-30.06.2007	01.01-30.06.2006
Salaries	(318 795)	(256 671)
Salary related costs	(54 537)	(45 982)
Professional trainings	(8 124)	(6 989)
Staff benefits costs	(7 180)	(6 215)
Retirement fund and holiday provisions	(5 722)	(879)
Total	(394 358)	(316 736)

18. General and administrative expenses

General and administrative expenses	01.01-30.06.2007	01.01-30.06.2006
Maintenance and rentals of premises	(57 419)	(53 082)
IT systems costs	(32 818)	(26 979)
Postal and telecommunication costs	(23 677)	(22 470)
Marketing and public relations	(33 018)	(23 549)
Consulting fees	(15 315)	(13 724)
Car, transport expenses, carriage of cash	(10 493)	(9 900)
Data transmission	(7 215)	(9 631)
External services	(9 451)	(8 371)
Taxes	(7 870)	(7 511)
Security costs	(4 516)	(5 089)
Costs of repairs	(3 921)	(2 798)
BFG costs	(2 938)	(2 339)
Other incl.:	(24 640)	(18 914)
<i>KIR, SWIFT etc. Settlements</i>	<i>(5 147)</i>	<i>(4 717)</i>
<i>Stationery, printing of cheque books, plastic cards</i>	<i>(8 265)</i>	<i>(7 471)</i>
<i>Other incl.:</i>	<i>(11 228)</i>	<i>(6 726)</i>
Total	(233 291)	(204 357)

19. Other operating expenses

Other operating costs	01.01-30.06.2007	01.01-30.06.2006
Provisions	(10 090)	(10 138)
Debt recovery costs	(1 030)	(1 585)
Donations paid	(1 176)	(926)
Paid compensations, penalties and fines	(1 552)	(348)
Others incl.:	(7 662)	(3 479)
<i>Losses from past-due receivables</i>	<i>(322)</i>	<i>(432)</i>
<i>Other</i>	<i>(7 340)</i>	<i>(3 047)</i>
Total	(21 510)	(16 476)

20. Income tax charge

Income tax charge	01.01-30.06.2007	01.01-30.06.2006
Current tax charge	158 018	156 954
Deferred tax charge	(10 797)	(49 067)
Total	147 221	107 887

Corporate total tax charge information	01.01-30.06.2007	01.01-30.06.2006
Profit/loss before tax	778 744	571 460
Tax rate	19%	19%
Tax calculated at the tax rate	147 961	108 577
Non taxable expenses	6 162	5 417
Non taxable incomes	(9 332)	(11 003)
Other:		
- write-offs	1 823	646
- non-taxable costs	467	2 760
- other	140	1 490
Total income tax expense	147 221	107 887

Deferred tax recognised directly in equity

As at 30 June the amount of deferred tax recognised directly in equity totaled:

Relating to equity securities available-for-sale	105 375	31 999
Relating to debt securities available-for-sale	(6 587)	6 485
	98 788	38 484

21. Earnings per share

Earnings per share	01.01-30.06.2007	01.01-30.06.2006
Profit attributable to ordinary shares	558 596	423 904
Weighted average number of ordinary shares	72 960 284	72 960 284
Basic earnings per share (PLN)	7,66	5,81
Profit attributable to ordinary shares	558 596	423 904
Weighted average number of ordinary shares	72 960 284	72 960 284
Weighted average number of potential ordinary shares	64 880	5 532
Diluted earnings per share (PLN)	7,65	5,81

22. Cash and balances with central bank

Cash and balances with central bank	30.06.2007	31.12.2006	30.06.2006
Cash	490 655	602 340	466 393
Current account in central bank	272 031	931 546	516 572
Other cash equivalents	211	594	1 187
Total	762 897	1 534 480	984 152

Parent entity of BZWBK Group holds the obligatory reserve on a current account in the National Bank of Poland. The figure is calculated as 3.5% of average balance of customer deposits reduced by equivalence of EUR 500 k.

23. Loans and advances to banks

Loans and advances to banks	30.06.2007	31.12.2006	30.06.2006
Loans and advances	1 666 605	1 462 967	2 181 346
Current accounts	1 076 265	1 697 863	1 325 292
Reverse-repo transactions	-	-	85 670
Gross receivables	2 742 870	3 160 830	3 592 308
Impairment write down	(5 969)	(6 284)	(7 566)
Total	2 736 901	3 154 546	3 584 742

Fair value of "loans and advances to banks" is disclosed in note 43.

Movements on impairment losses on receivables from banks	30.06.2007	31.12.2006	30.06.2006
As at 31 December	(6 284)	(7 566)	(7 566)
Write off	315	1 282	-
Balance at the end of the period	(5 969)	(6 284)	(7 566)

24. Financial assets and liabilities held for trading

Fair value of derivative financial instruments is determined using the market quotations, discounted cash flow models and the options valuation models, as appropriate.

Option contracts are stated at fair value using the market quotations or the option valuation models, as appropriate.

Trading derivatives	30.06.2007		31.12.2006		30.06.2006	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate transactions	116 347	108 881	145 922	97 447	184 810	115 900
Options	21	21				
IRS	101 797	93 989	129 492	75 806	171 607	96 297
FRA	14 123	14 871	16 430	21 641	13 203	19 603
Forward	406	-	-	-	-	-
Equity derivatives	669	-	2 390	-	4 759	-
Options	669	-	2 390	-	4 759	-
Currency derivatives	249 537	171 530	214 363	125 962	142 784	148 393
FX Swap	129 017	114 862	119 008	76 183	66 206	89 029
CIRS	86 610	16 768	70 424	13 735	14 241	19 046
Forward	14 608	22 149	15 609	25 943	33 312	21 572
Spot	3 589	2 043	1 302	2 081	16 165	5 886
Options	15 713	15 708	8 020	8 020	12 860	12 860
Total trading derivatives	366 553	280 411	362 675	223 409	332 353	264 293

Debt and equity securities	30.06.2007		31.12.2006		30.06.2006	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Debt securities	51 651	-	685 277	-	1 822 068	-
Government securities:	51 629	-	685 255	-	1 822 046	-
- bills	6 322	-	497 460	-	1 617 160	-
- bonds	45 307	-	187 795	-	204 886	-
Other securities:	22	-	22	-	22	-
- bonds	22	-	22	-	22	-
Equity securities:	5 898	-	56 652	-	6 719	-
- listed	5 898	-	56 652	-	6 705	-
- unlisted	-	-	-	-	14	-
Total	57 549	-	741 929	-	1 828 787	-

Interest income from debt instruments and other fixed rate instruments is disclosed under "interest income".

Profit and loss from fair value changes of instruments measured at fair value through profit and loss are disclosed in gains (losses) from financial instruments measured at fair value through profit and loss.

All financial assets measured at fair value through profit and loss are assigned to this category due to trading character of transactions. Financial assets were not designated to this category at 30 June 2007 and in comparable periods.

Repo transactions	30.06.2007		31.12.2006		30.06.2006	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Total	-	-	-	5 006	-	23 959
Total financial assets/liabilities	424 102	280 411	1 104 604	228 415	2 161 140	288 252

The table below presents off-balance sheet derivatives' nominal values.

Derivatives' nominal values	30.06.2007	31.12.2006	30.06.2006
1. Derivatives (hedging)	1 995 410	1 486 018	1 878 826
a) Single-currency interest rate swaps – purchased amounts	997 705	743 009	654 413
b) Single-currency interest rate swaps – sold amounts	997 705	743 009	654 413
c) FRA	-	-	570 000
2. Term derivatives (trading)	163 506 827	135 555 909	137 223 170
a) Interest rate operations	140 165 330	118 158 636	116 548 132
- Single-currency interest rate swaps – purchased amounts	48 432 665	38 204 318	35 564 066
- Single-currency interest rate swaps – sold amounts	48 432 665	38 204 318	35 564 066
- FRA-purchased amounts	20 850 000	19 650 000	22 550 000
- FRA-sold amounts	22 450 000	22 100 000	22 870 000
b) FX operations	23 341 497	17 397 273	20 675 038
- FX swap – purchased amounts	10 185 940	7 193 754	9 145 291
- FX swap – sold amounts	10 177 435	7 157 445	9 152 961
- Cross-currency interest rate swaps – purchased amounts	1 524 006	1 550 962	1 186 617
- Cross-currency interest rate swaps – sold amounts	1 454 116	1 495 112	1 190 169
3. Currency transactions- spot	3 822 676	3 850 694	5 192 496
spot-purchased	1 912 111	1 924 957	2 601 387
spot-sold	1 910 565	1 925 737	2 591 109
4. Derivatives – OTC options	2 364 368	749 280	1 045 096
- Options purchased	1 182 184	374 640	522 548
- Options sold	1 182 184	374 640	522 548
5. Euroindex Options	99 962	168 888	238 599
- Options purchased	99 962	168 888	238 599
Total	171 789 243	141 810 789	145 578 187

25. Hedging derivatives

Hedging derivatives	30.06.2007		31.12.2006		30.06.2006	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Fair value hedge	32 185	7 111	19 956	12 912	20 005	15 753
IRS	32 185	7 111	19 956	12 912	19 138	15 753
FRA	-	-	-	-	867	-
Total hedging derivatives	32 185	7 111	19 956	12 912	20 005	15 753

26. Loans and advances to customers

Loans and advances to customers	30.06.2007	31.12.2006	30.06.2006
Loans and advances to enterprises	14 085 534	12 080 918	10 439 822
Loans and advances to individuals, of which:	5 010 826	4 238 855	3 677 473
<i>Real estate financing</i>	<i>2 982 581</i>	<i>2 562 786</i>	<i>2 226 076</i>
Finance lease receivables	1 978 867	1 704 988	1 743 103
Loans and advances to public sector	187 107	222 029	337 954
Reverse-repo transactions	127	15 629	21 846
Other	13 498	3 945	10 353
Gross receivables	21 275 959	18 266 364	16 230 551
Impairment losses in loans and advances to customers	(625 778)	(646 298)	(731 921)
Total	20 650 181	17 620 066	15 498 630

As at 30.06.2007 fair value adjustment due to hedged risk on corporate loans totalled PLN 2 011 k (as at 31.12.2006 - PLN 6 949 k, as at 30.06.2006- PLN 10 554 k).

Finance lease receivables are presented in additional note 47.

Movements on impairment recognised on loans and advances to customers	30.06.2007	31.12.2006	30.06.2006
Individual and collective impairment			
As at 31 December	(539 022)	(640 848)	(640 848)
Charge of current period	(57 797)	(184 615)	(109 150)
Write back of current period	75 782	146 761	85 445
Write downs and write off's	14 522	138 659	29 059
Impact of exchange rate	225	1 021	(1 032)
Balance at the end of the period	(506 290)	(539 022)	(636 526)
IBNR			
As at 31 December	(107 276)	(86 001)	(86 001)
Charge of current period	(77 343)	(142 366)	(65 984)
Write back of current period	64 426	120 211	57 300
Impact of exchange rate	705	880	(710)
Balance at the end of the period	(119 488)	(107 276)	(95 395)
Total	(625 778)	(646 298)	(731 921)

27. Investment securities

Investment securities	30.06.2007	31.12.2006	30.06.2006
Available for sale investments - measured at fair value	8 996 182	8 021 289	6 834 466
Debt securities:	8 330 571	7 395 066	6 584 638
Government securities:	7 399 191	6 264 890	5 834 216
- bills	68 444	206 627	289 930
- bonds	7 330 747	6 058 263	5 544 286
Central Bank securities:	579 006	593 104	580 804
- bonds	579 006	593 104	580 804
Other securities:	352 374	537 072	169 618
- bonds	352 374	537 072	169 618
Equity securities - measured at fair value:	637 014	599 410	230 039
- listed	16 856	8 186	3 629
- unlisted	620 158	591 224	226 410
Other	28 597	26 813	19 789
Total	8 996 182	8 021 289	6 834 466

As at 30.06.2007 fixed interest rate debt securities measured at fair value amount to 7 375 565 PLN k, variable interest rate securities amount to PLN 955 006 k.

As at 31.12.2006 fixed interest rate debt securities measured at fair value amount to PLN 6 342 844 k, variable interest rate securities amount to PLN 1 052 222 k.

As at 30.06.2006 fixed interest rate debt securities measured at fair value amount to PLN 5 621 294 k, variable interest rate securities amount to PLN 963 344 k.

As at 30.06.2007 fair value adjustments resulting from fair value hedge on available for sale debt securities totalled PLN (8 026) k (as at 31.12.2006 - PLN 1 305 k, as at 30.06.2006- PLN 615 k).

As at 31 December 2006 BZWBK has revised the valuation of its investments in Polish entities of the Commercial Union Group classified as available for sale. Resulting from the revision a positive adjustment to the carrying value of these investments in the amount of PLN 354 292 k has been recognised with corresponding increase (net of deferred tax) in the revaluation reserve. The revised fair values have been determined by valuation techniques using: (a) recent prospective arm's length transactions between knowledgeable and willing parties and (b) by reference to the current fair value of shares issued by similar entities. For the latter the following parameters have been used in the model: average P/E and P/BV ratios for similar entities, profit and equity figures based on 2005 data, risk adjustments related to expected variance of share prices and profits as well as liquidity discount.

Other unlisted equity instruments are not measured at fair value because of lack of active market or their value cannot be reliably measured.

Movements on investment securities	Debt securities	Equity securities	Total
as at 1 January 2007	7 395 066	626 223	8 021 289
Additions	2 718 636	22 580	2 741 216
Disposals (sale and redemption)	(1 651 589)	(2 875)	(1 654 464)
Fair value adjustment (AFS)	(133 926)	19 683	(114 243)
Movements on interest accrued	26 335	-	26 335
F/X differences	(23 951)	-	(23 951)
As at 30 June 2007	8 330 571	665 611	8 996 182

Movements on investment securities	Debt securities	Equity securities	Total
As at 1 January 2006	6 695 719	263 446	6 959 165
Additions	2 423 032	14 299	2 437 331
Disposals (sale and redemption)	(1 631 471)	(23 824)	(1 655 295)
Fair value adjustment (AFS)	(41 950)	370 942	328 992
Movements on interest accrued	(37 689)	-	(37 689)
Provision for impairment	-	1 360	1 360
F/X differences	(12 575)	-	(12 575)
As at 31 December 2006	7 395 066	626 223	8 021 289

Movements on investment securities	Debt securities	Equity securities	Total
As at 1 January 2006	6 695 719	263 446	6 959 165
Additions	985 516	4 002	989 518
Disposals (sale and redemption)	(908 548)	(23 891)	(932 439)
Fair value adjustment (AFS)	99 268	4 560	103 828
Movements on interest accrued	(298 927)	-	(298 927)
Provision for impairment	-	1 711	1 711
F/X differences	11 610	-	11 610
As at 30 June 2006	6 584 638	249 828	6 834 466

28. Investments in associates

Investments in associates	30.06.2007	31.12.2006	30.06.2006
As at 1 January	36 201	73 237	73 237
Share of profits (losses)	(265)	9 726	743
Dividend received	-	(335)	-
Sale/acquisition	-	(46 427)	(5 122)
As at the end of the period	35 936	36 201	68 858

Investments in associates as at 30.06.2007

No.	a	b	c	d	e	f							g			h	i
	name of entity (and its legal status)	business	registered office	balance sheet value	total assets	own funds of entity, of which:					minority interest	liabilities of entity, of which:			Revenues	% of holding *	
						share capital	due contributions to share capital (negative value)	other own funds, of which:		net profit (loss)		Total	short-term	long-term			
	POLFUND - Fundusz Poręczeń Kredytowych S.A. (As at 31.05.2007)	providing lending guarantees, investing and managing funds invested in companies, management	Szczecin	9 236	66 465	18 479	16 000	-	2 479	632	1 547	-	46 185	47	46 138	1 480	50,00
	NFI Magna Polonia S.A. Group (As at 31.03.2007)	buying securities issued by State Treasury, buying or taking up interests or shares in entities registered and operating in Poland, buying other securities issued by these entities	Warszawa	26 700	185 570	92 804	1 518	-	91 286	(15 425)	(363)	26 492	66 274	19 797	46 477	572	28,77
	Total			35 936	252 035	111 283	17 518	-	93 765	(14 793)	1 184	26 492	112 459	19 844	92 615	2 052	

* states percentage share of associates profits

Investments in associates as at 31.12.2006

No.	a	b	c	d	e	f						g			h	i	
	name of entity (and its legal status)	business	registered office	balance sheet value	total assets	own funds of entity, of which:					minority interest	liabilities of entity, of which:			Revenues	% of holding *	
						share capital	due contributions to share capital (negative value)	other own funds, of which:		total		short-term	long-term				
		from previous years	net profit (loss)														
	POLFUND - Fundusz Poręczeń Kredytowych S.A.(As at 30.11.2006)	providing lending guarantees, investing and managing funds invested in companies, management	Szczecin	8 965	62 571	17 929	16 000	-	1 929	632	997	-	43 187	73	43 114	2 854	50,00
	NFI Magna Polonia S.A.Group (As at 23.09.2006)	buying securities issued by State Treasury, buying or taking up interests or shares in entities registered and operating in Poland, buying other securities issued by these entities	Warszawa	27 236	242 521	94 677	3 554	-	91 123	(38 235)	23 084	64 069	83 325	51 488	31 837	40 787	28,77
	Total			36 201	305 092	112 606	19 554	-	93 052	(37 603)	24 081	64 069	126 512	51 561	74 951	43 641	

* states percentage share of associates profits

Investments in associates as at 30.06.2006

No.	a	b	c	d	e	f							g			h	i
	name of entity (and its legal status)	business	registered office	balance sheet value	total assets	own funds of entity, of which:						liabilities of entity, of which:			Revenues	% of holding *	
						share capital	due contributions to share capital (negative value)	other own funds, of which:		minority interest	total	short-term	long-term				
from previous years	net profit (loss)																
1	POLFUND - Fundusz Poręczeń Kredytowych S.A. (As at 31.05.2006)	providing lending guarantees, investing and managing funds invested in companies, management	Szczecin	8 704	28 560	17 408	16 000	-	1 408	687	476	-	10 041	41	10 000	916	50,00
2	NFI Magna Polonia S.A (As at 31.03.2006)	buying securities issued by State Treasury, buying or taking up interests or shares in entities registered and operating in Poland, buying other securities issued by these entities	Warszawa	60 154	201 546	201 223	3 006	-	198 217	2 870	(53)	-	323	323	-	1 764	29,89
	Total			68 858	230 106	218 631	19 006	-	199 625	3 557	423	-	10 364	364	10 000	2 680	

* states percentage share of associates profits

29. Intangible assets

Intangible assets	Licences, patents etc.	Other	Capital expenditures	Total
30.06.2007				
Gross value at the beginning of the period	501 629	8 029	40 430	550 088
Additions from:				
-purchases	-	-	13 540	13 540
-intangible assets taken for use	14 755	-	-	14 755
-transfers	-	1	-	1
Disposals from:				
-liquidation	(922)	-	-	(922)
-intangible assets taken for use	-	-	(14 755)	(14 755)
-transfers	(1)	-	(421)	(422)
Gross value at the end of the period	515 461	8 030	38 794	562 285
Accumulated depreciation at the beginning of the period	(407 465)	(7 591)	-	(415 056)
Depreciation:				
- current year	(36 577)	(65)	-	(36 642)
-liquidation	922	-	-	922
-transfers	-	-	-	-
Write down/Reversal of impairment write down	6	-	-	6
Accumulated depreciation at the end of the period	(443 114)	(7 656)	-	(450 770)
Book Value				
Purchase value	515 461	8 030	38 794	562 285
Accumulated depreciation	(443 114)	(7 656)	-	(450 770)
As at 30 June 2007	72 347	374	38 794	111 515

The value of intangible assets mostly relates to Integrated Centralised Banking System. It has been a core system for BZWBK branches since 2002 when it was capitalised. At the end of current reporting period its net value amounted to PLN 28 852 k (including modifications).

Expenditures made in 2007 are included in "capital expenditures". They are calculated successively and capitalised at the end of particular projects.

Intangible assets		Licences, patents etc.	Other	Capital expenditures	Total
31.12.2006					
Gross value at the beginning of the period		481 160	8 233	22 411	511 804
Additions from:					
-purchases	-	-	-	-	-
-intangible assets taken for use	21 458	43	39 644	61 145	
-transfers	(9)	9	-	-	-
Disposals from:					
-liquidation	(980)	-	(39)	(1 019)	
-intangible assets taken for use	-	-	(21 501)	(21 501)	
-transfers	-	-	(85)	(85)	
-excluding from consolidation (sale of subsidiary)	-	(256)	-	(256)	
Gross value at the end of the period		501 629	8 029	40 430	550 088
Accumulated depreciation at the beginning of the period		(329 901)	(7 709)	-	(337 610)
Depreciation:					
- current year	(78 549)	(129)	-	(78 678)	
-liquidation	980	-	-	980	
-excluding from consolidation (sale of subsidiary)	-	256	-	256	
-transfers	11	(9)	-	2	
Write down/Reversal of impairment write down	(6)	-	-	(6)	
Accumulated depreciation at the end of the period		(407 465)	(7 591)	-	(415 056)
Book Value					
Purchase value	501 629	8 029	40 430	550 088	
Accumulated depreciation	(407 465)	(7 591)	-	(415 056)	
As at 31 December 2006		94 164	438	40 430	135 032

The value of intangible assets mostly relates to Integrated Centralised Banking System. It has been a core system for BZWBK branches since 2002 when it was capitalised. At the end of the reporting period its net value amounted to PLN 55 818 k (including modifications). Expenditures made in 2006 are included in "capital expenditures". They are calculated successively and capitalised at the end of particular projects.

Intangible assets	Licences, patents etc.	Other	Capital expenditures	Total
30.06.2006				
Gross value at the beginning of the period	481 160	8 233	22 411	511 804
Additions from:				
-purchases	-	-	6 540	6 540
-intangible assets taken for use	12 059	44	-	12 103
-transfers	-	-	-	-
Disposals from:				
-liquidation	(948)	-	-	(948)
-intangible assets taken for use	-	-	(12 103)	(12 103)
-transfers	-	-	(80)	(80)
Gross value at the end of the period	492 271	8 277	16 768	517 316
Accumulated depreciation at the beginning of the period	(329 901)	(7 709)	-	(337 610)
Depreciation:				
- of current year	(41 094)	(66)	-	(41 160)
-liquidation	869	-	-	869
-transfers	80	-	-	80
Accumulated depreciation at the end of the period	(370 046)	(7 775)	-	(377 821)
Book Value				
Purchase value	492 271	8 277	16 768	517 316
Accumulated depreciation	(370 046)	(7 775)	-	(377 821)
As at 30 June 2006	122 225	502	16 768	139 495

30. Property plant and equipment

Property, plant & equipment	Land and Buildings	Equipment	Transportation means	Other fixed assets	Capital expenditures	Total
30.06.2007						
Gross value at the beginning of the period	547 981	356 214	30 215	247 451	26 796	1 208 657
Additions from:						-
- purchases	-	-	-	-	12 893	12 893
- leasing	-	-	5 189	-	-	5 189
- donation	-	23	-	-	-	23
- fixed assets taken for use	3 633	19 511	217	7 710	-	31 071
- transfers	-	15	267	-	379	661
Disposals from:						-
- sale, liquidation and donation	(1 525)	(3 426)	(1 861)	(1 229)	-	(8 041)
- fixed assets taken for use	-	-	-	-	(31 071)	(31 071)
- transfers	-	(31)	-	(56)	(20)	(107)
Gross value at the end of the period	550 089	372 306	34 027	253 876	8 977	1 219 275
Accumulated depreciation at the beginning of the period	(201 923)	(331 332)	(14 694)	(167 051)	-	(715 000)
Depreciation:						
- current year	(10 694)	(6 746)	(3 294)	(10 722)	-	(31 456)
- sale, liquidation and donation	418	3 416	1 717	1 144	-	6 695
- transfers	-	23	(394)	46	-	(325)
Reversal of impairment write down	-	-	-	-	-	-
Accumulated depreciation at the end of the period	(212 199)	(334 639)	(16 665)	(176 583)	-	(740 086)
Book Value						
Purchase value	550 089	372 306	34 027	253 876	8 977	1 219 275
Accumulated depreciation	(212 199)	(334 639)	(16 665)	(176 583)	-	(740 086)
As at 30 June 2007	337 890	37 667	17 362	77 293	8 977	479 189

Expenditures made in 2007 are included in "capital expenditure". Expenditures are calculated successively and capitalised in appropriate group of fixed assets. The main items are: purchase and modernization of ATM's, electronic equipment as well as adaptation of new business units.

Property, plant & equipment	Land and Buildings	Equipment	Transportation means	Other fixed assets	Capital expenditures	Total
31.12.2006						
Gross value at the beginning of the period	549 579	347 951	29 048	238 315	8 173	1 173 066
Additions from:						-
- purchases	-	-	-	-	49 410	49 410
- leasing	-	-	5 239	-	-	5 239
- fixed assets taken for use	4 717	12 725	874	12 556	-	30 872
- transfers	21	-	-	-	85	106
Disposals from:						-
- sale, liquidation and donation	(6 123)	(4 106)	(4 460)	(3 044)	-	(17 733)
- fixed assets taken for use	-	-	-	-	(30 872)	(30 872)
- transfers	-	90	(161)	(70)	-	(141)
- excluding from consolidation (sale of subsidiary)	(213)	(446)	(325)	(306)	-	(1 290)
Gross value at the end of the period	547 981	356 214	30 215	247 451	26 796	1 208 657
Accumulated depreciation at the beginning of the period	(184 173)	(304 780)	(13 070)	(152 400)	-	(654 423)
Depreciation:						
- current year	(21 500)	(30 939)	(5 704)	(21 996)	-	(80 139)
- sale, liquidation and donation	3 635	4 083	4 266	2 855	-	14 839
- transfers	(98)	(38)	(389)	186	-	(339)
- excluding from consolidation (sale of subsidiary)	213	342	203	278	-	1 036
Reversal of impairment write down	-	-	-	4 026	-	4 026
Accumulated depreciation at the end of the period	(201 923)	(331 332)	(14 694)	(167 051)	-	(715 000)
Book Value						
Purchase value	547 981	356 214	30 215	247 451	26 796	1 208 657
Accumulated depreciation	(201 923)	(331 332)	(14 694)	(167 051)	-	(715 000)
As at 31 December 2006	346 058	24 882	15 521	80 400	26 796	493 657

Expenditures made in 2006 are included in "capital expenditure". Expenditures are calculated successively and capitalised in appropriate group of fixed assets. The main items are: purchase and modernization of ATM's, electronic equipment as well as modernization of existing units.

Property, plant & equipment	Land and Buildings	Equipment	Transportation means	Other fixed assets	Capital expenditures	Total
30.06.2006						
Gross value at the beginning of the period	549 579	347 951	29 048	238 315	8 173	1 173 066
Additions from:						-
- purchases	-	-	-	-	11 539	11 539
- leasing	-	-	2 646	-	-	2 646
- fixed assets taken for use	2 203	7 043	794	7 220	-	17 260
- transfers	-	37	-	-	80	117
Disposals from:						-
- sale, liquidation and donation	(3 626)	(831)	(1 450)	(1 080)	-	(6 987)
- fixed assets taken for use	-	-	-	-	(17 260)	(17 260)
- transfers	-	-	(71)	-	-	(71)
Gross value at the end of the period	548 156	354 200	30 967	244 455	2 532	1 180 310
Accumulated depreciation at the beginning of the period	(184 173)	(304 780)	(13 070)	(152 400)	-	(654 423)
Depreciation:						
- current year	(10 787)	(20 621)	(2 771)	(11 084)	-	(45 263)
- sale, liquidation and donation	3 059	859	1 205	840	-	5 963
- transfers	-	(159)	(114)	105	-	(168)
Reversal of impairment write down	-	-	-	-	-	-
Accumulated depreciation at the end of the period	(191 901)	(324 701)	(14 750)	(162 539)	-	(693 891)
Book Value						
Purchase value	548 156	354 200	30 967	244 455	2 532	1 180 310
Accumulated depreciation	(191 901)	(324 701)	(14 750)	(162 539)	-	(693 891)
As at 30 June 2006	356 255	29 499	16 217	81 916	2 532	486 419

31. Deferred tax asset

Deferred tax asset	31.12.2006	Increase	Decrease	30.06.2007
Unrealized deposit interest	11 271	848	-	12 119
Unrealized securities interest	19 228	-	(2 549)	16 679
Unrealized liabilities due to derivatives	119 265	61 733	-	180 998
Provisions for loans	104 509	1 760	-	106 269
Other provisions which are not yet taxable costs	61 196	1 360	(2 132)	60 424
Difference between balance sheet and taxable value of leasing portfolio	28 171	8 050	-	36 221
Additional deferred tax assets resulting from art. 38 a of Corporate Tax Act	14 195	272	-	14 467
Other	34 632	3 758	(809)	37 581
Total	392 467	77 781	(5 490)	464 758

As at 30 June 2007 calculation of deferred tax asset did not taken into account bought receivables of PLN 21 486 k and loan impairment that will never be a taxable cost of PLN 35 543 k.

Deferred tax asset	31.12.2005	Increase	Decrease	31.12.2006
Unrealized deposit interest	18 115	-	(6 844)	11 271
Unrealized securities interest	26 964	-	(7 736)	19 228
Unrealized liabilities due to derivatives	138 208	-	(18 943)	119 265
Provisions for loans	134 608	-	(30 099)	104 509
Other provisions which are not yet taxable costs	50 394	19 025	(8 223)	61 196
Difference between balance sheet and taxable value of leasing portfolio	17 831	10 512	(172)	28 171
Additional deferred tax assets resulting from art. 38 a of Corporate Tax Act	15 293	-	(1 098)	14 195
Tax Loss	330	-	(330)	-
Other	33 489	1 857	(714)	34 632
Total	435 232	31 394	(74 159)	392 467

As at 31 December 2006 calculation of deferred tax asset did not taken into account bought receivables of PLN 21 671 k and loan impairment that will never be a taxable cost of PLN 33 083 k.

Deferred tax asset	31.12.2005	Increase	Decrease	30.06.2006
Unrealized deposit interest	18 115	354	-	18 469
Unrealized securities interest	26 964	13 486	-	40 450
Unrealized liabilities due to derivatives	138 208	775	-	138 983
Provisions for loans	134 608	-	(12 080)	122 528
Other provisions which are not yet taxable costs	50 394	1 553	(745)	51 202
Difference between balance sheet and taxable value of leasing portfolio	17 831	5 975	(161)	23 645
Additional deferred tax assets resulting from art. 38 a of Corporate Tax Act	15 293	-	(480)	14 813
Tax Loss	330	-	(330)	-
Other	33 489	7 855	(36)	41 308
Total	435 232	29 998	(13 832)	451 398

As at 30 June 2006 calculation of deferred tax asset did not taken into account bought receivables of PLN 21 223 k and loan impairment that will never be a taxable cost of PLN 17 584 k.

32. Other assets

Other assets	30.06.2007	31.12.2006	30.06.2006
Sundry debtors	463 280	287 489	268 702
Interbank and interbranch settlements	28 294	152 056	76 541
Prepayments	27 050	23 029	26 535
Assets held for sale	16 231	17 053	17 420
Other	575	258	540
Total	535 430	479 885	389 738

Assets held for sale - BZ WBK Group

30 June 2007	Gross value	Impairment loss	Carrying value
Land and buildings	19 852	(5 478)	14 374
Equipment	1 884	(27)	1 857
Total	21 736	(5 505)	16 231

In 1H 2007 one property was sold (carrying value- PLN 788 k) and the equipment connected with it (carrying value PLN 34 k).

31 December 2006	Gross value	Impairment loss	Carrying value
Land and buildings	21 913	(6 751)	15 162
Equipment	1 918	(27)	1 891
Total	23 831	(6 778)	17 053

In 2006 one property was sold (carrying value- PLN 136 k) and equipment taken over for debts was liquidated (carrying value- PLN 231 k)

30 June 2006	Gross value	Impairment loss	Carrying value
Land and buildings	22 376	(7 078)	15 298
Equipment	2 149	(27)	2 122
Total	24 525	(7 105)	17 420

In 1H 2006 there were no changes in comparison with December 2005.

Assets held for sale include the amount of PLN 86 k (31.12.2006 – 86 k, 30.06.2006 – PLN 317k) concerning assets taken over for debts.

33. Deposits from banks

Deposits from banks	30.06.2007	31.12.2006	30.06.2006
Current accounts	506 186	270 526	412 268
Deposits	704 601	371 635	1 016 707
Loans from other banks	968 263	743 621	319 159
Repo transactions	1 376 137	1 222 595	1 627 376
Other	-	-	264
Total	3 555 187	2 608 377	3 375 774

As at 30.06.2007 fair value adjustment for hedged deposit totaled PLN (287) k (as at 31.12.2006 - PLN 0 k, as at 30.06.2006- PLN 82 k)

Fair value of deposits from banks is presented in additional note 43.

34. Deposits from customers

Deposits from customers	30.06.2007	31.12.2006	30.06.2006
Deposits from individuals	13 096 558	12 461 759	11 756 794
- term deposits	7 478 468	7 742 829	7 982 399
- current accounts	5 555 045	4 666 843	3 729 348
- other	63 045	52 087	45 047
Deposits from enterprises	10 106 889	10 140 514	8 219 240
- current accounts	6 101 224	5 918 089	4 468 474
- term deposits	3 536 565	3 714 815	3 266 309
- credits	93 000	105 791	110 854
- repo transactions	2 601	3 081	10 282
- other	373 499	398 738	363 321
Deposits from public sector	2 014 597	1 619 778	1 582 799
- current accounts	1 108 539	1 265 568	998 787
- term deposits	905 737	353 237	583 480
- other	321	973	532
Total	25 218 044	24 222 051	21 558 833

As at 30.06.2007 deposits held as collateral totalled PLN 184 994 k (as at 31.12.2006- PLN 175 871 k, as at 30.06.2006- PLN 166 671 k)

Fair value of deposits from customers is presented in additional note 43.

35. Debt security in issue

Debt security in issue						
			Average coupon		Nominal value	
	30.06.2007	31.12.2006	30.06.2006	30.06.2007	31.12.2006	30.06.2006
Bond 3 Y-3SO806	-	-	fixed; 5,25%	-	-	149 526
Bond 3 Y-3ZO806	-	-	WIBOR 6M + 0,25%	-	-	48 736
Bond 3 Y-3SO207	-	fixed; 6,5%	fixed; 6,5%	-	45 095	45 189
Bond 3 Y-3SO307	-	fixed; 6,5%	fixed; 6,5%	-	18 589	18 592
Bond 3 Y-3SO407	-	fixed; 6,5%	fixed; 6,5%	-	9 423	9 423
Bond 3 Y-3SO507	-	fixed; 6,75%	fixed; 6,75%	-	19 358	19 368
Bond 3 Y-3ZO507	-	WIBOR 6M + 0,10%	WIBOR 6M + 0,10%	-	6 404	6 406
Bond 5 Y- 5S1008	fixed; 5,25%	fixed; 5,25%	fixed; 5,25%	7 092	7 092	7 092
Bond 5 Y- 5S1108	fixed; 5,75%	fixed; 5,75%	fixed; 5,75%	9 953	9 953	9 953
Bond 5 Y- 5S1208	fixed; 6,00%	fixed; 6,00%	fixed; 6,00%	61 874	61 874	61 874
Bond 3 Y-3SO707	fixed; 7%	fixed; 7%	fixed; 7%	49 827	49 833	49 832
Bond 3 Y-3S1007	fixed; 7,25%	fixed; 7,25%	fixed; 7,25%	10 226	10 235	10 235
Bond 3 Y-3S1107	fixed; 7%	fixed; 7%	fixed; 7%	29 967	29 975	29 975
Bond 3 Y-3S11A07	fixed; 7%	fixed; 7%	fixed; 7%	10 000	10 000	10 000
Bond 3 Y-3SO608	fixed; 4,4%	fixed; 4,4%	fixed; 4,4%	3 054	3 054	3 059
Bond 3 Y-3SO807	fixed; 7,3%	fixed; 7,3%	fixed; 7,3%	49 984	49 984	49 989
Bond 3 Y-3SO907	fixed; 7,3%	fixed; 7,3%	fixed; 7,3%	49 923	49 925	49 925
Bond 3 Y-3ZO807	WIBOR 6M + 0,20%	WIBOR 6M + 0,20%	WIBOR 6M + 0,20%	40 143	40 143	40 143
Bond 3 Y-3SO108	fixed; 6,25%	fixed; 6,25%	fixed; 6,25%	24 973	24 978	24 978
Bond 3 Y-3SO308	fixed; 5,55%	fixed; 5,55%	fixed; 5,55%	14 985	14 985	14 985

Bond 3 Y-3S0508	fixed; 5,25%	fixed; 5,25%	fixed; 5,25%	22 031	22 031	22 030
Bond 3 Y-3S0608	fixed; 5,15%	fixed; 5,15%	fixed; 5,15%	7 283	7 283	7 283
Bond 3 Y-3S1008	fixed; 4,2%	fixed; 4,2%	fixed; 4,2%	12 767	12 787	12 787
Bond 3 Y-3S1108	fixed; 4,6%	fixed; 4,6%	fixed; 4,6%	14 292	14 292	14 296
	WIBOR 1M +	WIBOR 1M +	WIBOR 1M +			
Bond 3 Y-3Z0209	0,44%	0,44%	0,44%	35 000	35 000	35 000
Bond 3 Y-3S0809	fixed; 4,9%	fixed; 4,9%	-	58 284	58 318	-
Bond 2 Y-2S0209	fixed; 5,0%	-	-	32 311	-	-
Bond 2 Y-2S0409	fixed; 5,0%	-	-	10 188	-	-
Total nominal value				554 157	610 611	750 676
Total carrying value				589 675	646 342	795 252

As at 30.06.2007 the nominal value was increased by interest of PLN 36 770 k, bond valuation of PLN (1 252) k related to hedging activities.

As at 31.12.2006 the nominal value was increased by interest of PLN 31 052 k, bond valuation of PLN 4 679 k related to hedging activities.

As at 30.06.2006 the nominal value was increased by interest of PLN 37 828 k, bond valuation of PLN 6 748 k related to hedging activities.

36. Deferred tax liabilities

Deferred tax liability	31.12.2006	Increase	Decrease	30.06.2007
Unrealised interests from securities and interbank deposits	18 164	8 422	(345)	26 241
Unrealised loans interests	10 567	2 747	-	13 314
Unrealised receivables on derivatives	123 513	56 427	-	179 940
Provision due to application of investment relief	2 883	-	(164)	2 719
Valuation of assets available for sale	119 290	1 112	(21 614)	98 788
Other	19 112	383	(5 820)	13 675
Total	293 529	69 091	(27 943)	334 677

Deferred tax liability	31.12.2005	Increase	Decrease	31.12.2006
Unrealised interests from securities and interbank deposits	47 201	528	(29 565)	18 164
Unrealised loans interests	12 920	-	(2 353)	10 567
Unrealised receivables on derivatives	140 871	-	(17 358)	123 513
Provision due to application of investment relief	5 023	-	(2 140)	2 883
Valuation of assets available for sale	58 619	63 929	(3 258)	119 290
Other	50 598	2 622	(34 108)	19 112
Total	315 232	67 079	(88 782)	293 529

Deferred tax liability	31.12.2005	Increase	Decrease	30.06.2006
Unrealised interests from securities and interbank deposits	47 201	69	(16 747)	30 523
Unrealised loans interests	12 920	-	(5 437)	7 483
Unrealised receivables on derivatives	140 871	-	(5 212)	135 659
Provision due to application of investment relief	5 023	-	(1 811)	3 212
Valuation of assets available for sale	58 619	-	(20 135)	38 484
Other	50 598	1 809	(12 983)	39 424
Total	315 232	1 878	(62 325)	254 785

37. Other liabilities

	30.06.2007	31.12.2006	30.06.2006
Other liabilities			
Interbank and interbranch settlements	357 958	307 792	395 477
Sundry creditors	338 043	260 409	190 460
Provisions:	181 841	174 245	124 181
<i>Employee provisions</i>	146 569	142 335	99 016
<i>Provisions for legal claims</i>	33 249	28 672	20 604
<i>Provisions for off balance sheet credit facilities</i>	2 023	3 238	4 561
Financial lease related settlements	35 041	21 195	82 857
Accrued liabilities	69 450	78 155	71 300
Other deferred and suspended income	51 507	53 253	60 730
Other liabilities	1 674	1 123	294
Total	1 035 514	896 172	925 299

	30.06.2007	31.12.2006	30.06.2006
Movements on provisions			
As at 31 December	174 245	122 703	122 703
Provisions for off balance sheet credit facilities	3 238	11 818	11 818
Employee provisions and accruals	142 335	99 367	99 367
Provisions for legal claims	28 672	11 518	11 518
Provision charge	103 470	147 057	65 775
Provisions for off balance sheet credit facilities	702	2 323	1 481
Employee provisions and accruals	94 804	126 280	54 843
Provisions for legal claims	7 964	18 454	9 451
Utilisation	(90 706)	(80 012)	(52 537)
Provisions for off balance sheet credit facilities	(32)	-	119
Employee provisions and accruals	(89 744)	(79 911)	(52 656)
Provisions for legal claims	(930)	(101)	-
Write back	(5 168)	(15 503)	(11 760)
Provisions for off balance sheet credit facilities	(1 885)	(10 903)	(8 857)
Employee provisions and accruals	(826)	(3 401)	(2 538)
Provisions for legal claims	(2 457)	(1 199)	(365)
As at the end of the period	181 841	174 245	124 181
Provisions for off balance sheet credit facilities	2 023	3 238	4 561
Employee provisions and accruals	146 569	142 335	99 016
Provisions for legal claims	33 249	28 672	20 604

The Group raises provisions for disputable or expected, certain or highly probable, future liabilities that can be reliably estimated. The liabilities result from past events and fund outflow is probable to satisfy them.

Employee related provisions and accruals consists of those mentioned in note 54.

38. Share capital

Series / issue	Type of share	Type of preference	Limitation of rights to shares	Number of shares	Nominal value of series / issue
A	bearer	none	none	5 120 000	51 200
B	bearer	none	none	724 073	7 241
C	bearer	none	none	22 155 927	221 559
D	bearer	none	none	1 470 589	14 706
E	bearer	none	none	980 393	9 804
F	bearer	none	none	2 500 000	25 000
G	bearer	none	none	40 009 302	400 093
				72 960 284	729 603

Nominal value of one share is 10 PLN. All shares in issue are fully paid. There was no movements on share capital during reporting period.

According to the information available to the Bank's Management Board, as at 30.06.2007 the only shareholder who had at least 5% votes at the General Meeting of BZ WBK Shareholders was AIB European Investments Ltd seated in Dublin

From the date of registration of issued capital in 1991 to December 1996 the Bank operated in an economy of hyperinflation. IAS 29 (Financial Reporting in Hyperinflationary Economies) requires the restatement of each component of shareholder's equity (except retained earnings and any revaluations surplus) by the general price index for the period of hyperinflation. This retrospective application would have resulted in an increase in share capital PLN 336 091 k and Other reserve funds by PLN 380 983 k and a reduction in retained earning over that period of equivalent amounts.

39. Other reserve funds

Other reserve funds	30.06.2007	31.12.2006	30.06.2006
General banking risk fund	529 810	529 810	529 810
Share premium	261 699	261 699	261 699
Other reserve capitals	1 263 103	1 065 638	1 062 141
Total	2 054 612	1 857 147	1 853 650

Other reserve funds:

Statutory reserve (supplementary) capital is created from profit allocations in line with the prevailing banking legislation and the Bank's statute. The capital is not subject to split and is earmarked for covering balance sheet losses. Allocations from profit of the current year to reserve capital should amount to at least 8 % of profit after tax and are made until supplementary capital equals at least one third of the Bank's share capital. The amount of allocations is adopted by the General Meeting of Shareholders.

Share (issue) premium is created from surplus over the nominal value of shares sold less costs of share issuance and constitutes the Bank's supplementary capital. Other reserve (supplementary) capital include a part of revaluation fund that refers to fixed assets disposed, sold or transferred that were subject to revaluation reserve by increasing revaluation fund. Reserve capital is created from profit allocations in the amount adopted by the General Meeting of Shareholders. The decision on reserve capital use is taken by the General Meeting of Shareholders.

40. Revaluation reserve

Revaluation reserve	30.06.2007
As at 31 December 2006	508 548
Net change in available for sale investments, of which:	(106 797)
- related to debt investments purchased before current reporting period	(83 721)
- related to equity investments purchased before current reporting period	22 409
- related to investments purchased/assigned during the period	(45 485)
Net change in available for sale investments matured during the period	(5 111)
Decrease in revaluation reserve related to sale of investments	(2 781)
Decrease in revaluation reserve related to hedge accounting	6 415
Deferred tax adjustment	20 501
As at 30.06.2007	420 775

Revaluation reserve	31.12.2006
As at 1 January 2006	250 088
Net change in available for sale investments, of which:	347 525
- related to debt investments purchased before current reporting period	(37 546)
- related to equity investments purchased before current reporting period	378 315
- related to investments purchased/assigned during the period	6 756
Net change in available for sale investments matured during the period	(10 020)
Decrease in revaluation reserve related to sale of investments	(16 015)
Decrease in revaluation reserve related to hedge accounting	(2 359)
Deferred tax adjustment	(60 671)
As at 31.12.2006	508 548

As at 31 December 2006 BZWBK has revised valuation of its investments in Polish entities of the Commercial Union Group classified as available for sale. Resulting from the revision a positive adjustment to the carrying value of these investments in the amount of PLN 354 292 k has been recognised with corresponding increase (net of deferred tax) in the revaluation reserve

Revaluation reserve	30.06.2006
As at 1 January 2006	250 088
Net change in available for sale investments, of which:	(87 319)
- related to debt investments purchased before current reporting period	(85 193)
- related to equity investments purchased before current reporting period	8 651
- related to investments purchased/assigned during the period	(10 777)
Net change in available for sale investments matured during the period	(2 984)
Decrease in revaluation reserve related to sale of investments	(15 729)
Decrease in revaluation reserve related to hedge accounting	(213)
Deferred tax adjustment	20 135
As at 30.06.2006	163 978

Revaluation reserve

Revaluation reserve comprises equity from the valuation of financial assets available for sale and from the valuation of tangible fixed assets. Revaluation reserve is not distributable. On the day of derecognising of all or part of financial assets available for sale the total effects of periodical change in the fair value reflected in the revaluation reserve are reversed. Total or part of the previous revaluation charge increases or decreases the value of the given financial asset available for sale.

41. Hedge accounting

The Group applies hedge accounting in line with the risk management assumptions described note 8 of annual consolidated financial statements. Hedging transactions are constructed using interest rate swaps. Their purpose is to eliminate risk of fair value in hedged instruments stemming from changes in market interest rates. These transactions are not designed to hedge against the effects of fair value changes due to credit risk. Bank Zachodni WBK applies fair value hedge accounting in relation to the following classes of financial instruments:

- Own fixed-rate bonds denominated in PLN, which form a group of financial liabilities. Each element in this group carries a risk of changes in the interbank interest rates,
- A fixed rate loan denominated in PLN recognised as a financial asset. Each element in this group carries a risk of changes in the interbank interest rates,
- Fixed rate loans denominated in foreign currency,
- Deposit denominated in foreign currency,
- Fixed rate debt securities, forming a group of assets covered with an interest rate hedge.

The hedging items are measured at fair value. Hedged items are measured at amortised cost including fair value adjustment due to hedged risk.

The table below contains details about individual groups of hedge transactions for 1H 2007:

	IRS hedging own bonds	IRS hedging corporate loans	IRS hedging deposits	IRS hedging Treasury and NBP bonds
Nominal value of hedged position	PLN 78 918 k	PLN 285 771 k	PLN 167 934 k	PLN 465 000 k
Fair value adjustment of hedging instrument asset/(liability)	PLN 234 k	PLN (2 094) k	PLN 286 k	PLN 7 676 k
Fair value adjustment of hedged instrument due to hedged risk asset/(liability)	PLN (217) k	PLN 2 011 k	PLN (285) k	PLN (8 026) k
Period over which the instruments have an impact on the bank's results	2007 – 2008	2007 – 2011	2007 – 2008	2007 – 2017

In addition, BZ WBK subsidiaries - BZ WBK Finanse & Leasing S.A. and BZ WBK Leasing S.A. - concluded IRS transactions with the bank with a view to hedging the fair value of their bonds and lease contracts. Details about these transactions as at 30.06.2007 are presented in the table below:

Subsidiary	BZ WBKL Leasing S.A.	BZ WBK Finanse & Leasing S.A.
Nominal value of the hedged position	PLN 367 470 k	PLN 166 127 k
Fair value adjustment related to hedging activities	PLN 265 k	PLN 316 k
Hedged risk	Movements in the fair value of the bond issue arising from changes in market interest rates	Movements in the fair value of the bond issue arising from changes in market interest rates
Period over which the instruments have an impact on the companies' results	2007 – 2009	2007 – 2009

42. Sell-buy-back transactions

The Group raises funds by selling financial instruments under agreements to repay the funds by repurchasing the instruments at future dates at the same price plus interest at a predetermined rate. As at 30 June 2007, the consolidated balance sheet contains treasury bills and bonds traded under sell-buy-back transactions in the amount of PLN 1 377 665 k (PLN 1 225 264 k as at 31 December 2006, PLN 1 636 881 k as at 30 June 2006). At the same time, on the liabilities side, in the item representing obligations in respect repo transactions there were deposits recognised, corresponding to the securities traded in the amount of PLN 1 378 738 k (PLN 1 230 682 k as at 31 December 2006, PLN 1 661 617 k as at 30 June 2006).

In case of sell-by-back transactions on the Bank remains all risks and revards related to holding of underlying debt securities as well as power to dipose them.

43. Fair value

Fair value of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction other than a forced sale or liquidation and is best reflected by a quoted market price, if available.

The following is a summary of the carrying amounts and fair values of each class of assets and liabilities that are not presented on the Group's balance sheet at their fair value. For financial assets and liabilities, it is assumed that their carrying amount is approximately equal to their fair value.

<i>k PLN</i>	30.06.2007		31.12.2006		30.06.2006	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Loans and advances to banks	2 736 901	2 736 735	3 154 546	3 156 077	3 584 742	3 586 991
Loans and advances to customers	20 650 181	20 672 147	17 620 066	17 636 668	15 498 630	15 554 805
Investments in associate undertakings	35 936	35 936	36 201	36 201	68 858	68 858
Liabilities						
Deposits from banks	3 555 187	3 555 605	2 608 377	2 608 463	3 375 774	3 376 207
Deposits from customers	25 218 044	25 214 250	24 222 051	24 218 013	21 558 833	21 550 784

Data of comparable period include an effect from different way of fair value calculations introduced in current reporting period. These changes lie in: (i) including impairment on IBNR on loans and advances to customers, (ii) including fix interest rate on loans and advances from customers with maturity date over 6months (previously over 1 year), (iii) revaluation of interest margin on loans and advances from customers.

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table above.

Loans and advances to banks: The fair value of floating rate placements and overnight deposits is their carrying amount. Fixed interest-bearing deposits fair value is estimated based on discounted cash flows using current money market interest rates for debts with similar credit risk and remaining maturity.

Loans and advances to customers: These are net of any impairment . Fair value is calculated based on the discounted expected future principal and interest cash flows. Loan repayments are assumed to occur at contractual repayment dates, where applicable. For loans that do not have fixed repayment dates or that are subject to prepayment risk, repayments are estimated based on experience in previous periods when interest rates were at levels similar to current levels, adjusted for any differences in interest rate outlook. Expected future cash flows are estimated considering credit risk and any indication of impairment. Expected future cash flows for homogeneous categories of loans are estimated on a portfolio basis and discounted at current rates offered for similar loans to new borrowers with similar credit profiles. The estimated fair values of loans reflect changes in credit status since the loans were made and changes in interest rates in the case of fixed rate loans.

Available-for-sale investments: The fair value of financial assets available for sale is based on quoted market prices. For certain equity instruments without quoted prices it was impossible to reliably estimate a fair value with alternative methods. For balance sheet valuation purposes instruments are recognised at purchase value adjusted for impairment write downs.

Investments in associates entities: Financial assets representing interests in associated entities were accounted for using the equity method. In the opinion of the Management Board of the parent company, this is the best estimate of the fair value of these instruments.

Bank and customer deposits: For demand deposits and deposits with no defined maturities, fair value is taken to be the amount payable on demand at the balance sheet date. The estimated fair value of fixed-maturity deposits, including certificates of deposit, is based on discounted cash flows using rates currently offered for deposits of similar remaining maturities. For deposits maturing within 6 months it's assumed that their fair value is not significantly different from carrying value. The value of long-term relationships with depositors is not taken into account in estimating fair values.

44. Contingent liabilities

Significant court proceedings conducted by Bank Zachodni WBK S.A.

As at 30 June 2007 no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the Group or its subsidiaries amounting to a minimum of 10% of the Group's equity.

The value of all litigations totals PLN 288 876 k, which is ca. 6.96% of Group's equity. This amount includes PLN 73 611 k claimed by the Bank, PLN 49 824 k in claims against the Bank and PLN 165 441 k are Bank's receivables due to bankruptcy or arrangement cases.

As at 31 December 2006, no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the Group or its subsidiaries amounting to a minimum of 10% of the Group's equity.

The value of all litigations totals PLN 301 287 k, which is ca. 7.61% of Group's equity. This amount includes PLN 62 888 k claimed by the Bank, PLN 38 283 k in claims against the Bank and PLN 200 116 k are Bank's receivables due to bankruptcy or arrangement cases.

As at 30 June 2006, no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the Group or its subsidiaries amounting to a minimum of 10% of the Group's equity.

The value of all litigations totals PLN 289 135 k which is ca. 8.64% of Group's equity. This amount includes PLN 74 341 k claimed by the Bank, PLN 46 052 k in claims against the Bank, and PLN 168 742 k are Bank's receivables due to bankruptcy or arrangement cases.

Off balance sheet liabilities

The Group has commitments to deliver loans. These commitments include loans sanctioned, credit card limits and overdrafts. The Group issue guarantees and letters of credit which collateralise customers' liabilities to third parties.

The break-down of contingent liabilities and off-balance transactions into categories are presented below. The values of guarantees and letters of credit as set out in the table below represent the maximum possible loss that would be disclosed as at the balance sheet day if the customers did not meet any of their obligations.

Contingent liabilities, sanctioned and received	30.06.2007	31.12.2006	30.06.2006
Liabilities sanctioned	7 114 542	7 061 422	6 053 955
- financial	6 433 240	6 438 314	5 318 707
- including: import letters of credit	104 673	94 447	96 510
- including: credit lines	5 802 615	5 742 419	4 310 511
- including: credit cards debits	509 304	439 255	402 630
- including: term deposits with future commencement term	16 648	162 193	509 056
- guarantees	681 302	623 108	735 248
including: confirmed export letters of credit	3 604	1 880	314
Received liabilities	1 953 023	1 622 482	1 452 197
Total	9 067 565	8 683 904	7 506 152

As at 30.06.2007 the Bank received/sanctioned guarantees of PLN 248 772 k (as at 31.12.2006- PLN 250 090 k, as at 30.06.2006 PLN 128 422 k) to following subsidiary undertakings: BZ WBK Finanse & Leasing S.A., BZ WBK Leasing SA, Dom Maklerski BZWBK SA, BZWBK TFI S.A. and BZWBK Nieruchomości S.A. They were eliminated as intragroup transactions.

The most common forms of guarantee are: payment guarantee, performance bond, bid bond, advance payment guarantee, loan repayment guarantee, customs guarantee. In accordance with the "Non-consumer lending regulations", the bank issues civil law guarantees (mainly: loan or advance repayment guarantee, service or goods repayment guarantee, advance payment guarantee, performance bond, bid bonds and other) and B/E guarantees (mainly: loan or advance repayment guarantee, service or goods repayment guarantee and other).

Guarantees and civil law guarantees are issued on the basis of the same information and in accordance with the same procedure as it is in the case of loans. Applicable regulations are set out in the Commercial Lending Manual and the Lending Manual of the Corporate Banking Centre.

These contingent liabilities carry an off-balance sheet credit risk as only the funding arrangement fees and loan loss provisions are disclosed in the balance sheet until repayment or expiry of the obligation. Many of the existing contingent liabilities will expire before any payment is made. For this reason, their values do not reflect the expected future cash flows

45. Assets pledged as collateral

Bank is obliged to set up a guaranteed funds protection fund.

For the purpose as at 30 June 2007 Bank Zachodni WBK S.A. pledged as collateral PLN 68 444 k of debt securities (PLN 58 249 k as at 31.12.2006, PLN 41 137 k as at 30.06.2006).

These transactions are conducted under terms that are usual and customary to this type of agreement.

As at end 2006 the Group drawn a Lombard loan from NBP in the amount of PLN 174 000 k, with a maturity date less than one month and interest rate 5,5%. It was secured with corresponding amount of bonds.

Other assets pledge as collateral are presented in note 42.

46. Trust activities

BZ WBK Group provides custodian services in accordance with Stock Exchange Commission license of 9 August 1999. The Bank's custodian services are addressed to residents - private individuals and legal enterprises (incl. investment funds) - and to foreign institutional investors present on the Polish capital market. They involve, inter alia, maintaining securities accounts, settling transactions, handling dividend and interest payments and representing clients at the General Annual Meetings of public companies. Group also acts as a depository for investment funds managed by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A.

As at the end of June 2007 assets held by clients at the Group securities accounts totalled PLN 9 278 863 k (as at end of 2006 – PLN 7 531 764 k, as at the end of June 2006 - PLN 6 091 653 k).

47. Financial and operating leases

Financial leases

Lease agreements where the Group acts as the lessor

Bank Zachodni WBK Group operates on the leasing market through two leasing companies who specialise in funding two different asset categories. BZ WBK Finance & Leasing focuses on lease of machines and equipment as well as computers and office equipment for businesses, while BZ WBK Leasing specialises in financing vehicles for businesses and personal customers. The activities of BZ WBK Nieruchomości S.A. i Wspólnicy Spółka Komandytowa was to manage the lease of vehicles provided to customers under ten-year lease contracts. Due to the fact that in 2H 2006 all receivables were paid off, the company was dissolved in 1H 2007. The items „receivables from customers” contains the following amounts relating to the finance lease obligations:

Finance leases gross receivables maturity	30.06.2007	31.12.2006	30.06.2006
less than 1 year	788 306	748 494	733 476
between 1 and 5 years	1 485 274	1 203 032	1 132 416
over 5 years	14 070	10 146	116 407
Total	2 287 650	1 961 672	1 982 299

Present value of minimum lease payments maturity	30.06.2007	31.12.2006	30.06.2006
less than 1 year	651 966	635 167	641 173
between 1 and 5 years	1 311 473	1 061 227	995 821
over 5 years	15 428	8 594	106 109
Total	1 978 867	1 704 988	1 743 103

Reconciliation between the gross investment and the present value of minimum lease payments	30.06.2007	31.12.2006	30.06.2006
Finance leases gross receivables	2 287 650	1 961 672	1 982 299
Unearned finance income	(308 783)	(256 684)	(239 196)
Bad debts provisions	(29 310)	(27 064)	(31 210)
Net present value of minimum lease payments	1 949 557	1 677 924	1 711 893

The present value of the minimum lease payments includes effects of EIR adjustments.

Lease agreements where the Group acts as a lessee

The BZ WBK Group companies also avail of lease arrangements as lessees, however as the leases are between related entities they were eliminated from the consolidated balance sheet and profit and loss account.

Operating leases

The BZW BK Group leases offices in compliance with operational leasing agreements. Most significant agreements relate to the buildings in Poznań and Warszawa. As a standard, agreements are concluded for 5-10 years. Leasing payments are indexed on an annual basis so that the price reflects market values. A small part of the offices is subleased outside the Bank. In 1H 2007 and 1H 2006 rentals related to mentioned real estates totalled PLN 8 793 k and PLN 8 382 k. These payments are presented in the profit and loss account under "administrative costs".

Total payments due to non cancelable operating leases (including land perpetual usufruct) are as below

Payments (maturity)	30.06.2007	31.12.2006	30.06.2006
Less than 1 year	18 739	20 583	22 270
1-5 years	43 952	56 696	88 237
over 5 years	58 462	63 285	75 250
Total	121 153	140 564	185 757

48. Consolidated cash flow statement – additional information

Table below specifies components of cash balances of BZ WBK Group.

Cash components	30.06.2007	30.06.2006
Cash on hand	490 655	466 387
Current account in a central bank	272 031	516 572
Other cash equivalents	211	1 187
Current accounts in other banks	32 076	16 141
Total	794 973	1 000 287

49. Related party disclosures

The Bank enters into intercompany transactions related parties. Most of the transactions are banking transactions made as part of ordinary business activities and mainly include loans, deposits and guarantees. Intragroup transactions have been eliminated from consolidated financial statements.

The table below contains information about transactions effected by the bank and its subsidiaries with related entities at the end of the reporting period, along with revenues and expenses for the current period:

Receivables and liabilities relating to transactions with connected entities

30.06.2007

Receivables	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Loans and advances to banks	1 492 387	-	391 124	1 883 511
Financial assets held for trading	592	-	61 028	61 620
Hedging derivatives	16 306	-	2 209	18 515
Loans and advances to customers	340 756	-	-	340 756
Investment securities	-	-	285 147	285 147
Other assets	33 990	-	-	33 990
Total	1 884 031	-	739 508	2 623 539

Liabilities	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Deposits from banks	338 060	-	641 207	979 267
Hedging derivatives	109	-	-	109
Financial liabilities held for trading	16 414	-	31 836	48 250
Deposits from clients	1 477 835	110 857	-	1 588 692
Debt securities in issue	375	-	-	375
Other liabilities	51 238	-	21 006	72 244
Total	1 884 031	110 857	694 049	2 688 937

31.12.2006

Receivables	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Loans and advances to banks	1 197 229	-	284 272	1 481 501
Financial assets held for trading	582	-	48 451	49 033
Hedging derivatives	18 459	-	1 023	19 482
Loans and advances to customers	398 520	-	-	398 520
Investment securities	-	-	371 218	371 218
Other assets	26 066	-	-	26 066
Total	1 640 856	-	704 964	2 345 820

Liabilities	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Deposits from banks	395 466	-	5 155	400 621
Hedging derivatives	79	-	-	79
Financial liabilities held for trading	18 461	-	33 037	51 498
Deposits from clients	1 185 335	88 061	-	1 273 396
Debt securities in issue	501	-	-	501
Other liabilities	41 242	-	19 619	60 861
Total	1 641 084	88 061	57 811	1 786 956

The difference on transaction with subsidiaries in the amount of PLN 228 k results from prepaid expenses which are recognized in profit and loss account.

30.06.2006

Receivables	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Loans and advances to banks	759 288	-	820 829	1 580 117
Financial assets held for trading	1 009	-	39 705	40 714
Hedging derivatives	29 420	-	-	29 420
Loans and advances to customers	424 936	-	-	424 936
Other assets	11 688	-	-	11 688
Total	1 226 341	-	860 534	2 086 875

Liabilities	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Deposits from banks	422 597	-	491	423 088
Hedging derivatives	82	-	-	82
Financial liabilities held for trading	29 902	-	55 139	85 041
Deposits from clients	746 010	178 251	-	924 261
Debt securities in issue	445	-	-	445
Other liabilities	27 533	-	25 942	53 475
Total	1 226 569	178 251	81 572	1 486 392

Revenues and expenses relating to transactions with connected entities

1.01.2007 - 30.06.2007

Income	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Interest and similar income	37 318	-	12 755	50 073
Fee and commission income	127 893	2	-	127 895
Other operating income	2 238	-	-	2 238
Net trading and revaluation income	(4 179)	-	27 908	27 908
Total	163 270	2	40 663	208 114

Expenses	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Interest expense and similar charges	32 577	1 618	(7 763)	26 432
Fee and commission expense	127 783	-	-	127 783
Other operating expenses incl.:	2 910	-	21 952	24 862
Bank's operating expenses and management costs	2 875	-	21 952	24 827
Other	35	-	-	35
Total	163 270	1 618	14 189	179 077

1.01.2006 - 30.06.2006

Income	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Interest and similar income	27 127	-	12 235	39 362
Fee and commission income	87 305	-	-	87 305
Other operating income	2 378	-	897	3 275
Net trading and revaluation income	(5 257)	-	4 134	4 134
Total	111 553	-	17 266	134 076

Expenses	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Interest expense and similar charges	21 709	2 492	(3 623)	20 578
Fee and commission expense	87 113	-	-	87 113
Net trading income	-	-	-	-
Other operating expenses incl.:	2 959	-	17 753	20 712
Bank's operating expenses and management costs	2 959	-	17 753	20 712
Total	111 781	2 492	14 130	128 403

Off balance sheet positions relating to transactions with connected entities**30.06.2007**

Intragroup transactions - off-balance sheet liabilities	of which from subsidiaries	of which from associates	Total
1. Received/Sanctioned contingent liabilities	2 603 248	-	2 603 248
- financing-related	2 354 476	-	2 354 476
- guarantees	248 772	-	248 772

Intragroup transactions- derivatives' nominal values	of which from subsidiaries	of which from associates	Total
2. Derivatives' nominal values, including:	1 080 006	-	1 080 006
-FX operations - FX swap	2 056	-	2 056
-Financial instruments operations-single-currency interest rate hedging swaps	1 077 950	-	1 077 950

31.12.2006

Intragroup transactions - off-balance sheet liabilities	of which from subsidiaries	of which from associates	Total
1. Received/Sanctioned contingent liabilities	1 883 994	-	1 883 994
- financing-related	1 633 904	-	1 633 904
- guarantees	250 090	-	250 090

Intragroup transactions- derivatives' nominal values	of which from subsidiaries	of which from associates	Total
2. Derivatives' nominal values, including:	1 206 034	-	1 206 034
-Financial instruments operations-single-currency interest rate hedging swaps	1 206 034	-	1 206 034

30.06.2006

Intragroup transactions - off-balance sheet liabilities	of which from subsidiaries	of which from associates	Total
1. Received/Sanctioned contingent liabilities	1 742 876	-	1 742 876
- financing-related	1 614 454	-	1 614 454
- guarantees	128 422	-	128 422

Intragroup transactions- derivatives' nominal values	of which from subsidiaries	of which from associates	Total
2. Derivatives' nominal values, including:	1 411 608	-	1 411 608
-Financial instruments operations-single-currency interest rate hedging swaps	1 411 608	-	1 411 608

REMUNERATION OF BANK ZACHODNI WBK S.A. MANAGEMENT AND SUPERVISORY BOARD MEMBERS

In 1H 2007 the amount of remuneration (i.e. salary, awards and benefits received in cash, in kind or any other form, including benefits resulting from motivation programs or capital incentive schemes, including schemes based on bonds with priority rights, convertible bonds and subscription warrants) paid to the Management Board Members of Bank Zachodni WBK S.A. totalled PLN 12 815 k (in 1H 2006 – PLN 8 493 k.)

In 1H 2006 the amount of remuneration (defined as above) paid to the Supervisory Board Members of Bank Zachodni WBK S.A. totalled PLN 367 k (in 1H 2006 – PLN 313 k.)

Members of the Management Board have signed non-competition agreements which remain in force after they step down from their function.

If a Member of the Management Board is removed from their function or not appointed for another term, he/she is entitled to a once-off severance pay. The severance pay does not apply if the person accepts another function in the Bank.

In 2006 selected subsidiaries of BZWBK Group introduced a motivation scheme for their key management in a form of a long term profit sharing scheme classified as other long-term benefits in accordance with IAS 19. The formal framework of the scheme is based on an issue of shares that are purchased by entitled individuals. Considering underlying characteristics of the scheme it has been classified as a long term profit sharing scheme and recognized as a liability in the consolidated financial statements. Shares issued under the scheme are deprived of voting rights, have significant limitations on disposal and are subject to conditional obligation to dispose shares at a price different from the fair value of shares.

Considering the above BZWBK Group has estimated a present value of the future obligations to pay-outs resulting from rights granted under the scheme respectively to the service period of the entitled individuals participating in the scheme.

The value of the liability resulting from the scheme as at 30 June 2007 amounts to PLN 9 248 k and the amount of employee related expenses recognized as the scheme related expense in the profit and loss account for the period amounted 9 874 k. In comparable period there wasn't such scheme.

TRANSACTIONS WITH EXECUTIVES

30 June 2007

As of 30.06.2007, the total of loans, advances and guarantees provided to members of the Management Board of BZ WBK S.A. by the subsidiaries and associates amounted to PLN 49 k. Social Fund loans and advances provided to Board Members totalled nil. Loans and advances made by the Bank to the executives of BZ WBK S.A. totalled as at 30.06.2007 PLN 3 084 k and CHF 20 k.

These facilities have been sanctioned on regular terms and conditions.

30 June 2006

As of 30.06.2006, the total of loans, advances and guarantees provided to members of the Management Board of BZ WBK S.A. by the subsidiaries and associates amounted to PLN 5 k. Social Fund loans and advances provided to Board Members totalled nil. Loans and advances made by the Bank to the executives of BZ WBK S.A. totalled as at 30.06.2006 PLN 2 829 k and CHF 23 k.

These facilities have been sanctioned on regular terms and conditions.

TRANSACTIONS WITH EMPLOYEES

30 June 2007

As of 30.06.2007, the total of loans and advances drawn by BZWBK S.A. employees was PLN 242 457 k (including the debt of PLN 24 994 k shown in joint accounts) and PLN 18 825 k in the case of employees of BZWBK subsidiaries and associates.

In the same period, the total of loans and advances drawn by BZWBK S.A. employees from the Social Fund was PLN 15 636 k.

These facilities have been sanctioned on regular terms and conditions.

On current accounts and term deposits employees of the bank held balances of PLN 109 785 k, (of which joined current accounts - PLN 27 658 k). Amount relating to employees of subsidiaries and associates totalled PLN 12 395 k.

30 June 2006

As of 30.06.2006, the total of loans and advances drawn by BZWBK S.A. employees was PLN 167 210 k (including the debt of PLN 19 862 k shown in joint accounts) and PLN 8 090 k in the case of employees of BZWBK subsidiaries and associates.

In the same period, the total of loans and advances drawn by BZWBK S.A. employees from the Social Fund was PLN 18 508 k.

These facilities have been sanctioned on regular terms and conditions.

On current accounts and term deposits employees of the bank held balances of PLN 99 754 k, (of which joined current accounts - PLN 26 367 k). Amount relating to employees of subsidiaries and associates totalled PLN 7 169 k.

50. Information of number and value of banking writs of executions

In 1H 2007 Bank issued 2 075 banking writs of execution with total amount of PLN 22 521 k, of which:

- corporate loans – 19 cases of PLN 13 528 k
- cash loans and overdrafts - 1 482 cases of PLN 6 855 k
- mortgage loans - 3 cases of PLN 430 k
- credit cards - 571 cases of PLN 1 708 k.

In 1H 2006 Bank issued 1 563 banking writs of execution with total amount of PLN 70 002 k, of which:

- corporate loans – 18 cases of PLN 59 580 k
- mortgage loans - 12 cases of PLN 1 672 k
- cash loans and overdrafts - 584 cases of PLN 5 596 k
- credit cards - 949 cases of PLN 3 154 k.

51. Acquisitions and disposals of investments

The subsidiary undertaking BZ WBK Nieruchomości S.A. i Wspólnicy Spółka Komandytowa was dissolved on 27 February 2007.

52. Investments in joint ventures

As at 30 June 2007 the companies from the BZ WBK Group were not involved in any joint-venture activities.

53. Events which occurred after the balance sheet date

Authorization for issue of financial statements

The consolidated semi-annual financial statements were authorised for issue on 26th of July 2007 by the Management Board of Bank Zachodni WBK S.A.

Appointment of a new Member of Bank Zachodni WBK Management Board

On 24 July 2007, the Bank's Supervisory Board appointed Mr. Andrzej Burliga Member of the Bank's Management Board.

54. Staff benefits

Staff benefits include the following categories:

- Short-term benefits (remuneration, social security contributions, paid leaves, profit distributions and bonuses and non-cash benefits),
- Post-employment benefits (retirement benefits and similar payments, life insurance or medical care provided during the term of employment),

Within these categories, the companies of the BZ WBK Group create the following types of provisions:

Provisions for accrued holiday leaves

Liabilities related to accrued holiday leaves are stated in the expected amount (based on current salaries) without discounting.

Provisions for employee bonuses

Liabilities related to the adopted bonus system are stated in the amount of the probable payment without discounting.

Provisions for retirement allowances

Liabilities related to retirement allowances are measured using actuarial methods (including discounting).

Other staff-related provisions

These are provisions for the National Fund of Rehabilitation of the Disabled and for redundancies. These liabilities are stated at the amounts of expected payment without discounting.

The balances of the respective provisions are shown in the table below:

Provisions	30-06-2007	31-12-2006	30-06-2006
Provisions for accrued holiday leaves	18 396	18 619	14 424
Provisions for employee bonuses	96 471	98 119	60 565
Provisions for retirement allowances	27 721	21 992	19 975
Other staff-related provisions	3 981	3 605	4 052
Total	146 569	142 335	99 016

55. Share based payments

In 2006 the Bank (BZWBK Group) has introduced the Incentive Scheme ("the Scheme") on terms approved by the shareholders. The scheme is designed to provide market-competitive incentives for senior executives, in the context of the Bank's long-term performance against stretching growth targets over the three financial years period 2006 – 2008. Conditional awards of shares are made to employees with vesting to take place on the date of the AGM approving financial statements for the last year of the scheme. Subject to vesting conditions the scheme will be realized by distribution of shares only.

Share will vest on a linear pattern between 25% and 100% contingent on EPS growth adjusted by Consumer Price Index (CPI). The lower level of the scale requires EPS growth adjusted for CPI respectively in 2006 and 2007: 5% and 8%. The upper level 12% and 16% accordingly.

During 2006 and 2007 conditional awards of shares were granted to no more the 100 individuals.

The Black Scholes model has been used to value awards granted at the grant date. The expected volatility is based on an analysis of historical volatility based on 160 sessions preceding the grant date. The following table details the assumptions used, and the resulting fair value.

Share based payments granted in 2006:

Number of share based payments	132 476
Exercise price	10
Vesting period	3 years
Expected volatility	37,38 %
Award life	3 years
Risk free rate	4,60 %
Fair value per award	150,60 PLN

Share based payments granted in 2007:

Number of share based payments	78 341
Exercise price	10
Vesting period	3 years
Expected volatility	40,69 %
Award life	3 years
Risk free rate	4,90 %
Fair value per award	267,53 PLN

The following table summarizes the share based payments activity:

	6 months of 2006	6 months of 2007
	Number of share based payments	Number of share based payments
Outstanding at 1 January	-	128 223
Granted	132 476	78 341
Exercised	-	-
Forfeited	-	(2 503)
Expired	-	-
Outstanding at 30 June	132 476	204 061
Exercisable at 30 June	-	-

Exercise price for all share based payments amounts to 10 PLN.

For the share based payments outstanding as at 30 June 2006 and as at 30 June 2007 the average remaining contractual life is approximately 2,75 years and 2,1 years respectively.

The total expense recognized with corresponding increase in equity (other reserve capital) for 6 months of 2006 and 2007 amounts to PLN 177 k and PLN 3 508 k respectively.

56. Dividend per share

Bank Zachodni WBK allocated to dividends 73,9 % of net profit (i.e. 57,7% of Group's net profit) of PLN 437 761 704 i.e. PLN 6,00 per one share (PLN 6,00 in 2005). Outstanding profit of PLN 155 033 623.93 was allocated to other reserve capital. Number of shares totaled 72 960 284.

57. Accounting estimates and judgments

Loan impairment

The estimation of potential loan losses is inherently uncertain and depends upon many factors, including loan loss trends, portfolio grade profiles, economic climates, conditions in various industries to which BZWBK Group is exposed and other external factors such as legal and regulatory requirements. For example, should the expectation of loss within a portfolio increase, then this may result in an increase to the required incurred but not reported ("IBNR") loan loss provision level. A specific provision is made against problem loans when, in the judgement of management, the estimated repayment realizable from the obligor, including the value of any security available, is likely to fall short of the amount of principal and interest outstanding on the obligor's loan or overdraft account. The amount of the specific provision made in BZWBK Group's consolidated financial statements is intended to cover the difference between the assets' carrying value and the present value of estimated future cash flows discounted at the assets' original effective interest rates. The management process for the identification of loans requiring provision is underpinned by independent tiers of review. Credit quality and loan loss provisioning are independently monitored by head office personnel on a regular basis. A groupwide system for grading advances according to agreed credit criteria exists with an important objective being the timely identification of vulnerable loans so that remedial action can be taken at the earliest opportunity. Credit rating is fundamental to the determination of provisioning in BZWBK Group; it triggers the process which results in the creation of a specific provision on individual loans where there is doubt on recoverability. IBNR provisions are also maintained to cover loans, which are impaired at balance sheet date and, while not separately identified, are known from experience to be present in any portfolio of loans. IBNR provisions are maintained at levels that are deemed appropriate by management having considered: credit grading profiles and grading movements, historic loan loss rates, changes in credit management, procedures, processes and policies, economic climates, portfolio sector profiles/industry conditions and current estimates of loss in the portfolio. Estimates of loss are driven by the following key factors;

- Probability of default i.e. the likelihood of a customer defaulting on its obligations over the next 12 months,
- Loss given default i.e. the fraction of the exposure amount that will be lost in the event of default, and
- Exposure at default i.e. exposure is calculated by adding the expected drawn balance plus a percentage of the unused limits.

The rating systems have been internally developed and are continually being enhanced, e.g. externally benchmarked to help underpin the aforementioned factors which determine the estimates of expected loss.

Write-down due to impairment of non-financial assets

Balance sheet values assets other than deferred tax assets are reviewed as at a balance sheet day to specify whether there are reasons for write-down due to impairment. If there are such reasons, recoverable value of assets should be determined.

In case intangible assets not yet available for use, recoverable value is determined as at every balance sheet day. Write-down due to impairment is recognized if book value of an asset exceeds its recoverable value and is presented in the profit and loss account.

For other receivables impairment amount has been recognised considering the expected recoverable amounts, and for long term other receivables discounting has been applied.

Asset held for sale at the lower of its carrying amount and estimated fair value less estimated costs to sell.

Fair value of financial instruments

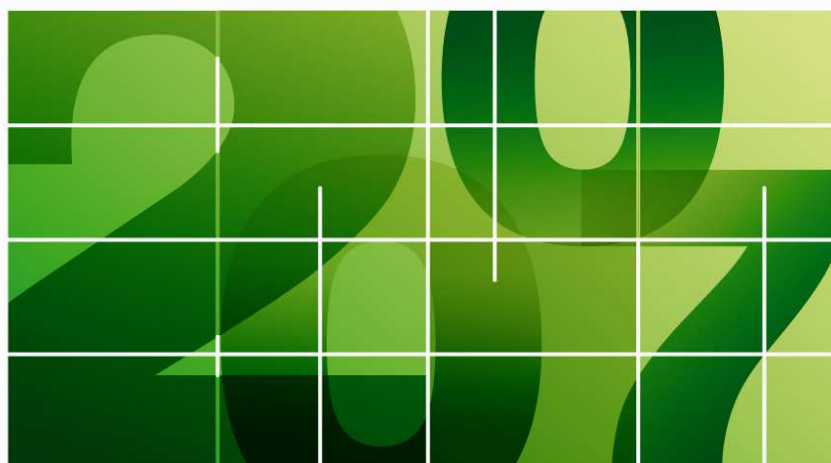
Some of the Group's financial instruments are carried at fair value, including all derivatives, financial assets at fair value through profit or loss and financial investments available for sale. Financial instruments are either priced with reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using financial-markets pricing models, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. These models use as their basis independently sourced market parameters including, for example, interest rate yield curves, equities and commodities prices, option volatilities and currency rates. Most market parameters are either directly observable or are implied from instrument prices. However, where no observable price is available the instrument fair value will include a provision for the uncertainty in the market parameter based on sale price or subsequent traded levels. The calculation of fair value for any financial instrument may require adjustment of quoted price or model value to reflect the cost of credit risk (where not embedded in underlying models or prices used), hedging costs not captured in pricing models and adjustments to reflect the cost of exiting illiquid or other significant positions. This may also include an estimation of the likely occurrence of future events which could affect the cashflows of the financial instrument. The valuation model used for a particular instrument, the quality and liquidity of market data used for pricing, other fair value adjustments not specifically captured by the model and market data are all subject to internal review and approval procedures and consistent application between accounting periods.

Other accounting estimates and judgements

Provisions for employee benefits arising from the Group Collective Labour Agreement and terms of individual employee contracts were estimated on the basis of an actuarial valuation. The actuarial valuation of those accruals is updated on an annual basis.

Provisions for legal claims have been estimated considering the expected probably amount to settle a case, and where applicable, including the time value of money.

SIGNATURES			
Signatures of Members of the Management Board			
Date	Name	Function	Signature
26-07-2007	Mateusz Morawiecki	President	
26-07-2007	Declan Flynn	Member	
26-07-2007	Michał Gajewski	Member	
26-07-2007	Justyn Konieczny	Member	
26-07-2007	Janusz Krawczyk	Member	
26-07-2007	Jacek Marcinowski	Member	
26-07-2007	James Murphy	Member	
26-07-2007	Marcin Prell	Member	
26-07-2007	Feliks Szyszkowiak	Member	
Signature of a person who is in charge of keeping the accounts			
Date	Name	Function	Signature
26-07-2007	Wanda Rogowska	Financial Accounting Area Director	



Report of the Management Board on Bank Zachodni WBK Group performance in the first half of 2007



WBK

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I. General Review

Bank Zachodni WBK Group reported record half-year profit-before-tax of PLN 778.7 m, the main growth factors being:

- ***strong momentum in credit delivery***
- ***higher deposit levels***
- ***steady inflow of assets to mutual funds and private portfolios***
- ***good demand for brokerage, advisory and issuing services***
- ***growing bancassurance business***

Financial Performance in Brief

- **In the first half of 2007, the Bank Zachodni WBK Group recorded the following financial performance and growth rate y-o-y:**
 - profit-before-tax was PLN 778.7 m, an increase of 36.3% y-o-y;
 - profit-after-tax was PLN 558.6 m, an increase of 31.8% y-o-y.
- **With regard to financial performance, the most spectacular progress against the first half of 2006 was in the following areas:**
 - increase in total income by 21.5%, of which net commission income went up by 29.8%;
 - higher profit of subsidiaries driven by expanding business, in particular: BZ WBK AIB Asset Management S.A., BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A., Dom Maklerski BZ WBK S.A.;
 - cost-to-income ratio reduced from 51.5% to 48.7%;
 - reduction of the impaired loan ratio from 6.2% to 3.9%.

Key Factors Affecting the Group's Profit and Activity

- **Favourable external environment**, including:
 - economic growth and a conducive investment climate in Poland;
 - growing demand in the credit market;
 - improved labour market and salary levels;
 - higher official interest rates;
 - changes in the structure of household savings.
- **Diversified business development:**
 - rapid growth of credit volumes: cash loans (+51%), PLN mortgage loans (+46%); business loans (+35%);
 - continued improvement of lending portfolio quality coupled with development of credit delivery processes;
 - growth of deposit base (+17%);

- strong sales of mutual funds managed by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. and private portfolios (net assets higher by 77% and 157%, respectively);
- more intensive business activity in capital markets and bancassurance;
- functional, procedural and pricing improvements in products and services.

● **Managed cost expansion:**

- with the business of the bank and subsidiaries quickly expanding and new development-oriented projects being implemented, costs are expanded, though in a controlled manner.

● **Strong focus on service quality:**

- intensive efforts to improve customer satisfaction with service quality;
- development of IT technologies for Customer Relationship Management (CRM);
- Total Quality Management System expanded to include new processes;
- continued improvement and simplification of processes and procedures.

● **Dynamic development of distribution channels:**

- launch of 4 new branches and 6 first Minibank outlets;
- 15 new sales offices opened as part of the Mobile Sales network coupled with a growing number of offices of the financial intermediaries;
- wider retail offering and increase in the sale through Direct Banking;
- expansion of functionality of the BZWBK24 electronic banking solution.

Other Key Developments

- Advanced design and development stage of the project to expand the size and shape of the branch network.
- Approval from the Supervisory Board for organisational changes in the Business Support Centre (as proposed by the Management Board chaired by newly appointed President) which are designed to improve efficiency of operations and reinforce development initiatives.
- 2nd edition of the incentive scheme for senior management launched.
- ISO 9001:2000 certification for 9 processes under the Total Quality Management System.
- Security compliance of the BZWBK Card Personalization Centre confirmed by Visa Int. and MasterCard Int.
- A+ rating affirmed by Fitch Ratings, Ltd.

II. Environment

1. Macroeconomic Situation in the First Half of 2007

Economic Growth

After significant growth acceleration in 1Q 2007 to 7.4% y-o-y, economic data published in April-June showed that the 2Q 2007 saw some slowdown in activity. This deceleration is not a change of trend but rather reflects a return to economic expansion by ca. 6% after the first quarter when the pace of GDP growth was elevated by surge in construction due to favourable weather conditions. According to estimates, GDP growth in 2Q 2007 exceeded moderately 6%. The main driver of GDP growth was still domestic demand with fixed investment rising by almost 20% and private consumption by around 5.5% (in Q1 by 30% and 7%, respectively). Although exports keep growing robustly, accelerating demand for imports translated into widening of trade gap and negative contribution of net export to GDP growth. However, the scale of external imbalance remains limited, as trade gap and income deficit is offset to a large extent by large surpluses in services and transfers. Moreover, moderate C/A deficit (12-month deficit accounts for ca. 3% of GDP) is fully financed by large inflow of FDIs.

Labour Market Conditions

The first half of 2007 saw continued tightening of labour market conditions. Labour demand was growing at record high pace leading to sharp reduction in unemployment rate and significant acceleration of wage growth. This fuels consumption demand and supports record high consumer confidence, but the deterioration between wage growth and productivity growth poses a threat to medium-term inflation outlook.

Loans and Deposits

In line with economic expansion, a revival in monetary aggregates took place in the first half of the year. Money supply growth accelerated to about 17.6% y-o-y in June from 15.6% in December 2006 (and 10.5% at the end of 2005). Very similar figures apply to total deposit growth. Still, the fastest rise has been recorded in household loan segment that advanced by almost 40% y-o-y, which was largely connected with very high demand for mortgage loans. There was also a clear revival in business loans with growth of around 20% y-o-y in June, up from 14.6% in December 2006.

Inflation

Inflationary pressures in the Polish economy have been gradually rising, yet inflation does not appear to be under excess threat. Although the CPI inflation was on the rise in the second quarter and marginally exceeded the inflation target of 2.5% in June, being driven by accelerating food price growth, core inflation measures have remained well contained.

Interest Rates

In 2Q 2007, the Monetary Policy Council started monetary tightening. After a rate hike by 25 bp in April, another rise in borrowing costs of the same scale took place in June. Further monetary tightening can be expected going forward.

The zloty was fluctuating in the second quarter of the year in reaction to sentiment swings on the international financial markets related, among others, to concerns about prospects for US economy and situation on the stock market in China. Nevertheless, a perspective of rising interest rates in Poland together with continuation of fast economic growth are favourable for Polish currency. Thus, despite short-term volatility, a trend of zloty appreciation has been maintained over the medium horizon.

2. Macroeconomic Determinants of 2007 Financial Performance

The most important factors, which may affect financial results of the Group by 2007-end are:

- **Economic Growth**

Continuation of high economic growth, although somewhat lower than in the first half of the year, based to a large extent on domestic demand (both consumption and investment) will be conducive to further solid rise in demand for loans. Growing demand for loans is driven by clear improvement in households' financial stance and strong investment activity of enterprises.

- **Zloty Exchange Rate**

Continuation of long-term tendency of zloty strengthening may translate with some lag into deterioration in the country's international competitiveness and negatively affect export sector (and/or negatively affect investment activity through lower profitability of export). Yet, the negative influence of stronger zloty on international competitiveness of domestic firms may be offset by continuation of robust gains in labour productivity and enterprises restructuring.

- **Interest Rates**

Expected continuation of rise in NBP interest rates may somewhat constrain demand for loans denominated in the local currency. Given that interest rates are also rising abroad, including Switzerland, one should expect rise in relative demand for the zloty-denominated loans. At the same time increase in domestic interest rates may increase willingness to hold deposits in the banking system at the expense of other financial instruments.

- **Trends at the Warsaw Stock Exchange**

Good prospects for further development of the Polish economy should positively affect the share prices and index levels at the WSE, as well as capitalization and trading volumes. Some price adjustments are possible during the second half of 2007, yet the decreases should not be deep enough to distort the overall rising trend of the stock exchange indexes.

III. Basic Information

1. History and Current Status of Bank Zachodni WBK S.A.

Background

Bank Zachodni WBK S.A. (BZWBK) was established following the merger of Bank Zachodni S.A. with Wielkopolski Bank Kredytowy S.A. The new Wrocław-based entity was entered into the business register in the National Court Registry on 13 June 2001 and on 23 June 2001 it debuted on the Warsaw Stock Exchange.

Both predecessors of Bank Zachodni WBK S.A. were spun off the National Bank of Poland in 1989. Subsequently, they were privatised and became members of the AIB Group under control of the same investor, i.e. AIB European Investments Ltd. from Dublin, which is a subsidiary of the Allied Irish Banks, p.l.c. (AIB). After the merger, the AIB Group became owner of 70.5% stake in Bank Zachodni WBK S.A. and maintains such shareholding since that date.

Current Status and Scope of Activities

Universal Bank

Bank Zachodni WBK S.A. is a universal bank which provides a full range of services for personal customers, SMEs and large companies. The bank's offering is modern, comprehensive and satisfies diverse customer needs with regard to current/personal accounts, credit, savings, investment, settlement, insurance and card products. The bank aligns its product structure with the requirements of individual customer segments and combines its products into packages around current/personal accounts (Konto<30 Package, Konto24 Prestiz Package, Konto24 VIP Package, Business Package, Agro Package, Package for Freelancers) to provide their users with a precisely defined, complete and satisfactory service. The financial services of Bank Zachodni WBK S.A. also include custodian activity, trade finance and transactions in the capital, FX and money markets as well as in derivatives. The bank's own product range is complemented by specialist products offered by its subsidiaries, including: Dom Maklerski BZ WBK S.A., BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A., BZ WBK AIB Asset Management S.A., Brytyjsko-Polskie Towarzystwo Finansowe WBK-CU Sp. z o.o., BZ WBK Leasing S.A., BZ WBK Finanse & Leasing S.A., BZ WBK Faktor Sp. z o.o. In co-operation with these companies, the bank offers its customers access to brokerage services, mutual funds, insurance, leasing and factoring products.

Key Features of the Offering

The rich offering of the bank allows customers to diversify their savings portfolios and carry out investments that match their individual preferences and investment objectives. The available savings/investment instruments include current and term deposits, savings accounts, index tracker deposits, mutual funds and new investment policy products.

The customers' demand for funding can be satisfied through a variety of loans. The list of credit facilities for business customers includes overdrafts, working capital, revolving, payment, investment, development and preferential loans, leasing and the multi-purpose Business Express facility. The bank also provides funding as part of the EU programmes, enjoying a very good position in the market of EU funds. The credit offer addressed to personal customers is likewise comprehensive, its core feature being attractively structured home and cash loans.

The bank issues payment cards of the two main card organisations: Visa and MasterCard. The choice of credit, debit and prepaid cards can satisfy even the most demanding customers thanks to their variety and alignment with the requirements and potential of individual market segments. All the bank's credit cards as well as new and renewed debit cards are equipped with chip technology to ensure the highest security of card transactions.

Distribution Channels

As at 30 June 2007, Bank Zachodni WBK S.A. operated through 388 outlets. The bank's network covers the whole of Poland, with the highest concentration in Wielkopolska and the Lower Silesia. The bank is also present in all the other key economic and administrative centres of Poland, such as: Warsaw, Kraków, Łódź, Trójmiasto, Szczecin. The bank's plans for 2007 and four consecutive years envisage a rapid development of the branch network in the biggest cities in central and eastern Poland, where the bank has not established a strong foothold yet.

Corporate customers have been serviced through the 5 Corporate Business Centres located in Warsaw, Poznań, Wrocław, Kraków and Gdańsk, which maintain close operating relationship with the bank's branches. In addition, two more Corporate Business Centres have become operative this year in Katowice and Szczecin and another is currently being established in Łódź.

Through its modern Direct Banking Centre equipped with specialist infrastructure, the bank provides customers with information on its products and services, offers over-the-phone access to transactions and standard products (personal accounts, insurance, credit cards, cash loans, overdrafts) and renders after-sales service.

The Mobile Sales network (self-employed financial advisors), present in 15 Polish cities, offer credit cards and cash loans. Cash loans are also available through 492 outlets of the financial intermediary, i.e. Dom Finansowy QS. Both distribution channels have been established to acquire new customers in locations which are not covered by the bank's branch network.

Bank Zachodni WBK S.A. also has a network of 628 ATMs in convenient and most frequented locations.

Electronic Banking Services

Bank Zachodni WBK S.A. offers a modern package of electronic banking services called BZWBK24 which gives retail and business customers a convenient and safe access to the accounts via phone, mobile or the Internet, thus facilitating financial management. Business customers can choose between the standard BZWBK24 package and the "Moja firma Plus" package with a number of additional functionalities and increased transaction limit. The bank ensures the highest security of electronic services through the authorisation methods based on the smsKod service or alternative logging onto BZWBK24 Internet using text messages (smsKod), token or a masked password. Also, customers can monitor the IP addresses that are used for logging onto BZWBK24.

In addition to the BZWBK24 solution, corporate customers can avail of Minibank24, a pc-banking system whose functionality covers a broad range of safe banking transactions.

2. Lending Policy

The bank pursues a policy oriented towards maintaining high quality of the loan portfolio by applying and monitoring policies that mitigate the credit risk.

The bank's lending policy consists of a number of rules and guidelines in the form of lending procedures and policies introduced by resolutions and ordinances issued by the Management Board, Management Board Members and Chairman of the Credit Policy Forum.

The credit manuals of Bank Zachodni WBK S.A. govern processes related to personal, commercial and corporate lending as well as securities. The individual credit policies provide a direction for lending activity and conditions on which the bank is willing to lend to specific client categories. These include FX Lending and Guarantees Policy, sector policies, policies addressing lending to individual client categories (corporate, SMEs, local authorities) and Credit Scoring Policy. Individual credit products are regulated in detail in their respective procedures.

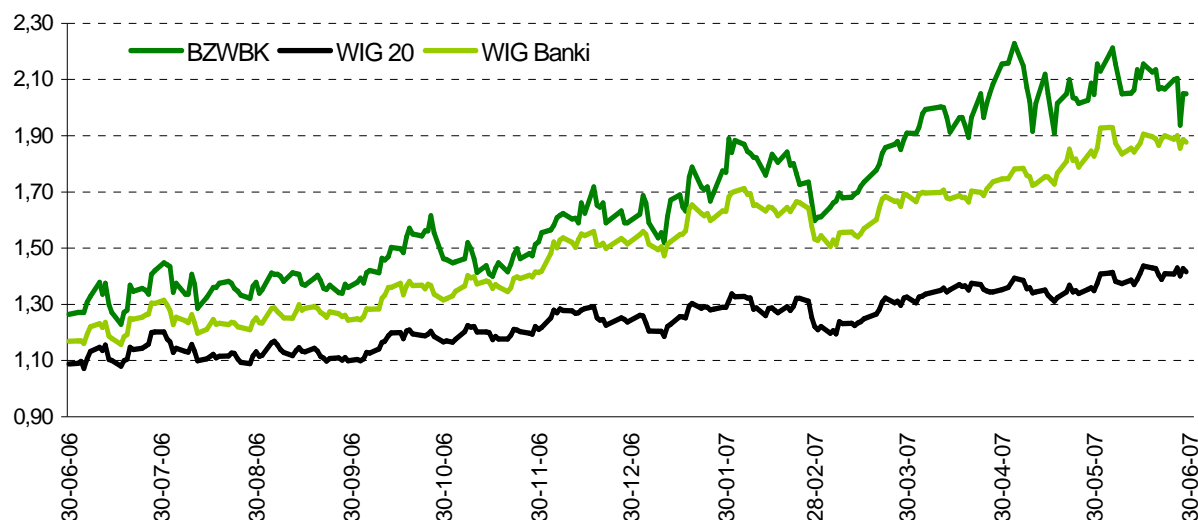
The credit discretions system is governed by "Discretionary Limits in Bank Zachodni WBK S.A.". It defines credit discretions for particular organisational units engaged in the credit delivery process. Discretions of individual employees vary depending on lending skills, experience and position in the organisational structure of the bank.

The bank's lending procedures and policies are subject to approval by the Credit Policy Forum which is chaired by the Chief Credit Officer or Deputy Chief Credit Officer, and consists of representatives of the Credit Division, Risk Management Division, Strategic Development Division, Customer Relationship & Sales Division and Finance Division.

The bank's subsidiaries which specialise in leasing and factoring are governed by their internal credit risk regulations.

3. Performance of Bank Zachodni WBK Shares

The price of Bank Zachodni WBK S.A.'s shares increased by 62% y-o-y (from PLN 179 as at 30 June 2006 to PLN 290 as at 29 June 2007) against a 60.7% increase in the sectoral WIG Banks index and a 30.1% increase in the WIG 20 index. On end-December 2006 the bank's shares appreciated by 28.9%. The share price hit a record high of PLN 315.3 on 4 May 2007.



4. Bank Zachodni WBK Rating

In the press release dated 4 July 2007, Fitch Ratings Ltd. affirmed the ratings assigned to Bank Zachodni WBK S.A. Therefore, since 17 August 2006 these have been as follows:

- long-term Issuer Default Rating: A+
- short-term rating: F1
- long-term rating outlook: stable
- individual rating: C
- support rating: 1

The IDR, short-term and support ratings reflect the potential support available from the majority shareholder AIB with the stable "AA-" rating.

Rationale provided with respect to the decision to affirm the ratings of Bank Zachodni WBK S.A. draws attention to the following aspects of its financial performance: "The bank remains well capitalized, while profitability and revenue diversification continue to improve"; "Asset quality improved in 2006 and in Q1 2007, and reserve coverage is good. The bank's ability to measure and manage credit risk has been strengthened by Basel II preparations; BZWBK plans to adopt an internal ratings-based approach to credit risk from 1 January 2008 onwards".

5. Composition of Bank Zachodni WBK Group

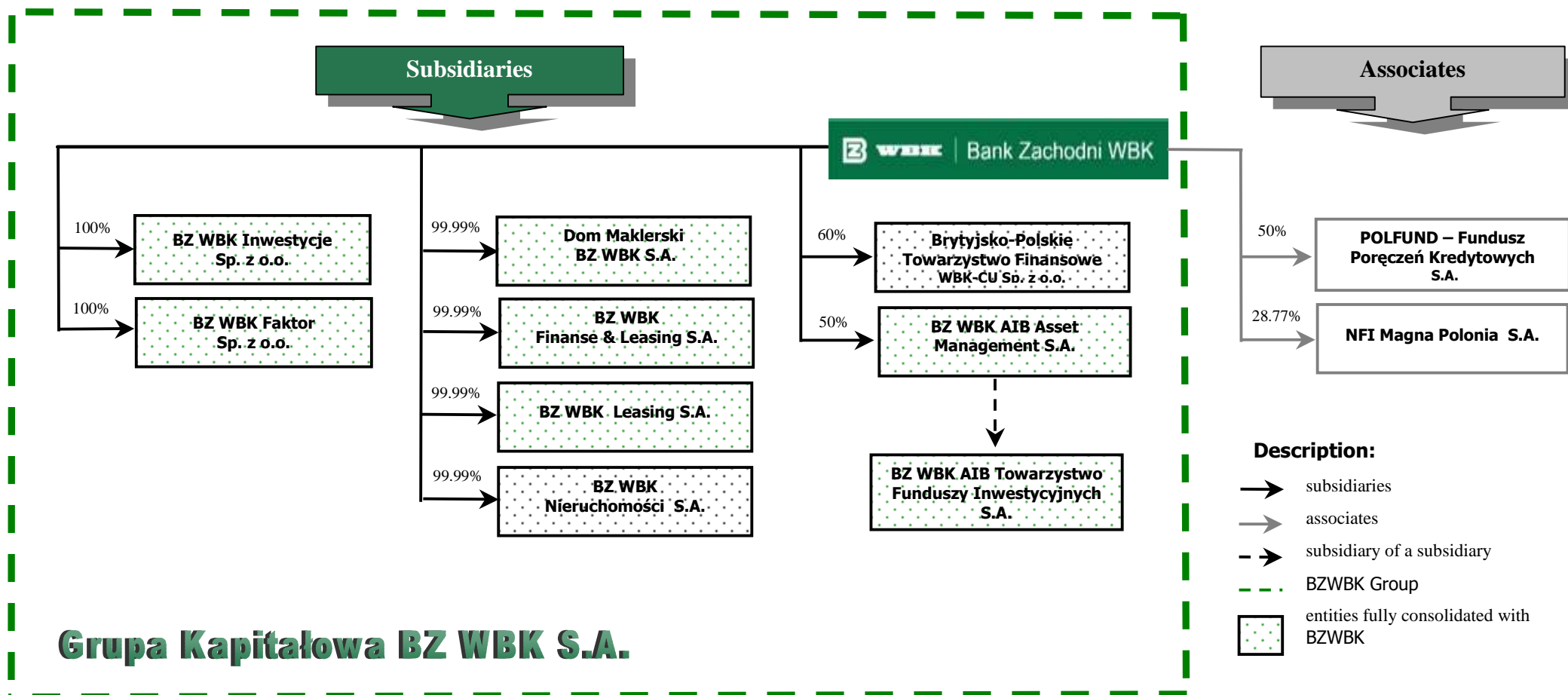
Bank Zachodni WBK S.A. forms a Group with the following subsidiaries consolidated on a line-by-line basis. These are:

- 1) Brytyjsko-Polskie Towarzystwo Finansowe WBK-CU Sp. z o.o.
- 2) BZ WBK AIB Asset Management S.A.
- 3) BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. - subsidiary of BZ WBK AIB Asset Management S.A.
- 4) BZ WBK Inwestycje Sp. z o.o.
- 5) BZ WBK Faktor Sp. z o.o.
- 6) BZ WBK Finanse & Leasing S.A.
- 7) BZ WBK Leasing S.A.
- 8) BZ WBK Nieruchomości S.A.
- 9) Dom Maklerski BZ WBK S.A.

The entities connected with the bank are chiefly financial institutions which conduct specialised activities in securities trading, leasing, asset/fund management, factoring, distribution of insurance/banking products and trading in equity securities. The composition of the Group, the multi-dimensional relationships between its companies and the good coordination of their actions ensure substantial enterprise-wide synergies which improve effectiveness of individual units. In addition to multiple forms of co-operation, the bank gives the subsidiaries access to its extensive branch network, which substantially increases their selling potential. On the other hand, the products and services of subsidiaries supplement the bank's offer and improve its competitive edge in the financial services market. Some of their products, namely investment funds, leasing and factoring have been incorporated in the bank's corporate strategy executed in close liaison with respective subsidiaries.

Compared with the end of June 2006, the composition of the Group does not include BZ WBK Nieruchomości S.A. i Wspólnicy Spółka Komandytowa. This subsidiary was established as SPV for servicing a leasing agreement with PLL LOT and as soon as it was finalised the entity was wound up and deregistered (27 February 2007).

Entities connected with Bank Zachodni WBK S.A.



IV. Financial performance in the First Half of 2007

1. Profit and Loss Account

The table below presents major developments in key categories of the consolidated profit and loss account of the Bank Zachodni WBK Group in the first half of 2007 as compared with the corresponding period of 2006.

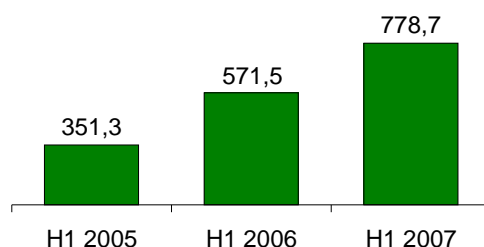
PLN m

Key Profit and Loss Items	H1 2007	H1 2006	Change
Total income	1,471.6	1,211.1	+21.5%
Total costs	(717.3)	(624.0)	+15.0%
Profit-before-tax	778.7	571.5	+36.3%
Income tax	(147.2)	(107.9)	+36.4%
Profit-after-tax*	558.6	423.9	+31.8%

* excluding profit attributable to minority shareholders (H1 2007 – PLN 72.9 m ; H1 2006 – PLN 39.7 m)

In the first half of 2007, profit-before-tax of Bank Zachodni WBK Group was PLN 778.7 m and was higher by 36.3% y-o-y. Profit-after-tax attributable to the BZWBK shareholders was PLN 558.6 m and 31.8% higher y-o-y. This increase was driven by very good results posted by the bank as well as excellent performance of subsidiaries, and in particular: BZ WBK AIB Asset Management S.A., BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A., Dom Maklerski BZ WBK S.A.

Profit-before-tax of the BZ WBK Group for the first half-year in the years 2005-2007 (in PLN m)



Income

In the first half of 2007, Bank Zachodni WBK Group produced total income of PLN 1,471.6 m, an increase of 21.5% on the corresponding period of 2006. The main components of the total income were as follows:

- Net Interest Income**

Net interest income amounted to PLN 594.1 m compared with PLN 492,4 m posted a year before. Due to the changes in presentation, this line includes interest on hedging derivatives and profit realised on index options covering tracker bonds (total impact of PLN 11 m for H1 2007 as compared with PLN –0.6 m for H1 2006). Taking into account interest-related income from FX Swaps and Basis Swaps recognised in net trading income and revaluation (PLN 7 m in H1 2007 vs. PLN 14.3 m in H1 2006), the underlying net interest income increased by 18.6% y-o-y. This was achieved thanks to the growth of business and favourable changes in its structure, with the strongest driver being quick growth of the business loan-book.

- **Net Commission Income**

Net commission income amounted to PLN 755.7 m and increased by 29.8% y-o-y driven by sustained expansion of the bank's and subsidiaries' business.

Due to the steady flow of assets to the investment funds managed by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. and private portfolios of BZ WBK AIB Asset Management S.A. (growth in total net assets by PLN 11.9 bn y-o-y), a significant increase in net commission income was recorded in asset management fees (+101%). A parallel decrease in net distribution fees (-68%) is largely attributable to the high level of mutual fund balance sold via third parties (banks and brokerage houses), which requires ongoing distribution costs after sales.

A strong growth was also witnessed in net fees of Dom Maklerski BZ WBK S.A. (+56% y-o-y) driven by: growth of the company's stock exchange trading, sales of shares in the primary market and increased market-making activity. There was also a noteworthy increase in net commission income generated by advisory and issue arrangement services provided by the bank for customers involved in capital market projects (+131%) and a rising contribution of the expanding range of bancassurance products (+96%).

In compliance with the changed presentation of profit and loss items, net commission income now covers margins on FX customer transactions (PLN 102.5 m for H1 2007 and PLN 93.1 m for H1 2006), which were previously recognized in FX profit. The margin growth of 10.1% reflects increased customer activity on the branch level and higher Treasury-based corporate negotiated trading.

The decrease of 3.3% in fees and commissions for account maintenance and cash transactions resulted from higher level of negotiable schedule of current account-related fees offered to business customers, increased migration of customers to electronic channels and further reduction in certain personal account fees.

The e-Business and Payments Area reported a 3.4% decrease in net fees due to eroding income from international payments following a radical reduction of the fee schedule for international payment orders introduced in July 2006. Lower fees were almost offset by progress in other fields of this product line, including fees from debit cards (+22%), e-banking (+15.5%) and e-services for other financial institutions (+14.7%).

- **Dividend Income**

Dividend income of PLN 64.4 m increased by 12.8% as a result of higher dividend paid out by the Commercial Union Group members included in the bank's equity investment portfolio. In the first half of 2007, these entities disbursed PLN 60.3 m in dividend to the bank as compared to PLN 53 m in the same period last year.

- **Net Trading Income and Revaluation**

Net trading income and revaluation increased by 12.7% up to PLN 32.7 m thanks to higher income on market-making activity of Dom Maklerski BZ WBK S.A. This line also includes income from FX bank-to-bank operations and other FX trading income (PLN 7.3 m for H1 2007 and PLN 11.8 m for H1 2006), previously disclosed in FX profit. This decline in FX income was strongly impacted by FX Swap transactions.

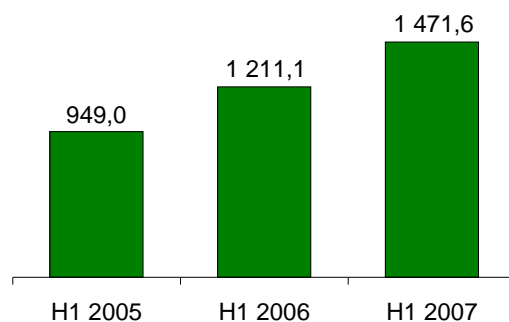
- **Gains on Other Financial Assets**

A decrease in gains on other financial assets from PLN 25.7 m to PLN 3.5 m reflects the difference in the profit earned in H1 2007 and H1 2006 on the disposal of TIM S.A. shares from the equity portfolio of the bank's subsidiary BZ WBK Inwestycje Sp. z o.o. In the first half of 2007, profit on the disposal of a block of TIM S.A. shares was PLN 3.3 m versus PLN 22.6 m last year. Gains on other financial assets also include profit on hedged and hedging transactions with a negative variance of PLN 2.8 m y-o-y. Prior to the changes in presentation, this item was recognised in a separate profit and loss account line.

- **Gains on Disposal of Subsidiaries and Associates**

In the first half of 2007, no gains were recorded on the disposal of related entities. In the corresponding period of 2006, profit on the disposal of two companies (AIB WBK Fund Management Sp. z o.o. and LZPS Protektor S.A.) totalled PLN 6.2 m.

Total income for the first half-year in the years 2005-2007 (PLN m)



Loan Impairment Charge

The balance of impairment provisions was positive and amounted to PLN 24.4 m compared to PLN 16.3 m charge posted a year before. This is the outcome of continued improvement of the loan portfolio and effective debt collection. With the growing volume of the loan-book, the impairment charge confirms a very good quality of the Group credit portfolio, robust credit risk management and a sharp focus on ensuring credit portfolio quality. The effectiveness of the credit risk management framework is also evidenced by further reduction of the NPL ratio. As at the end of June 2007, the "impaired loans" accounted for 3.9% of the gross portfolio with a provision cover at 61.2%. A year before, the corresponding ratios were 6.2% and 63.1%, respectively.

Costs

The performance of the Bank Zachodni WBK Group during the first half of 2007 caused reduction of its cost-to-income ratio to 48.7% from the level of 51.5% recorded in the corresponding period last year. With a rapid business growth coupled with numerous development initiatives, this figure evidences cost efficiency of the enterprise.

Total operating costs of the Bank Zachodni WBK Group amounted to PLN 717.3 m and were higher by 15% on the corresponding period of 2006. Their main components were as follows:

- **Staff and Other Administrative Expenses**

The staff and other administrative expenses of the Group increased by 20.4% y-o-y to PLN 627.6 m and were driven by dynamic business development of the bank and its subsidiaries as well as successive delivery of the strategic programmes.

The biggest element of this figure, i.e. staff costs increased by 24.5% to PLN 394.3 m due to, among others, larger employment, pay increases linked to annual performance review, higher provision for pension schemes, performance-related bonuses and costs of development programmes for managerial staff of all levels.

With a strong business growth, the Group's other administrative expenses increased by 14.2% y-o-y to PLN 233.3 m. This movement results mainly from the Group's intensive promotional activity designed to support the sales of its strategic products, e.g. BZ WBK Arka mutual funds, cash loans, home mortgages, savings accounts and selected personal accounts. Higher contribution to costs was also recorded in IT usage and development driven by costs related to IT projects which are designed to provide the infrastructure to foster further business growth of the bank and subsidiaries, ensure adequate regulatory compliance and improve integration across the AIB Group. The cost of building

maintenance increased in parallel to the expansion of delivery channels. The Group's savings initiatives curbed administrative expenses by restraining the growth of the business-driven cost items.

- **Depreciation**

Depreciation totalled PLN 68.1 m and decreased by 21.2% y-o-y due to the continued optimisation of the bank's asset base.

2. Balance-Sheet Items

The table below presents major developments in key categories of the balance sheet of the Bank Zachodni WBK Group as at the end of June 2007 compared with the corresponding period of 2006.

PLN m

Key balance sheet items	30-06-2007	30-06-2006	Change
Total assets	35,229.3	30,619.0	+15.1%
Key assets			
Loans and advances to customers*	20,650.2	15,498.6	+33.2%
Investment securities	8,996.2	6,834.5	+31.6%
Loans and advances to banks	2,736.9	3,584.7	-23.7%
Financial assets held for trading	424.1	2,161.1	- 80.4%
Key liabilities			
Deposits from customers	25,218.0	21,558.8	+17.0%
Deposits from banks	3,555.2	3,375.8	+5.3%
Other liabilities	1,035.5	925.3	+11.9%
Debt securities in issue	589.7	795.3	-25.9%

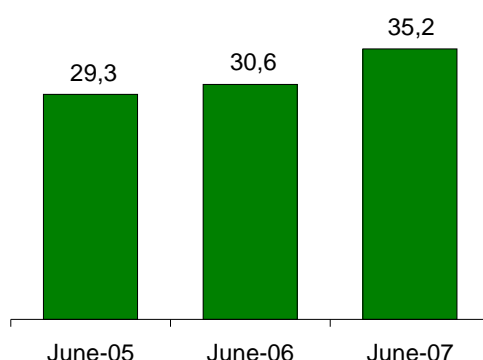
* net of impairment

As at 30 June 2007, total assets of the Bank Zachodni WBK Group amounted to PLN 35,229.3 m and were 15.1% up on last year. The value and structure of the Group's balance sheet was determined by the bank's balance sheet which accounted for 93.9% of the consolidated total assets.

In the first half of 2007, the main growth driver of the Group's total assets were loans and advances to customers which were on the rise along with fast-developing credit delivery. Investment securities were on an upward trend as part of the Group's management of the structural balance-sheet risk. The resultant increase in assets was partly offset by the decline in interbank placements and financial assets held for trading. The latter portfolio recorded a fall in NBP bills which are short-term securities and subject to fluctuations over time.

On the liabilities side, the Group posted a substantial increase in deposits from customers and banks and a parallel fall in liabilities from issue of debt securities.

Total assets as of June-end in 2005-2007 (in PLN bn)



Credit Portfolio

At the end of June 2007, net loans and advances to customers were PLN 20,650.2 m and 33.2% up y-o-y due to increasing volumes of the key Group's loan books: business loans, retail loans and lease rentals. Gross loans and advances to customers amounted to PLN 21,276 m vs. PLN 16,230.6 m as of the end of June 2006.

As compared to the end of June 2006, the business loans increased by 34.9% to PLN 14,085.5 m, reflecting higher demand of business customers for funding towards investments, stock and working capital requirements amidst economic expansion. The credit delivery accelerated driven by long-term corporate lending, and in particular property finance. The portfolio of loans for income producing real estate was one of the most rapidly growing with a 83% increase y-o-y to PLN 5.2 bn.

The value of retail loans increased by 36.3% y-o-y to PLN 5,010.8 m, with strong growth in cash loans and mortgage loans. Cash loans increased by 51% to PLN 1.2 bn thanks to marketing campaigns built on active promotion and sales methods. Home mortgages accelerated, in particular in the area of zloty-denominated lending (+46% y-o-y). Total mortgage portfolio went up by 33% y-o-y to PLN 3 bn thanks to very good parameters of the bank's offering and improved financial standing of retail customers and trends prevailing in the market.

Over the same period, the leasing portfolio increased to PLN 1,978.9 m. Excluding the impact of leases of BZ WBK Nieruchomości S.A. i Wspólnicy Spółka Komandytowa (PLN 141.1 m as at end-June 2006) finalised in 3Q 2006, the Group's leasing portfolio increased by 23.5% y-o-y owing to stronger sales of vehicles as well as plant and equipment by leasing subsidiaries, i.e. BZ WBK Leasing S.A. and BZ WBK Finanse & Leasing S.A.

The biggest item in the lending structure of the Bank Zachodni WBK Group were loans to business and public sector customers, accounting for 67% of the gross portfolio. Retail loans represented 24% of the total loan-book, while leasing and other receivables made up 9%.

The Bank Zachodni WBK Group maintains an adequate diversification of the credit portfolio in accordance with its policy of exposure to industries and financial groups. As at the end of June 2007, the highest concentration level of 22% was recorded in the property services sector. The quality of the Group's loan-book continued to improve during the year, which is reflected in the declining NPL ratio, i.e. 3.9% as at the end of June 2007 versus 6.2% a year earlier.

Deposit Base

Deposits from customers, which represent 71.6% of the Group's liabilities, are the primary source of funding its lending business. At the end of June 2007, customer deposits totalled PLN 25,218 m and were higher by 17% y-o-y.

The value of funds deposited in current accounts of personal, business and public sector customers (excluding one-day deposits) was PLN 8,583.9 m and 30.2% up on the end of June 2006. This growth is attributable to comparatively low interest rates which make retail customers more inclined to keep their financial resources in current and savings accounts which offer their holders more flexibility in managing their funds. High current account balances are also driven by a sustained improvement in the financial standing of households and their rising optimism about the prospects for the future.

Over the last 12 months, the term deposit base (including one-day deposits) increased by 11.5% to PLN 16,101.6 m, mainly due to the funds deposited by business customers who recorded an increased activity and good financial performance thanks to the favourable economic climate.

Debt Securities in Issue

As at the end of June 2007, the Group's liability arising from debt securities in issue amounted to PLN 589.7 m, which represents a 25.9% decrease y-o-y. Reduction in the own bonds portfolio is an effect of redemption of PLN 297.2 m worth of bonds (in terms of nominal value) by leasing subsidiaries.

3. Basic Financial Ratios

in PLN

Financial Ratio	H1 2007	H1 2006
Total costs /Total income	48.7%	51.5%
Interest income /Total income	40.4%	40.7%
Commission income /Total income	51.4%	48.1%
Customer deposits / Total assets	71.6%	70.4%
Customer loans / Total assets	58.6%	50.6%
Impaired loans ratio	3.9%	6.2%
Impaired loans coverage ratio	61.2%	63.1%
ROE *	26%	23.1%
ROA **	2.7%	2.2%
Solvency ratio	13.34%	15.53%
Diluted earnings per share	7.65	5.81
Book value per share ***	56.86	45.89

The following were used in computations:

* *annualized profit-after-tax attributable to BZWBK shareholders and equity as at the end of June net of current profit and minority interest*

** *annualized profit-after-tax attributable to BZWBK shareholders and average assets derived from balances as at the end of comparable periods*

*** *total equity per number of BZWBK shares*

4. Interest Rates on Loans and Deposits

Bank Zachodni WBK S.A. offers its customers interest rates on products tied to the market rates and the base NBP rates.

Generally, the interest rates on business loans are based on the price of money in the wholesale interbank market (WIBOR, LIBOR), increased by a margin commensurate with the credit risk attaching to the transaction/customer. The margin is determined in the credit assessment process in accordance with the applicable credit discretions.

The interest rates on retail products (for personal customers) are standardised. In the first half of 2007, interest rates in this segment of the bank's offering did not change significantly following the increase in pricing in the interbank wholesale market and formal interest rate increases in Poland, Eurozone, other European countries and the US.

The standard interest rates on retail products are set by the Assets and Liabilities Management Committee. For significant transactions, individualised, often negotiable, pricing applies.

As part of delivering the strategic plan, in the first half of 2007 the bank conducted promotional campaigns for its key products, offering special pricing. Particularly attractive rates were offered for mortgage loans, credit cards and cash loans.

V. Business Development in the First Half of 2007

1. Review of Key Business Development Directions

The actions undertaken by the Bank Zachodni WBK S.A. Group in the first half of 2007 were a continuation of the development directions set out in the "Po pierwsze klient" strategy and focused on the service quality improvement, development of competitive products, increasing sales, expansion of the distribution network for the bank's products and services, and reduction of operational risk. In order to deliver these projects, the bank had to optimize relevant internal procedures and develop technologies and IT tools.

The most important areas of the Group's activity in the first half of 2007 are summarized below:

- Continued diversification of the savings and investment product offer of the BZWBK Group: introduction of an innovative structured product (Investment Policy) and commencement of the sale of a new investment fund (Arka BZ WBK CEE Equity FIO.)
- Full alignment of the bank's package offer with the adopted customer segmentation (introduction of a new VIP package for the most demanding customers) and with the needs of customers working or traveling abroad (free-of-charge personal accounts denominated in GBP, EUR and USD with debit cards settled in respective currencies).
- Improvement of the credit offer by introducing new customer-oriented features: better availability of retail loans, further improvement of the lending process with regard to retail customers and SMEs, extension of the insurance cover for mortgage borrowers, integrated and pro-active approach to the retail lending process based on pre-sanctioning and pre-limits.
- Introduction of new products from subsidiaries: property lease, reverse factoring.
- Active promotion and distribution of the Bank Zachodni WBK Group's products and services, through a variety of promotional initiatives, such as: advertising campaigns (BZWBK Arka investment funds, cash loan, home loan, Konto<30, FX accounts, savings account, etc.), customized prelimit based lending offers targeting customers of long standing, price promotions.
- Continued project works aimed to increase the market share of the BZWBK Group through a quick organic growth in the years 2007-2011. The first outlets opened as part of the network expansion programme which provides for the launch of 50 new branches and 100 agency units (named "Minibank") by the end of 2007.
- Continued development of electronic channels through the launch of automated sale of new mass products (savings account, cash loan) and improvement in the functionality and security of electronic services.
- Intensified acquisition and advisory activities on markets with a large business potential (capital market and property market), reflected by the volume of sales and income generated from arranged bond issues, home loans and loans for income-producing real estate.
- Development and implementation of comprehensive procedural and IT solutions designed to support customer relationship management processes, opening of personal accounts, optimization of branch processes, launch and management of outlets operating under the agency model, arrears management, etc.
- Sustainable enhancement of the customer service quality by implementation of individual programmes for business units, strengthening of 2006+ Standards in the bank branch network and improvement of key business processes based on the Six Sigma methodology.

2. Development of Customer Service

Customer Relationship Management (CRM)

The service quality standards of Bank Zachodni WBK S.A. provide for two models of interaction with customers, depending on their product and service requirements.

The customers who use sophisticated products and expect customised advice are approached proactively by the bank in order to better understand their needs and strengthen the business co-operation with them. The customer's direct contact with the dedicated advisor allows for provision of tailored service, satisfaction of diverse needs and establishment of strong ties. The number, type and frequency of the contacts with customers are regularly planned and monitored by the bank.

The customers who require the basic products and services are serviced through electronic channels or the branch network in accordance with the highest quality standards. They are proactively contacted mainly as part of sales campaigns.

Proactive contacts, long-term relations with customers and sales campaigns are supported by IT infrastructure, including a data warehouse which is gradually aligned with the information requirements resulting from the adopted segmentation and CRM model.

Also, processes are implemented to improve customer loyalty and encourage them to stay with the bank and to buy new products and services. In parallel, steps are taken to reduce the attrition rate. The bank continuously tracks the number of customers who leave or reduce their activity, which helps identify the motives behind such behaviour, eliminate its causes or actively prevent it through direct contacts and sales campaigns. The number and scope of sale campaigns has been growing consistently year on year.

Service Quality Management

Service Quality Programme

In early 2007, the Management Board of Bank Zachodni WBK S.A. decided to launch a comprehensive Service Quality Programme aimed to give the bank a strong position on the customer service market. As part of the programme, each branch developed a service quality improvement plan (based on the report from the most recent individual customer satisfaction survey) and began to put it into practice. Areas which required procedural improvements across the bank, identified by means of the "Iceberg" model (diagnosis of the organisation's strengths and weaknesses based on reviews of customer satisfaction and expectations) were delegated for delivery to relevant business units. The bank seeks to continue improving its customer satisfaction index.

2006+ Standards

The first half of 2007 saw continuation of the initiatives designed to improve the efficiency of deployment of active sales and service standards ("2006+ Standards") in the branch network. The Standards ensure the top-quality of customer service and, at the same time, enhance the pro-active and sale-oriented attitudes of the bank staff. The process of strengthening the desired behaviours was supported by such initiatives as: permanent internal training, the "Practitioners-for-Practitioners" conference for sharing the best practices and regular "mystery-shopping" exercises. These and other reviews of customer service quality confirmed the successful implementation of standards across the branch network.

Total Quality Management System

In late 2006 and early 2007, SGS Polska Sp. z o.o. performed an audit whereby Bank Zachodni WBK S.A. received a certificate of compliance with the ISO 9001:2000 standard for the bank's Total Quality Management System. The System covers 9 business processes delivered in the Head Office and in the branch network:

- personalization of payment cards,
- processing of international payment orders,

- processing of domestic payment orders,
- provision of BZWBK24 e-service,
- provision of Minibank24 e-service,
- handling of the document restriction database,
- handling of account opening requests (eWnioski) filed over the Internet or telephone,
- settlement of payment card transactions,
- software development and integration.

Simplification of Procedures and Service Processes Based on the Six Sigma Methodology

The first half of 2007 saw the completion of initial projects designed to streamline the selected bank processes in line with the Lean Six Sigma methodology. The improvements covered in particular the mortgage lending procedure and aimed to optimize the method of collecting documents from customers, reduce errors, eliminate tasks adding no value from the customer's perspective and shorten the credit decision turnaround time.

Customer Care Officer

Bank Zachodni WBK S.A. is distinctive in the market in that it has a Customer Care Officer. Apart from being the contact person for customers, they are also involved in development of customer service standards through: developing complaints handling standards, supporting the bank's staff in processing the most difficult complaints, regular updates for the Management Board on the outcome of complaint analyses, initiatives aimed to eliminate sources of customer dissatisfaction and liaising with the Ombudsman at the Polish Banks Association.

3. Development of Products and Services

Retail Loans

Mortgage Loans

In the first half of 2007, the bank took efforts to improve the attractiveness and availability of the PLN mortgage loan, which (coupled with the existing advantages of this facility) contributed to one of the best offers on the market. The most important modifications are: implementation of an investment loan to finance construction or purchase of a property for lease, extension of the maximum lending period of an equity release, introduction of an option to obtain additional funds to be allocated to any purpose (as part of the home loan) and introduction of a voluntary insurance package providing cover against illness or unemployment. The PLN mortgage loan is a very attractive product due to: promotional interest rate, low installments without any hidden costs, a fixed margin irrespective of the LTV ratio and the principal amount, fee waivers and the accompanying credit card with a guaranteed limit.

To promote the bank as a lender with a leading offer of PLN-denominated home loans, Bank Zachodni WBK S.A. advertised this product nationwide from May till the end of June 2007, highlighting its distinctive features: low installments and secure repayment.

Cash Loans and Overdrafts

In February 2007, the bank launched a new retail lending process addressed to the customers who have had a personal account history with Bank Zachodni WBK S.A. of at least 6 months and the minimum required credits to their account representing income from an employment agreement. As part of the process, target customers are presented with unsolicited offers of credit facilities sanctioned by way of the pre-limit, i.e. the maximum amount of the loan that the bank is willing to extend to a customer in accordance with assessment of the borrower's repayment capacity based on the available information (without the requirement to provide a documentary evidence of the income). Pre-limit covers such products as: cash loan, overdraft, credit card limit, increase of overdraft and the credit card limit.

Credit Cards

In order to strengthen its position on the credit card market, Bank Zachodni WBK S.A. has increased the availability of its products to internal (i.e. persons who have an active personal account with the bank) and external customers. The minimum level of income required from external borrowers who apply for a credit card has been reduced, while the regular customers have been offered higher limits or a new card without unnecessary formalities.

Throughout the first half of 2007, the bank continued the initiatives with a view to acquiring new external partners for the issue of co-branded cards. These products have been increasingly popular on account of attractive loyalty programmes. In January 2007, the bank and the Allegro.pl portal jointly issued a co-branded Allekarta card which was evaluated as the best card of this type available on the market by the Forbes magazine (edition dated 31 May 2007). Two other co-branded cards (Visa LuxMed and Visa Multikino) were ranked 4th and 5th, respectively. Further implementations of co-branded cards are planned later this year.

In order to promote the use of credit card among customers, Bank Zachodni WBK carried out a number of promotional and sales campaigns, including an advertising campaign of credit cards ("Potrafi więcej niż inne"), a cross-selling promotion for holders of BZWBK Arka investment funds and a price promotion aimed to encourage the customers to pay with credit cards at merchants more often.

Offer for Business Customers

Credit Processes

With the increasing share of property financing loans in the bank's portfolio of receivables, Bank Zachodni WBK S.A. has adopted a policy for financing income-producing real estates, which is based on the experience of the bank and the entire AIB Group and sets a new direction in the financing of such investments. The policy differentiates between specific types of business activity which involve income-producing real estates, i.e. residential investments, commercial investments, property construction and land acquisition. The guidelines are aimed to streamline customer service and ensure the growth of the loan portfolio while minimizing the credit risk.

Offer for Small and Medium-Sized Enterprises (SMEs)

- **Loans Refinanced from EU Funds**

Bank Zachodni WBK S.A. played an important role in the financing of investment projects delivered by companies who applied for EU financing under the recent qualification for Measure 2.2.1 "Support to enterprises carrying out new investments" which was completed in January 2007.

The bank intends to maintain its strong position on the EU funds market in the upcoming years and to this end it has taken intensive efforts to prepare the service of structural funds envisaged in the new budget for the years 2007-2013. As part of the adopted strategy, the sale structure has been reviewed and improved, the offer has been modified, and plans for the training of European Advisors and for the EU offer sale and promotion support have been developed.

- **Offer for Farmers**

In early 2007, the bank improved the credit decision-making process by implementing a new scoring card customized to the specifics of the agricultural business. Beside the current service of customers as part of the AGRO Package, the bank actively participated in defining the conditions to regulate future cooperation between domestic banks and the Agency for Restructuring and Modernisation of Agriculture with respect to the handling of preferential loans with subsidized interest. Bank Zachodni WBK S.A. also worked on preparing the service to customers seeking the EU aid under the 2007-2013 Rural Development Plan. The bank designed a single, comprehensive offer for the borrowers from the agricultural sector, coupled with a plan for promotional activities to be carried out jointly with leasing companies.

Offer for Corporate Customers

The Corporate Banking business is based on a Relationship Management structure whereby a corporate customer's designated relationship manager not only controls the credit process but has overall responsibility to co-ordinate the service to the customer across all of the bank's areas of business.

The services offered to corporate customers include a wide range of flexible credit products ranging from working capital to long term asset financing to meet general expansion needs, acquisition and project finance. Corporate Banking Centres also provide a broad range of Deposit, Treasury and Cash Management products, including FX and Interest rate management products, international trade finance, cash pooling, mass payments, electronic banking and others. Through the bank's subsidiaries they offer additional services to corporate customers, including brokerage, equity and asset management services, and also leasing and factoring products. In addition, they are well placed to offer special promotional packages for staff of corporate customers through the extensive BZWBK branch network.

Corporate Banking continues to expand its market presence, which is well reflected in the continued growth of business, including both deposits and loans.

The Corporate Banking Lending Policy is to strongly support existing customers as their businesses grow and to also support new customers where a strong management team and sound business strategy exists.

The quality of the corporate credit portfolio continues to show very strong improvement over the past number of years.

Personal Accounts

In order to increase the effectiveness of sales and streamline service processes, in the first half of 2007 the Bank implemented two new processes of selling personal accounts. Since March, the customers can open the Konto24 Euro account together with BZWBK24 services and obtain the MasterCard debit card based on the eWniosek placed via Internet or telephone. In May, the bank introduced a "fast track" for opening personal accounts in the branches, whereby the duration of this procedure has been reduced to 10 minutes.

Konto<30 and Konto24 Prestiż

In line with the strategy which defines two basic groups of prospective customers (young people and "mass affluent" customers), the bank launched nationwide sale campaigns targeted at these customer groups, promoting the Konto<30 and Konto24 Prestiż packages. To promote the sale of the Konto<30 account (designed for customers aged 13 – 30), the bank waived the cash withdrawal fee for Visa Electron<30 holders using ATMs in abroad locations, throughout the summer holiday period. The promotional campaign for Konto24 Prestiż and the related product package highlighted the advantages of this offer, in particular the service provided by a dedicated advisor and the possibility to try this product free of charge for six months.

Konto24 VIP

In March 2007, Bank Zachodni WBK S.A. launched the sale of Konto24 VIP designed for customers from the Personal Banking segment. This product is offered together with a comprehensive package of additional, free services and products. The account maintenance fee covers an unlimited number of transfers, standing orders/variable orders and payment orders to be processed both in the branch and over the Internet. The account comes with a free debit card (Visa Electron VIP) for free-of-charge cash withdrawals in ATMs operated by other banks and financial organizations in Poland and abroad (with a specified frequency). The Konto24 VIP package is supplemented by the Gold credit card and a free investment account with Dom Maklerski BZ WBK S.A. Moreover, account holders may avail of the Teledysponent service, i.e. contact the consultant via phone and place orders for processing a number of bank operations.

Deposit and Investment Products

Bank Zachodni WBK S.A. provides a comprehensive offer of savings and investment products for mass customers and specific groups of target customers, giving them an option to diversify their portfolios according to individual preferences, investment objectives, expected yield, risk appetite and market environment. Such a rich offer, supported by active promotion campaigns drives the diversification of customer portfolios and boosts the growth of the savings base across the Bank Zachodni WBK Group.

Deposit Products

In the first half of 2007, customers using the BZWBK24 internet service were provided the option to open a savings account over the Internet (personal account offering basic features of term account). The new functionality has largely increased the popularity of this offer, which became one of the most sought-for deposit products for retail customers. Popularity of a savings account was also driven by a promotional campaign which focused on its advantages, such as: high interest rate (on the term deposits), liquidity (possibility to withdraw any amount at any time without loss of interest), high availability of the product. Beside the savings account, retail customers most frequently used short term deposits (in particular, the 1-month Lokata24 deposit available only in BZWBK24). Business customers mostly opted for short-term placements, with terms and conditions negotiated individually.

Increase of the interest rate by 0.25 p.p. on all available deposits (in each of the fixed amount thresholds) has enhanced the attractiveness of the bank's deposit offer. The bank decided to raise the interest rate in May 2007, as one of the first financial institutions to respond to the NBP interest rates hike.

Investment Products

In the first half of 2007, the bank continued the distribution of five main categories of BZWBK Arka mutual funds: balanced fund, stable growth fund, equity fund, money market fund and bonds fund. The demand for these products continued thanks to the favourable stock market, good investment results and an intensive marketing campaign. In early April 2007, the bank introduced a new fund, Arka BZ WBK Akcji Środkowej i Wschodniej Europy FIO (BZWBK Arka Equity CEE FIO), which invests at least half of its assets in equities and similar financial instruments issued by companies operating in Poland and in other CEE countries with a large growth potential, such as: the Czech Republic, Hungary, Bulgaria, Romania, Ukraine, Turkey.

In the first half of 2007, the basket of savings and investment products was supplemented with the investment policy, i.e. an endowment policy with an embedded investment instrument. This product combines the benefits of investments based on BZWBK Arka funds with the advantages of an insurance policy (e.g. tax exemptions) while providing a 100% return on the invested capital. The first three issues of the product (one in April and two in June 2007) proved to be attractive to a large group of customers.

Insurance Products

Bancassurance services are becoming an increasingly important element of the bank's business and a source of corporate income. The bank offers its insurance products in liaison with the leading insurers in the Polish market: Commercial Union Group, AIG and TU Europa.

In May 2007, Bank Zachodni WBK S.A. supplemented its offering with a mortgage loan insurance package which provides the broadest cover available on the market. The package is designed to protect borrowers against consequences of unemployment, temporary or permanent inability to work, serious illness or death.

To meet the demand, the bank focuses on development of investment-and-insurance products. Issues of a new structured product (Investment Policy), made in the first half of 2007, were quite a success in terms of sales. Beside the latest bank products, property insurance targeted at mortgage borrowers as well as card insurance against fraudulent use or theft of money withdrawn from ATM remained very popular.

FX Transactions

International Payments

The payment messages generated by the bank have been for many years characterised by high quality, which facilitates the clearing process and reduces the costs involved. Last year, in recognition for the error-free SWIFT message formatting, the bank received the "Excellence in Straight Through Processing" award from its foreign partner: Bank of New York. The efficient organisation of the payment handling process and the high quality of customer service is best proven by the bank being placed among the institutions that comply with the ISO 9001-2000 standard for international payment orders. Beside high quality, the bank offers a very competitive schedule of fees and charges. The rates for outgoing payment orders are very low while payments received to the benefit of internal customers are free of charge. With such an attractive offering, in the first half of 2007 the bank recorded a 31% y-o-y growth in the number of direct outgoing payments (effected without the agency of third-party banks).

Western Union Money Transfers

Bank Zachodni WBK S.A. acts as an intermediary for international and local Western Union money transfers. The network of outlets processing Western Union transfers includes the bank's branches and agents who operate under a contract with the bank and use its clearing service. In the first half of 2007, new agencies were opened and the automation of transaction service was completed. The volumes of Western Union money transfers processed by the bank continued their steady upward trend, in particular with regard to outgoing transfers (+26% up y-o-y).

Trade Finance

The bank's offer also includes a full range of international trade finance products. In line with internal standards, all documentary transactions are processed within 24 hours from the receipt of a complete order and/or relevant documents by the Business Support Centre. The bank also provides free-of-charge advice to customers at each stage of executing international trade finance transactions.

The first half of 2007 saw a y-o-y growth in the value of export transactions, of which export Letters of Credit and collections increased by 17% and 13%, respectively.

Debit Cards

Bank Zachodni WBK S.A. has a comprehensive and innovative debit cards proposition which was expanded in the last six months to include four new products and several functionalities.

In March 2007, the bank launched the sale of Konto24 VIP for Personal Banking customers, offered together with the Visa Electron VIP package and a wide range of free-of-charge services. For customers who work abroad, the FX card offer was enhanced to include MasterCard debit cards issued to the personal account denominated in GBP and USD. Customers may thus use free-of-charge personal accounts maintained in three foreign currencies (EUR, GBP and USD) and the accompanying debit cards which are settled in the currency of a given account. Another interesting product introduced in the first half of 2007 is the prepaid Premium card without a specified nominal value.

The attractiveness of the debit card offering was improved even more following the delivery of new pricing and functionality-related initiatives, including the option to make withdrawals in AIB's ATMs in Ireland free-of-charge, to view the transaction history and to put holds on the account via electronic channels. Moreover, as part of the summer holiday promotion, the ATM cash withdrawal fee has been waived for the Visa Electron<30 card (issued for Konto<30) when used in ATMs abroad.

In the first half of 2007, there was a further increase in the number of debit cards (+17% y-o-y) issued by Bank Zachodni WBK S.A. The sale of these products was propelled by intensive campaigns and activation initiatives. Among others, the bank participated in the campaigns initiated by Visa International and MasterCard International aimed at promoting non-cash payments. These actions led to a 34% growth of debit card transactions effected at merchants.

Provision of e-Services to Financial Institutions

Bank Zachodni WBK S.A. issues and processes payment cards for other institutions, being a leading provider of such services in the market. The offer includes "traditional" magnetic cards as well as chip and bar-code cards. The bank offers its partners a modern IT infrastructure and a real-time access to transaction data, and their customers can avail of the bank's extensive ATM network. High quality and security of the bank services has been confirmed by the certificate from Visa and MasterCard issued for the personalization of stripe and chip cards. As of 30 June 2007, the number of non-BZWBK cards serviced by the bank was 63% up on the same period last year. Prospects for further growth are very promising, given the card personalization contract awarded to the bank by a big Polish card issuer (by way of tender) and well-advanced negotiations for other agreements.

Since 2006, Bank Zachodni WBK S.A. has been providing service for the ATMs of other banks and external institutions. Bank Zachodni WBK S.A. cooperates with three business partners in this respect and has signed relevant agreements with other entities. Consequently, the bank now manages a network of 600 third-party ATMs and expects a significant uplift in this respect by the end of 2007.

Investment Banking

Arrangement for Bond Issues

Over the last six months, the bank recorded a significant growth in corporate customers' interest in arranging debt securities addressed to entities indicated by the issuer. The bank arranged bond issues for ten external clients, totalling PLN 140 m, i.e. six times higher than in the same period last year. These issues were taken up by entities pointed out by the issuers.

Moreover, the bank participated in the public offer of bonds issued by its leasing subsidiary (BZ WBK Finanse & Leasing S.A.) as part of the issue programme. The nominal value of the placed bonds amounted to PLN 42.5 m.

Advisory Services

In the first half of 2007, the Capital Markets Department of Bank Zachodni WBK S.A. in liaison with Dom Maklerski BZ WBK S.A. acted as advisors in the following undertakings:

- a public offer of F-shares issued by PBG S.A., worth PLN 350 m, with subscription rights for the existing shareholders;
- the sale of PBG S.A. shares, worth PLN 54 m, by one of shareholders in the secondary market;
- a public offer of D-shares issued by Koelner S.A., worth PLN 82.5 m, without subscription rights for the existing shareholders;
- arrangement of the sale of Koelner S.A. shares, worth PLN 33 m, by majority shareholders in the secondary market;
- a public offer of C-shares issued by BBI Development NFI S.A., worth PLN 57.1 m, with subscription rights for the existing shareholders;
- a public offer of B-shares issued by BBI Capital NFI S.A., worth PLN 48.2 m, with subscription rights for the existing shareholders;
- a public offer of X-shares issued by Sygnity S.A. (formerly: Computerland S.A.) to the shareholders of EMAX S.A. in the process of merging the two companies.

Equity Portfolio Management

During the first half of 2007, the following changes took place in the equity portfolio of Bank Zachodni WBK S.A.:

- Having obtained the approval of the Polish Financial Supervision Authority, in March 2007 Bank Zachodni WBK S.A. purchased 152 shares issued by Commercial Union Powszechna

Towarzystwo Emerytalne BPH CU WBK S.A. from BPH S.A., at PLN 22.2 m, thus increasing its shareholding in the company to 11.1%.

- Q1 2007 saw the final liquidation of BZ WBK Nieruchomości S.A. i Wspólnicy Spółka Komandytowa, where Bank Zachodni WBK S.A. was the limited partner. Bank Zachodni WBK S.A. was returned the entire invested capital of PLN 27.1 m, out of which PLN 13.4 m was recognized as profit in the stand-alone accounts.

As at 30 June 2007, the equity investment portfolio of Bank Zachodni WBK S.A. was composed of subsidiaries and associates displayed in the chart on page 11 and minority shareholdings in 23 companies, including: Krajowa Izba Rozliczeniowa S.A. (11.48%), Commercial Union Powszechne Towarzystwo Emerytalne BPH CU WBK S.A. (11.1%), Commercial Union Polska Towarzystwo Ubezpieczeń na Życie S.A. (10%), Commercial Union Polska Towarzystwo Ubezpieczeń Ogólnych S.A. (10%), AWSA Holland II BV (5.44%), Biuro Informacji Kredytowej S.A. (5.14%) and Arka BZ WBK Fundusz Rynku Nieruchomości Specjalistyczny Fundusz Inwestycyjny Zamknięty (4.42%).

Treasury

During the first half of 2007 there was continued growth in Treasury activity, in both wholesale and corporate markets.

Treasury services operations have continued to develop in close cooperation with corporate and commercial banking activities, while maintaining focus on the retail branch client network. The Treasury services centres in Gdansk, Kraków, Poznań, Warsaw and Wrocław all experienced strong growth. The business continues to develop, driven by strong international trading in both imports and exports. Treasury has continued to develop its product range to meet customer demand.

In the first half of 2007, wholesale activity reported strong gains, with strategic positions benefiting from the low level of short term rates and a positive yield curve. With the recent increases in rates and expectations of further monetary tightening by the Monetary Policy Council, a conservative approach to risk taking has been maintained, consistent with previous years.

4. Development of Distribution Channels

Branch Network

At the end of June 2007, the bank's Branch Network consisted of 388 outlets and was divided into 14 regions supervised by three macroregions in Poznań, Warsaw and Wrocław. The regional and macroregional offices provided direct business and operational support to the local branches. Moreover, branches received support from the owners of business lines who ensured best management within individual strategic products. The biggest cities also had auxiliary structures whose objective was to develop business in branches, including Mobile Sales Teams, Housing Market Specialists and Investment & Savings Products Managers.

In the first half of 2007, intensive upgrade of the branch banking infrastructure continued with a focus on interior refurbishment, security and IT systems. Also, the branch banking development strategy until 2011 was followed with four new branches opened until end-June out of 50 scheduled to be launched by the year-end.

Corporate Banking

Bank Zachodni WBK S.A. provides services to corporate customers through five Corporate Business Centres based in Warsaw, Wrocław, Poznań, Kraków and Gdańsk. In order to expand its corporate market presence, the bank has launched two Corporate Business Centres in Katowice and Szczecin and is currently in the process of establishing a new one in Łódź. As well as opening new offices, staff numbers continue to increase in the existing centres, reflecting the continued rapid growth of corporate business.

Cash Management Department

The first half of 2007 saw the dynamic growth of the Cash Management Unit business. New offices (apart from the existing ones in Poznań, Warsaw and Wrocław) were opened in Kraków and Gdańsk. The Unit's activity is focused on the following areas: service for financial institutions, development of tailored cash management solutions, sale of transactional service to the bank's corporate customers, acquisition of franchisers for Minibank outlets and customers for the CashNet24 ATM network.

In the first half of 2007, the unit concluded a large number of cooperation agreements, mainly with corporate customers, which contributed to the sales of such products as clearing accounts, mass payments, trade finance, cash collection, pre-paid cards, Western Union transfers, CashNet24 ATMs.

Electronic Distribution Channels

BZWBK24 and Minibank24

The BZWBK24 service underwent a dynamic growth in the first half of 2007 as the bank launched the sale of other products and services via this channel (a cash loan, credit card and savings account.) The account opening procedure for BZWBK24 is now fully automated. Cash loans and credit cards are serviced in the e-channel until the customer is notified of the credit decision made by the bank. Then they need to visit the branch but only to sign the credit agreement.

In the last six months, the bank introduced a new functionality of the BZWBK24 service: "Cards to the account" which enables the customer to view the debit card information and the history of debit card transactions. Following the amendment of the Currency Law, the bank has extended the scope of currencies, countries and transaction titles to be used in payment orders processed via BZWBK24 Internet and Minibank24. Also, the daily limit for cross-border transactions approved for processing via BZWBK24 Internet has been increased.

In order to provide top security standards, users of the BZWBK24 service were provided the option to monitor IP addresses of computers on which they log into the transaction system. The bank has also started a systematic migration to the new, secure form of logging (masked password).

High quality of the e-banking service is confirmed by ISO 9001:2000 certificates issued for the BZWBK24 and Minibank24 service. The bank's offer was also recognized by the Office of the Committee for European Integration and the Biznes Centre Club which awarded Bank Zachodni WBK S.A. for the BZWBK24 Moja Firma Plus e-product package designed for small and medium-sized enterprises.

Compared to the same period last year, the total number of BZWBK24 users grew by 25%, up to 980.9 k as of the end of June. The number of Minibank24 installations stood at 4.5 k.

Other Internet Services

AlleKredyt is a noteworthy electronic product, implemented in cooperation with Allegro.pl and offered to the users of this auction portal. AlleKredyt is an innovative solution which facilitates the sanction of a PLN 1 k up to PLN 10 k worth of loan, within 15 minutes (in a simplified procedure).

ATMs

As at 30 June 2007, the ATM network of Bank Zachodni WBK S.A. comprised 628 machines, i.e. 33 more than a year before. The bank expanded its network by installing modern and reliable machines with good ergonomics in locations convenient for customers and exhibiting high business potential. Following new installations and ongoing modernization of the network, BZWBK ATMs are characterised by a high functionality - over 80% of the machines comply with the EMV standard (Europay, Mastercard and Visa).

In December 2006, the bank introduced a new operational model of an independent ATM network called Cashnet24. This is a proposal addressed to the owners of commercial establishments who are interested in having an ATM installed at their location.

Direct Banking

In the first half of 2007, Direct Banking continued its efforts aimed at growing the sales of products for retail customers. A large number of pro-active contacts have been delivered (60% up on H1 2006) by leveraging CRM platform and support tools, primarily as part of telemarketing campaigns aimed at attracting new customers and selling credit cards, cash loans and personal loans. In 2007, the scope of telephone services was extended to include BZWBK personal overdrafts and the Teledysponent service for holders of the Konto24 VIP package. This service provides easy contact with the consultant as well as safe and easy placement of orders.

Direct Banking Department's share in the semi-annual sale of credit cards and cash loans accounted for 13% and 26%, respectively. Good sales performance and a high quality of the generated loan portfolio were the decisive factors to launch the project aimed at development of the sale potential of the Direct Banking structures.

External Distribution Channels

In the first half of 2007, the Bank extended the scope of two existing distribution channels, i.e. Mobile Sales network and a financial intermediaries network. In addition, a new external distribution channel was launched (franchising network) under the brand of "Minibank".

Mobile Sales

The Mobile Sales structure has been in place since January 2006 and is based on self-employed Financial Advisors and Co-ordinators managing their work who operate in 15 Regional Sale Offices covering the area of northern, central and south-eastern Poland. Thus created distribution channel acquires new retail customers by selling credit cards and cash loans, displaying operational flexibility and efficiency. By the end of June 2007, the bank launched new offices in another nine towns, primarily in central and eastern Poland. It is planned to further expand the Mobile Sale network - both in the already existing locations and in the key towns of Poland which will allow to extend its catchment area across the country.

Sales Through the Financial Agent Network

Bank Zachodni WBK S.A. sells cash loans through outlets of Dom Finansowy QS, on the terms and conditions defined in the agency agreement made in April 2006. The preparations to establish business co-operation included development of a separate sales process for credit facilities based on an automated decision-making system. The bank's product is perceived as attractive in this distribution channel, among other things, thanks to short turn-around times. At the end of June 2007, the bank cooperated with 492 agents of Dom Finansowy QS, which gave the bank access to customers in smaller towns where it was not economically feasible to open branches.

Franchising Network

In 2007, the bank started a project establishing a network of agents to provide quick, simple and inexpensive access to standard financial services for personal customers. This solution is targeted at retail customers who are interested in a limited number of banking services or have not yet availed of the banking service. Products and services offered by agent network include the processing of payments, Western Union money transfers and currency exchange transactions (EUR). In the upcoming months, the bank will introduce an inexpensive bank account with a payment card for retail customers and business customers, a cash loan and the option to withdraw cash from any account by means of a MasterCard or Visa card. All of these products are designed to ensure that the customer can use them right after the purchase. The agent outlets will operate under the "Minibank" brand, in easily accessible locations (close to the customers' place of residence) which are not in conflict with the bank branch network.

In the first half of 2007, 6 Minibank outlets were launched. The bank plans to open further 100 agency outlets by the end of 2007, mainly in small towns.

5. Development of BZWBK Subsidiaries

BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A.

The first half of 2007 saw continued robust performance of the mutual funds. Benefiting from a strong market and promising rates of return on equities, total assets of mutual funds increased by 81% y-o-y.

The mutual funds managed by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. grew at the market rate over 12 last months. The value of assets accumulated by the company went up by 77% to PLN 22,405.1 m at the end of June 2007. Market trends were also reflected in the structure of assets under management of BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. In line with customers' preferences, the fastest growing Arka fund was Arka BZ WBK Akcji FIO (BZWBK Arka Equity Fund) which increased by 152% y-o-y. Substantial assets were also acquired by Polish balanced funds investing both in shares and debt securities. Accordingly, two Arka funds of the kind: Arka BZ WBK Zrównoważony FIO (BZWBK Arka Balanced Fund) and Arka BZ WBK Stabilnego Wzrostu FIO (BZ WBK Arka Stable Growth Fund) grew by 119% and 49%, respectively y-o-y. The former fund witnessed the biggest inflow of assets and with PLN 7,760.3 m worth of assets at end-June 2007 secured the position of the largest BZWBK Arka fund.

In April 2007, BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. launched the sale of participation units in Arka BZ WBK Akcji Środkowej i Wschodniej Europy (BZWBK ARKA CEE Equity Fund), which was created to leverage the potential of shares in companies from countries that have joined EU recently or are seeking EU membership. Owing to a high demand of investors for foreign shares, the fund managed to accumulate PLN 163.7m worth of assets as at end-June 2007.

A strong absorption of assets was driven by excellent performance of particular Arka BZ WBK mutual funds and marketing campaigns highlighting that growth. The accumulated assets allowed the company to maintain its market share on a y-o-y basis (16% as at end-June 2007 vs 16.4% as at end-June 2006).

On 6 February 2007, BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. was awarded a "Bull and Bear" statuette by "Gazeta Giełdy Parkiet" ("Parkiet"), a Polish stock-exchange newspaper, for the best performing mutual funds corporation in 2006. The following six funds managed by the company shared the award: Lukas Dynamiczny Polski, Arka BZ WBK Zrównoważony FIO, Lukas Stabilnego Wzrostu, Arka BZ WBK Stabilnego Wzrostu FIO, Arka BZ WBK Obligacji FIO and Arka BZ WBK Obligacji Europejskich FIO. "Parkiet" recognised not only BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A., but also its experts who managed the best performing funds in their respective categories. Two of them were awarded with "golden portfolios" for the highest rates of return achieved by the funds they managed.

Also, in the annual ranking published by "Rzeczpospolita" BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. for the fourth consecutive year was ranked best financial institution in the category of mutual funds (press release dated 14 June 2007). The assessment panel members, who are financial and capital market practitioners and theoreticians, thoroughly screened the mutual funds operating in Poland, looking at such aspects as: asset growth, financial position, investment results as well as quality and distinctiveness of the offer. Being acclaimed four times running the best investment fund corporation in Poland, BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych is also distinctive in the market in the long run.

BZ WBK AIB Asset Management S.A.

The strong interest in stock investments had a positive impact on the sale of private portfolios of BZ WBK AIB Asset Management S.A., leading to their increase by PLN 2,202.1 m y-o-y. The most dynamic growth was demonstrated by equity (+241%) and stable (+116%) portfolios.

At the end of June 2007, the value of assets managed by BZ WBK AIB Asset Management S.A. coupled with investment funds under the management of BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. grew in comparison with the close of June last year by 85% to reach PLN 26,009.8 m.

Dom Maklerski BZ WBK S.A.

In the first half of 2007, the Warsaw Stock Exchange saw new record volumes in terms of value of IPOs, capitalisation and stock trade.

Due to favourable outlook on the Warsaw Stock Exchange and high service quality, Dom Maklerski BZ WBK S.A. (BZWBK Brokerage House) enjoyed a record high turnover in stock trading. It exceeded the volume recorded at the close of June 2006 by 49% and totalled PLN 27.5 bn, which translated into an 11.3% market share. The company became the leader on the stock market, reporting for the first time the highest six month stock trading volume country-wide.

In the futures market, which is the second most important WSE market, the brokerage house acted as an agent for concluding 836.1 k transactions. This volume remained at the last year's level and put the subsidiary into the third position in Poland, while bringing its market share down by 1 p.p. to 11.1%.

Concurrently, BZWBK Brokerage House increased its share on the futures market performing its role as a market-maker. Also, the total value of turnover generated by the company as the market-maker went up, giving it the sixth place and contributing to a substantial increase in revenues.

In the first half of 2007, BZWBK Brokerage House arranged several IPOs. The companies that floated their shares with the assistance of BZWBK Brokerage House were: PBG S.A., Koelner S.A. and Radpol S.A.

The subsidiary continues to dominate the Polish market in terms of the number of Internet accounts it operates. The number of such accounts grew by 65% and totalled 43.3 k at the end of June 2007. Also, the rate of migrating individual customers' transactions to remote distribution channels grew to 98% in the futures market and 94% in the stock market in the second quarter of 2007.

Owing to the significant income from brokerage fees, the primary market and the market-making activity, the brokerage house posted the highest profits in its entire history.

BZ WBK Finanse & Leasing S.A. and BZ WBK Leasing S.A.

The leasing companies of Bank Zachodni WBK S.A., e.g. BZ WBK Finanse & Leasing S.A. and BZ WBK Leasing S.A. offer products which finance a wide range of fixed assets. Thanks to the capital support from the bank, the companies can also successfully provide project finance.

The two leasing companies specialise in financing different asset categories. BZ WBK Finanse & Leasing S.A. focuses on the lease of plant and machinery as well as computers and office equipment for businesses. There is also a customised offer for selected customer groups and a proposition of property leasing. BZ WBK Leasing S.A. specialises in financing vehicles for businesses and personal customers.

Both companies strive to gain competitive edge through enhancements and modifications of their product range, optimisation of sales processes and development of delivery channels.

In the first half of 2007, the companies leased out PLN 808.1 m worth of assets, i.e. by 54% more than in the corresponding period of the previous year. The main sales driver was the lease of vehicles (+72%), which gathered momentum along with a revival of the automotive industry and a change of leasing terms (larger acceptable exposure and more types of vehicles eligible for leasing under simplified procedure). The lease of machinery and equipment also grew at a good pace (+25%), which is not only attributable to a favourable market outlook and growing investments but also to a presence of the leasing organisation in EU structural funding.

In the first half of 2007, BZ WBK Finanse & Leasing S.A. issued two series of bonds with a nominal value of PLN 42.5 m under the bond issue programme. The issued debt securities are bearer coupon bonds with a fixed interest, nominal value of PLN 100 and a 2-year maturity. Thus acquired funds will be used to finance the expansion of core business.

BZ WBK Faktor Sp. z o.o.

BZ WBK Faktor Sp. z o.o. provides recourse, non-recourse and export factoring. In the first half of 2007, the product range was extended to include reverse factoring, i.e. financing trade creditors. Also, the company intensified its co-operation with the Bank Zachodni WBK branch network, continued a training programme for the branch advisors and conducted sales campaigns in liaison with the bank.

In the first half of 2007, a total value of turnover processed by the subsidiary amounted to PLN 475,4 m and was 37% higher y-o-y thanks to the acquisition of new customers and a stronger activity of the existing ones. In terms of factoring turnover, the company was ranked fifth in Poland, with a market share of 6%.

BZ WBK Inwestycje Sp. z o.o.

In the first half of 2007, BZ WBK Inwestycje Sp. z o.o. continued its activities in the area of managing equity investments. In the first quarter of 2007, the company disposed of TIM S.A. shares through the Warsaw Stock Exchange. The transaction, which involved the sale of 115 k of shares yielded an income of PLN 3.3 m.

VI. Strategy for 2007-2010

Key Strategic Assumptions

The 2007-2010 BZWBK strategy is the continuation of the "Po Pierwsze Klient" Strategy developed in 2001 by the bank and implemented over subsequent years. The key message of the updated "Po Pierwsze Klient" Strategy is expressed by the bank's mission statement:

"To be regarded by our customers, wherever we operate, as outstanding for our customer proposition, and to turn this into superior profit growth."

The main strategic assumptions remain unchanged, including the premise that in order to achieve superior profit growth the bank needs to have a distinctive proposition in the following areas:

- customer relationship;
- product offering;
- service quality;
- process enablement.

Development of these areas should give the bank a solid position in the Polish financial services market with an aspiration of 10% share in the market of personal and business customers. With the bank's focus on ever more efficient risk management, the distinctive customer proposition should also bring value added to the shareholders.

Customer Relationship

Bank Zachodni WBK S.A. intends to reinforce its image of a universal bank which offers a full array of financial services for personal and business customers. The rich product offer will provide foundation for building lasting relations with customers with a strong support from solutions consistently applied under Segmentation and CRM Programme. Plans for the future envisage expanded functionality of the IT tools used by the bank in the relationship management process. The knowledge gathered in the systems will facilitate customer advisors in anticipating customer needs, establishing and maintaining relations and simplifying service processes. In order to improve relationship management and internal decision-making processes, special tools will be implemented for profitability measurement, statistical analysis and forecasting. The efforts taken will increase the bank's capability of offering customers the right products at the right time through the most appropriate distribution channel. Such efficiency will enable delivery of the bank's key strategic objective, which is to attract specific customer groups, retain the existing customers and continue profitability growth.

Offering of Products and Services and their Distribution

Development Directions for Retail Customers

The bank's strategy indicates two key sources of acquiring retail business, i.e. from the "start-up" and the "mass affluent" customer segment. It also foresees numerous initiatives with a view to increasing attractiveness of retail products and services.

The bank will be focused on ensuring a balanced growth of the savings and investment products portfolio across the Bank Zachodni WBK Group. To this end, the bank will keep on following the same development directions as before. It will provide its customers with a full range of services (including those offered by the subsidiaries) for portfolio diversification, improve effectiveness and quality of sales and promotional activities, ensure the required training for employees and implement a distribution model based on professional advice. Also, in co-operation with BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A., a new investment offer based on closed-end funds will be developed for high net worth individuals. The array of savings and investment products will be complemented with income-generating investment insurance schemes.

With regard to home mortgages, the bank intends to reduce the cost and time needed to take a credit decision, improve the quality of advice and develop a distribution network with the key players in the property market (developers, agents and brokers). To improve its position in the domestic credit cards market, the bank will increase availability of cards for non-customers, improve effectiveness of sales through internal and external delivery channels and intensify its promotional activity. Through various incentives for customers, the bank will strive to encourage more frequent use of cards for daily transactions. In the cash loans area, emphasis will be placed on increasing sales through individual distribution channels (the Internet, phone, independent advisors, agents' network) and delivery of sales campaigns targeted at precisely defined audiences.

As part of the bancassurance line, the bank's ambition is to set out new standards in the loan insurance market by structuring the best-in-class offering and maximisation of income. The huge potential of own customer base and implementation of appropriate CRM solutions will also enable development of insurance offered via phone and the Internet.

The bank also plans to continue optimisation of the account opening process and implement various initiatives designed to increase loyalty of customers.

Development Directions for Business Customers

The bank plans to intensify lending to business customers while maintaining a high quality of the portfolio. The years 2007-2010 are expected to see an increase in exposure to SME customers to the level observed in the "old" EU countries. The credit activity will be supported by numerous initiatives, such as development of the property funding offer, investment finance with EU support, development of lending to the agricultural sector and consistent upskilling of the SME advisors. Also, business customers will be able to avail of a broader range of leasing and factoring products.

Development Directions for Distribution Channels

The "Po pierwsze Klient" strategy envisages an organic growth of the bank based on integrated development of all distribution channels. In the next years the bank's branch network will be intensively developed, mainly in the locations with significant business potential, where so far the bank has not established its presence. In parallel to the geographical expansion, the bank will introduce a new service model in its branches and will provide a new proposition for customers with most sophisticated needs (Private Banking and Personal Banking).

To meet the requirements of customers who mostly use traditional products and services, the bank will launch a network of outlets offering simple financial operations such as bill payments, personal account transactions or cash loans.

The sales structures of Direct Banking Function will be intensively developed and works will be continued to extend the functionalities that facilitate customer access to the bank's products. Based on the CRM platform, the Internet and telephone banking will be more closely integrated with the branch network to create a seamless relationship management structure. External distribution channels, and in particular a network of Mobile Sales (financial agents) will be gradually expanded to become a significant source of new business going forward. The bank also intends to increase the number of the Corporate Business Centres and introduce Medium-Sized Business Centres to reduce the distance between customers from different regions of Poland and their relationship managers.

Service Quality

The Bank Zachodni WBK overarching strategic objective is to build a recognisable, nation-wide brand of a bank distinctive by its customer-centric approach. Establishment and reinforcement of such an image requires focus on the following three values: Dependable, Engaging, Pioneering.

To earn the reputation of a dependable bank, Bank Zachodni WBK S.A. strives to provide its customers with the service that meets the highest standards in terms of security, reliability, transparency of pricing policy coupled with clear and fair communication. Being pioneering manifests itself in constant improvement of product offering and the use of the latest technology for even better fulfilment of customer requirements.

To be regarded as engaging, the bank reinforces its image of a friendly institution which provides speedy, professional and attentive service with a tailored approach tuned to the needs of different customer segments. This strategy entails a constant improvement of service quality and

rationalisation, simplification and improvement of internal processes. Service quality will continue to be regularly reviewed and refined through a number of initiatives: defining service quality standards, measurement of customer satisfaction/expectations, delivery of service improvement programmes and activities of the Customer Care Officer.

Process Enablement

Delivery of the strategic objectives requires the use of the highest quality IT service. For this reason, strategic initiatives also include development of an integrated, contextual branch environment enabling fast implementation of new business processes, reduction of the time needed to launch new branches and minimisation of the related costs. The bank plans to continue centralisation of its IT platforms to mitigate the key risks, reduce costs and improve the speed of IT services delivery.

The bank is going to continue the certification programme for its key business processes based on ISO 9001 standard which is an essential building block of process management in the bank. The measurement of processes and their constant improvement will continue to be in the spotlight. More processes will be streamlined using the Lean Six Sigma methodology, which will ensure further improvement of the quality of the services rendered by the bank.

In line with the bank's credit policy, credit delivery will continue to be centralised and operational processes connected with central sale of products via remote and external distribution channels (Internet, phone, intermediaries, agents) will be improved. Along with implementation of a new system for the Corporate Banking Area, a highly efficient corporate service model will be introduced. Other bank processes will also be covered by the enablement and centralisation initiatives, which will increase the effectiveness of the bank's operations and reduce risks.

The bank will continue its consistent cost management efforts across the Bank Zachodni WBK Group through the planning and control of the operating cost budget, implementation of cost containment initiatives and improvement of purchasing processes.

VII. Risk Management

1. Capital Management

The policy of Bank Zachodni WBK S.A. is to maintain a strong capital base (above the minimum level required on account of various types of risk related to the activities conducted) and to use it effectively in order to add value for shareholders.

In accordance with the Banking Law, both Bank Zachodni WBK S.A. and the Bank Zachodni WBK Group are required to maintain their solvency ratio at minimum 8%. The Bank's policy is to reach the target level of the solvency ratio at 10%.

The tables below show historical values of the solvency ratio:

Bank Zachodni WBK S.A.:

PLN m

	30-06-2007	31-12-2006	30-06-2006
Total capital requirement	1,881.6	1,660.2	1,425.8
Own funds	2,787.8	2,861.9	2,520.3
Solvency ratio	11.85%	13.79%	14.14%

Banku Zachodni WBK Group:

PLN m

	30-06-2007	31-12-2006	30-06-2006
Total capital requirement	2,026.9	1,771.7	1,510.8
Own funds	3,379.8	3,427.0	2,932.5
Solvency ratio	13.34%	15.47%	15.53%

Reduction of the Bank Zachodni WBK Group's solvency ratio was primarily caused by the increase in the level of risk-weighted assets by 34.6% y-o-y due to the significant growth of the credit portfolio (+33.2% y-o-y).

As at 30 June 2007, the Group's capital resources amounted to PLN 4,148.6 m and were higher on end-December 2006 by PLN 71.9 m. Own funds, calculated in accordance with the revised Resolutions of the Banking Supervision Committee – decreased by PLN 47.2 m.

The extent of change in the Group's own funds in the first half of 2007 versus 31 December 2006 mainly results from allocation of the undistributed 2006 profits to equity, increase of investment in Commercial Union Powszechne Towarzystwo Emerytalne BPH CU WBK S.A. by PLN 22.2 m (to 11.1%) and changes in regulations relating to recognition of financial instruments revaluation reserve in equity.

2. Financial Risk Management

The main objective of financial risk management is to ensure effective operations to support development within the approved risk limits. Risk management practice in the bank is in keeping with the AIB Group policy and covers the three main financial risk areas: credit risk, market risk and liquidity risk.

The bank's Management Board, which is responsible for risk management, delegated its powers in this regard to the following Committees: Asset and Liabilities Management Committee (ALCO), Credit Committee, Credit Policy Forum and Provisions Committee. These Committees are responsible for managing individual risk areas, monitoring the bank's general risk on an on-going basis and for shaping the current policy within the framework set by the Management Board.

Credit Risk Management

Bank Zachodni WBK's credit delivery activities focus on growing a high quality loan-book with a good yield and customer satisfaction.

Credit risk arises mainly from lending activities on the retail, corporate and inter-bank markets. This risk is managed as part of the policy approved by the Management Board on the basis of the adopted credit delivery procedures as well as on the basis of discretionary limits allocated to individual credit officers based on their knowledge and experience. The bank's internal system of credit grading and monitoring allows for an early identification of likely defaults that might impair the loan book.

Credit Policy Forum

To manage the credit risk effectively, Bank Zachodni WBK S.A. established the Credit Policy Forum whose key role is to develop and approve credit and sectoral policies, industrial analyses, credit grading systems and credit risk assessment addressed for the branch network and Business Support Centre units directly responsible for business growth and support. The Credit Policy Forum is composed of senior representatives of individual Bank Zachodni WBK divisions.

Credit Policies

Credit policies contain guidelines for the identification and assessment of areas where specific types of risks manifest themselves and also provide the methods of limiting those risks to a level acceptable to the bank (e.g. FX risk in the case of foreign currency loans). Credit policies comply with the AIB Group standards and are adapted to the local credit market conditions where Bank Zachodni WBK S.A. operates.

At the same time, credit policies are subject to periodical reviews aimed to bring these guidelines up to date with the bank's current needs.

Credit Grading

Intensive work has been undertaken to further develop credit risk assessment tools to conform to the Basel requirements and International Accounting Standards/International Financial Reporting Standards (IAS/IFRS). These efforts are accomplished based on AIB Group expertise and best practices, as well as in close liaison with external, internationally recognized advisors.

Currently the bank uses new credit risk grading models for its key credit portfolios, including corporate customers, SMEs, housing loans, cash loans, credit cards and retail overdrafts. Work is under way to develop tools compliant with Basel requirements for other portfolios, i.e. income-producing real estate and public sector.

Provisioning

In Bank Zachodni WBK S.A. and its subsidiaries provisions are raised in accordance with IAS/IFRS. The provisions reflect credit impairment which is recognised if the bank presents an objective evidence that such amounts cannot be recovered in line with the signed loan agreement. The impairment is calculated on the basis of the estimated recoverable amount. Impairments are analysed using both the individual and collective approach.

Ensuring adequate level of provisions is the responsibility of the Provisions Committee.

Return on Risk

Bank Zachodni WBK S.A. continues to develop and implement risk based methods of grading loans, allocating capital and measuring returns. Currently, for all significant portfolios risk valuation models based on EVA (Economic Value Added) are being implemented.

Credit Decision Making Process

The credit decision-making process as part of the risk management policy is based upon Individual Credit Discretions vested in credit officers, commensurate with their knowledge and experience relating to particular activities (retail banking, corporate banking and SMEs). Credit exposures in excess of PLN 15 m are referred to the Credit Committee composed of senior management and top executives of Bank Zachodni WBK S.A.

Bank Zachodni WBK S.A. continually strives to ensure best quality credit service to meet the borrowers' expectations and relevant risk policy standards. To this end, the credit risk approval function has been basically separated from the sales function. Credit decision making functions and sales functions are combined only at the Branch Banking level and these are limited to exposures up to a pre-defined ceiling. The responsibility for credit decisions and loan portfolio quality assurance lies with the Chief Credit Officer and his reporting managers.

In order to ensure better risk management, the bank implemented scoring techniques for retail customers, SMEs and home mortgages. The scoring systems are continuously upgraded which has improved the quality of risk management and accelerated the decision-making process.

Credit Reviews

Demonstrating the utmost care about the loan-book quality, Bank Zachodni WBK S.A. performs regular reviews to assure conformity with the best credit practice, to determine the actual quality of the credit portfolio, to confirm that adequate credit grading and provisioning processes are in place and to objectively assess professionalism in credit management. The reviews are performed by the Credit Review Department and Quality Assurance Department which are independent of risk-taking units.

Market Risk and Liquidity Risk Management

The Bank Zachodni WBK ALCO is responsible for strategic balance sheet management in keeping with the individual risk management policies approved by the Management Board. The focus of ALCO's attention is the management of capital, sources of funding and liquidity as well as identification and management of market risk. ALCO consists of representatives of the bank's senior management.

Market risk and liquidity are managed within the framework developed by the AIB Group and approved by the Bank Zachodni WBK Management Board. The ALCO's policy defines the underlying principles of management of liquidity, interest rate and FX risks arising from the bank's and the Group's balance sheet structure.

Market Risk Management

The key objective of the market risk policy pursued by the bank is to reduce the impact of interest and FX rates changes on the bank's profitability and market value as well as to increase income within the strictly defined risk limits and to ensure the bank's liquidity.

The bank's practice in market risk management complies with the following rules:

- Upon the recommendation from ALCO, the Management Board approves the Strategies and Policies for market risk management along with the limits that define the maximum acceptable exposure to individual types of this risk.
- Market risk is managed by qualified personnel using the appropriate systems and controls. Management of interest rate, FX and liquidity risks is centralised in the Bank Zachodni WBK Treasury Division.
- Market risk is measured and its compliance with the stated risk limits is monitored by qualified personnel independent of the unit which manages and generates the risk. Exposure to market risk is regularly reviewed by ALCO.

- Risk limits are periodically reviewed to align them with the bank's strategy and the current objectives of the bank.
- A special portfolio of highly rated debt securities generates a stable income flow, mitigating the structural balance-sheet risk connected with liabilities that are not sensitive to interest rate changes. According to the Policy approved by the Management Board, any decisions relating to the value or structure of this portfolio are taken by ALCO.

Assets & Liabilities Management Department identifies, on an on-going basis, the market risk connected with retail and commercial activities and transfers the risk to the Treasury Division. Treasury Division then executes relevant transactions (e.g. in the inter-bank market, in securities, derivatives, etc.) in order to maintain the risk at an acceptable level.

Interest rate and FX risks are monitored using the Value at Risk (VaR) methodology which is a standard industry tool for measurement of interest rate and FX risk. VaR methodology uses a statistical process to determine the Probable Maximum Loss (PML) in economic value of a transaction or a portfolio of transactions as a result of an adverse change in market parameters. The bank applies the VaR methodology both to the trading and banking portfolio. According to the bank's policy, the interest rate risk measured as PML may not exceed 8.25% of the bank's own funds, while PML connected with FX risk may not exceed 0.5% of own funds.

Liquidity Risk Management

Bank Zachodni WBK S.A. manages liquidity risk in accordance with its liquidity policy.

The policy is to counter-balance the expected outflows with expected inflows and/or realisation of liquid assets (mainly debt securities) to resist any extraordinary or crisis situations triggered both by internal factors (e.g. sudden increase in the value of facilities drawn under the sanctioned credit lines) or external ones (e.g. material drop in liquidity on the FX swaps market). The policy covers all assets and liabilities as well as off-balance sheet items impacting the liquidity level. Contractual and behavioural maturity is also taken into account, based on the statistical analysis of both the deposit base and the credit portfolio stability. Liquidity risk is measured daily using a modified liquidity gap report.

The bank is obliged to maintain necessary funds to allow for all withdrawals of term deposits, demand deposits, loan payments, guarantee payments and settlements. The bank does not maintain those funds in full amount because as experience and analyses show, a certain percentage of funds with short-term maturity will be reinvested. The bank's policy states that the bank should maintain funds to cover 100% of the payments expected to be made within 1 month horizon and not less than 10% in a period longer than a month. Long-term liquidity position is also monitored.

The Bank Zachodni WBK Group has a scenario-based contingency plan approved by the Management Board to cater for unexpected liquidity problems, whether caused by external or internal factors

3. Operational Risk Management

Bank Zachodni WBK S.A. adopted the operational risk management definition as agreed by the Basel Committee whereby operational risk management is understood as exposure to losses arising from inadequacy or failure of internal processes, human resources, systems or external factors.

Policies, standards and procedures implemented across the bank create an environment where operational risk is managed directly by organizational units within their remit.

In Bank Zachodni WBK S.A. there is an operational risk management policy accompanied by a number of detailed procedures and guidelines to identify, assess, monitor and mitigate the risk. Risk Management Division is responsible for creating, maintenance and development of operational risk management framework applied across the Bank Zachodni WBK Group.

Operational Risk Management Committee, set up by the Management Board, sets strategic direction with respect to operational risk including business continuity management, information security and fraud prevention. ORMCo is an official forum to discuss operational risk issues, set and

monitor operational risk management targets and prioritise issues around high risks. Outcomes are reported to the Management Board.

Specifically, operational risk management includes the following processes:

- Operational risk self-assessment

Organizational units identify risks present in their processes, systems or products, assess inherent and residual risks for probability and consequences, and describe the controls in place. Operational risk self-assessment, risk indicators and the operational incidents database provide information on the current operational risk profile of the bank. As part of the review and challenge process, potential risks that may jeopardize the bank's operations are analysed. For high residual risks identified during the self-assessment, mitigation action plans are put in place. Such risks are reviewed by ORMCo on a quarterly basis.

- Reporting on operational incidents and lessons learned

Each organizational unit is required to report operational incidents on a monthly basis. The data are used to carry out a root-cause analysis of the incidents with a view to ensuring that lessons learned are captured and preventive and corrective measures are actioned. The lessons learned process is a tool aimed to reinforce and facilitate operational risk management; it ensures also that decisive steps are taken if operational incidents materialize.

- Analysis of risk indicators

Risk indicators are financial and operational indicators which depict the risk level present in Bank Zachodni WBK Group, and provide early warning of emerging threats and operational losses.

- Business continuity management

Each organizational unit is required to develop and update their business continuity management plans to ensure that critical business processes remain uninterrupted following an unplanned disruption. The plans provide also for absence of the staff. Business continuity plans must be tested at least annually to ensure that it is possible to restore critical business processes at the required service level and within the agreed timeframe. There are backup locations where critical processes can be restored and continued should an incident occur.

- Regular reporting to the Management Board and Supervisory Board.

Operational risk issues are reported to the Management and Supervisory Board, including: operational risk incidents, risk indicators, operational risk self-assessment.

- Insurance

The bank's insurance cover includes the following insurance lines: Bankers' Bond, Computer Crime and Officers & Directors.

The growing importance and complexity of operational risk which manifest themselves in all areas of the banking activity trigger the need for continuous improvement of risk management methods and for safeguarding financial stability. The bank maintains adequate capital to cover operational risk requirement as per applicable regulations. The standardised approach is applied to calculate the operational risk requirement.

Bank Zachodni WBK S.A. co-operates closely with the AIB Group in the area of development and implementation of strategies and policies for operational risk management, selection and launch of supporting instruments, and ensuring compliance with the requirements of the New Capital Accord.

VIII. Human Resources and Corporate Values

1. Human Resources Management

Human Resources

As at 30 June 2007, the number of FTEs in the Bank Zachodni WBK Group was 8,273, an increase of 475 on the same period last year. The increase in the Group's headcount was due to the expanding range and scale of operations through organic growth, involving the launch of new outlets, economically justified recruitments in the existing branches as well as process- and technology-based organisational changes.

The bank continues the Performance Management process which adds value to the corporate culture, is positively viewed by employees and brings expected results. Through the individual objectives planning process, monitoring and assessment of progress, the bank's employees gain knowledge about their role in delivery of the "Po pierwsze Klient" strategy and obtain the necessary support and feedback about their performance.

The bank pays a lot of attention to the improvement of staff knowledge and skills. Training courses are organised in response to the business needs and in keeping with the bank's strategic priorities. Compliance with the strategic and operational requirements of the organisation is ensured through planning and co-ordinating the training process bank-wide, with support from representatives of key business areas and branch banking. The integrated training plan facilitates the logistics and monitoring of training quality and costs.

In the first half of 2007, the majority of training projects were designed for the branch banking staff, of whom 84% were trained through e-learning. Training for branches covered mainly the following areas: strategic products, teamwork and quality growth-oriented sales techniques, SME lending, operational security. 2007 has seen continuation of initiatives addressed to different employee groups, including Directors' Development Programme, Leaders of the Future, a programme for newly appointed managers and an induction programme for newly recruited staff. Senior executives continued the "Senior Executive Development Programme", whereby they went through Development Centres and received feedback to plan and facilitate their personal development. Currently, individual development plans for the participants are being implemented. The comprehensive and multi-dimensional Senior Executive Development Programme implemented in Bank Zachodni WBK S.A. has received the "HR Management Leader" award from the Institute of Labour and Social Studies (Instytut Pracy i Spraw Socjalnych).

In the first half of 2007, the total number of participants of the training and development programmes in Bank Zachodni WBK S.A. reached 41.2 k.

2. Corporate Values

Code of Business Ethics

The bank implemented the Code of Business Ethics which applies across the AIB Group. The Code sets out the general standards of behaviour which underpin the Group's corporate culture.

According to the Code, in all the aspects of its activities the bank complies with the business ethics requirements, conforms with the law and acts in accordance with the best corporate governance and risk management models. The bank seeks to create a climate of trust in its dealings with customers, employees, shareholders and other stakeholders, promoting such values as integrity, professionalism, prudence and competence. The opinion of being a dependable organisation is perceived as a pre-requisite for further development and success, but the bank also has the ambition to be recognised for being engaging and pioneering. As a responsible corporate citizen, the bank supports corporate-giving and sponsorship programmes.

Following implementation of the Code of Business Ethics, the bank launched special communication channels for staff to consult on ethical matters and report any issues.

Compliance Culture

The bank attaches a great importance to compliance with legal and regulatory requirements in all aspects of its activities. Creation of a business culture of strict adherence to law and best practice as well as promotion of such an approach is one of the key objectives of the bank's Compliance Area. The activities undertaken by this function are meant to raise the awareness among employees that their individual actions can have a bearing on the bank's reputation. A well-developed compliance culture improves the bank's image among regulators, shareholders, investors and customers.

Corporate Culture

The bank has undertaken a number of actions to enhance professional, legal and ethical employee behaviour. A one-day training in business ethics is an integral element of the induction programme for newly recruited staff. Moreover, all employees of the Bank Zachodni WBK Group must complete a series of e-learning trainings on compliance and the business ethics as part of the COMeT programme. During the year, the bank finalised another edition of a multi-stage "Warto być razem" programme for teams in the Bank Zachodni WBK Group. The objective of the programme is to recognise the employee teams for their outstanding achievements in the delivery of the "Po pierwsze klient" strategy and to promote the desired values and behaviours.

Corporate Governance

In accordance with the statement of the Management Board (published in the current report No. 34/2007 of 21 June 2007, together with comments) Bank Zachodni WBK S.A. complies with all the corporate governance rules contained in the document "Best Practice in Public Companies in 2005", introduced by Resolution no. 44/1062/2004 of the Warsaw Stock Exchange Board, except for the Rule no. 42 which recommends change of the auditor at least once in every 5 years. On 20 June 2007, the Supervisory Board of Bank Zachodni WBK S.A. decided to extend the 5-year cooperation with KPMG Audyt Sp. z o.o. for another 12 months. This decision complies with the AIB policy which recommends employing a single auditor across the entire capital group and is based on EU regulations which allow the replacement of the auditor once in seven years. Above all, however, this is required to maintain the continuity of audit tasks performed as part of the AIB Group certification process in line with the Sarbanes-Oxley Act, which was first launched in 2006. A detailed explanation of the decision to re-employ the current auditor for yet another period is presented in Chapter 9, in the section which refers to selection of an auditor authorized to review financial statements.

Compliance with best practice is also supported by the bank's internal procedures, including provisions of the Statutes, Supervisory and Management Board regulations. To facilitate access to information about Bank Zachodni WBK S.A., the bank's web site has a special section for investors with all current and periodic reports, corporate documents and other material information.

In June 2007, Bank Zachodni WBK S.A. was awarded the "Company Worth Trusting" ("Spółka godna zaufania") title by Institutional Investor Award Committee and the Polish Institute of Directors, in the fourth edition of the rating of listed companies. As in previous years, companies were evaluated in line with 12 criteria grouped in four areas: ownership structure, general meeting of shareholders, relations between shareholders and other stakeholders, financial transparency and availability of information, structure of the supervisory board and its effectiveness. The bank received the top rating (five stars), which strongly confirms that it adheres to the highest corporate governance standards.

Corporate Citizenship

According to the declaration in the Code of Business Ethics, the bank is actively involved in local community matters, supporting different charity and sponsoring initiatives.

The bank's corporate giving is carried out under "The Bank of Children Smiles" Programme and focuses on children from poverty stricken families. The main objective is to help them develop their interests and talents. The programme is delivered both through the bank's own initiatives and through provision of financial support to the organisations which help children.

Among the bank's own initiatives, noteworthy are "Academy of the Bank of Children Smiles", a programme of funding English lessons for children from poor families (assistance provided to 2,000

children from 75 support centres) or creative workshops "My World on Both Sides of the Camera from BZWBK" for children of the disadvantaged communities. From January to April the bank ran a campaign called "Smile for 1%" designed to raise funds as part of personal income tax settlements. These funds and subsidies from the bank's own resources have been allocated by the Foundation of Bank Zachodni WBK S.A. to support community centres, daycare centres, schools and other child support organizations.

Apart from charitable initiatives aimed to support children from poor families, Bank Zachodni WBK S.A. sponsors the "BZWBK Tennis Aces" programme for young talented tennis players and the "Track and Field Thursdays" ("Czwartki lekkoatletyczne") initiative, the largest all-Polish track-and-field event for more than 100,000 children.

IX. Major Internal Developments and Events

1. Ownership Structure of Bank Zachodni WBK S.A.

According to the information held by the bank's Management Board, as at 26 July 2007 the shareholder having a minimum 5% of the total number of votes at the BZWBK Annual General Meeting of Shareholders was AIB European Investments Ltd. based in Dublin.

Shareholder	Number of shares held	Share in the share capital	Number of votes at AGM	Voting power at AGM
AIB European Investments Ltd.	51 413 790	70,5%	51 413 790	70,5%
Others	21 546 494	29,5%	21 546 494	29,5%
Total	72 960 284	100%	72 960 284	100%

2. Governing Bodies

Annual General Meeting of Shareholders

The Annual General Annual Meeting of BZWBK Shareholders (AGM), which was held on 17 April 2007, approved the 2006 financial statements submitted by the Management Board and the Supervisory Board, resolved on the distribution of the net profit and dividend payment, and granted discharge to the Management and Supervisory Board members for performance of their duties and responsibilities in the previous year. The AGM implemented the second edition of the three-year Incentive Scheme for senior management of the bank and its subsidiaries who significantly contribute to the growing value of Bank Zachodni WBK S.A. The Incentive Scheme II, commencing in 2007, entitles its participants to acquire bonds with a pre-emptive right and to acquire, at a preferential rate, shares issued by the bank as part of conditional increase of share capital. In order to enable delivery of the Incentive Scheme, the AGM passed a resolution to issue bonds with pre-emptive rights and to conditionally increase the share capital by a maximum amount of PLN 1.5 m by issuing new ordinary bearer shares. The AGM also approved changes to the bank's Statutes and adopted its consolidated version. The changes were dictated by business requirements and involved expansion of the bank's business operations to include information technology support services for connected entities, services related with maintenance of registers of mutual and pension fund scheme participants, and with book-keeping for such funds. The changes were approved by the Banking Supervision Commission and were recorded by the relevant Registry Court.

Supervisory Board

As at 30 June 2007, the composition of the Bank Zachodni WBK Supervisory Board was as follows.

Ref.	Role	Composition as at 30-06-2007
1.	Chairman of the Supervisory Board	Aleksander Szwarc
2.	Vice Chairman of the Supervisory Board	Gerry Byrne
3.	Members of the Supervisory Board:	Waldemar Frąckowiak
4.		Aleksander Galos
5.		Maeliosa OhOgartaigh
6.		James O'Leary
7.		John Power
8.		Jacek Ślotała

The persons listed above – except Mr Maeliosa OhOgartaigh and Mr James O'Leary - were appointed by the AGM of 14 April 2005 for a joint 3-year term of office. At that time Mr Declan McSweeney and Mr Kieran Crowley were also appointed to the Supervisory Board but they stepped down on 31 December 2006 and 17 April 2007, respectively. The new members, i.e. Mr Maeliosa OhOgartaigh and Mr James O'Leary were appointed to the Supervisory Board on 17 April 2007.

As at 30 June 2007, the following members of the Supervisory Board held an independent status: Mr Waldemar Frąckowiak, Mr Aleksander Galos, Mr John Power, Mr Aleksander Szwarc and Mr Jacek Ślotała. In addition to the Supervisory Board meetings, the Board members worked in internal committees, i.e. Nominations and Remuneration Committee, Audit Committee and Social Responsibility Committee. The Audit Committee was composed mostly of independent Supervisory Board members. The Report on Activities of the Supervisory Board and its Committees as well as the Supervisory Board's report on Examination of the Bank's and the Group's Annual Report along with the assessment of their operations in 2006 were published in the current report no. 18/2007 which conveyed the resolutions passed by the AGM on 17 April 2007.

Management Board

As at 30 June 2007, the composition of the Bank Zachodni WBK Management Board was as follows:

Ref.	Role	Composition as at 30-06-2007
1.	President of the Management Board:	Mateusz Morawiecki
2.	Members of the Management Board:	Declan Flynn
3.		Michał Gajewski
4.		Justyn Konieczny
5.		Janusz Krawczyk
6.		Jacek Marcinowski
7.		James Murphy
8.		Marcin Prell
9.		Feliks Szyszkowski

Compared to 30 June 2006, the composition of the Management Board was reduced by one person as Mr Jacek Kseń stepped down as Management Board President, effective from 1 May 2007. The decision was announced in the current report no. 9/2006 published on 25 January 2006. On 8 March 2007, the BZWBK Supervisory Board nominated Mr Mateusz Morawiecki, Management Board member in charge of the Business Support Division, as the new CEO. Mr Mateusz Morawiecki formally took office on 16 May 2007 following the approval of his nomination by the Banking Supervision Commission.

Appointment and Removal of Executives

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

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

Powers of Executives

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

The Management Board takes decisions to incur obligations or transfer assets whose total value for one entity exceeds 5% of the bank's own funds. The Management Board can also, by way of resolution, delegate its powers to take such decisions to other committees or persons in the bank. The Management Board members run the bank's affairs jointly, and in particular: define the bank's mission, set long-term action plans and strategic objectives, prepare assumptions for the bank's business and financial plans, approve the plans and monitor their performance, regularly report to the Supervisory Board on the bank's position in the scope and at the dates agreed with the Supervisory Board, appoint permanent and ad hoc committees and designate individuals responsible for managing the work of such committees. The committees are composed of both Management Board members and persons from outside the Management Board. Permanent committees operative in the bank include: ALCO, Credit Committee, Provisions Committee, Credit Policy Forum, Operational Risk Management Committee, Value Management Committee, Strategy Committee for Savings and Investment Products.

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

BZWBK Shares Held by Supervisory and Management Board Members

As at 26 July 2007, Mr Waldemar Frąckowiak, a Supervisory Board Member, held 278 shares of Bank Zachodni WBK with a nominal value of PLN 2,780. Other Supervisory and Management Board Members did not hold any shares of Bank Zachodni WBK S.A.

3. Changes to the Management Organisation

On 20 June 2007, the Bank Zachodni WBK Supervisory Board approved the organisational changes proposed by the Management Board for implementation in the second half of 2007. The changes will affect a major part of the Business Support Centre. Their implementation is designed to create a customer-centric organisation, capable of immediate response to market developments and operating effectively amid rapid growth of individual market segments.

4. Capital Expenditure

The capital expenditure incurred by the Bank Zachodni WBK Group in the first half of 2007 totalled PLN 26.4 m and was 46.2% higher than a year before. Out of this figure PLN 18.2 m was spent on IT projects while the remainder was connected with other initiatives.

IT projects included extension and upgrading of the ATM network, work on preparation of the bank's systems to support ATM networks of third parties and implementation of the first ATMs operative as part of an independent ATM network – CashNet24. Funds were also allocated to ensure compliance of the Card Personalization Centre with Visa/Mastercard security standards as well as conformity to the 3rd EU Directive with regard to anti-money laundering mechanisms and procedures. As part of the strategy aimed to develop and diversify distribution channels, in the first half of the year the bank opened new Mobile Sales offices, 6 Minibank agency outlets and launched a programme whereby several hundreds of branches will be up and running by the end of 2011.

5. Awards and Recognitions

In the first half of 2007, Bank Zachodni WBK S.A. and its subsidiaries received a number of awards. The key ones are presented below.

Awards for Bank Zachodni WBK S.A.

Bank Zachodni WBK S.A. received the following:

- "Alicja" award of the "Twój Styl" monthly, for banking innovations which positively affect household budgets. The bank was honoured for its free of charge Konto<30 account package offered to people below 30 years of age;
- CoolBrand title in the first Polish edition of the CoolBrands initiative (organised in Poland by the New Communications agency). The project's aim is to recognise the "coolest", the most desired and trend-setting brands in the Polish market;
- The European Medal of the EU Integration Committee and the Business Centre Club for the electronic services package BZWBK24 Moja Firma Plus dedicated to small and medium-sized companies as a tool for payment handling and finance management;
- prestigious Rock Awards 2006 from the Polish agency of MasterCard Europe in the two of the six possible categories:
 - "the most notable achievements in development of EMV microchip technology" - golden statuette "for mass migration of the MasterCard debit and credit cards portfolio to the EMV standard";
 - "the most notable achievements in development of new card products" - silver statuette "for the MasterCard debit card issued as part of the package of products and services offered to the Poles working abroad";
- first position in the ranking of the best financial institutions in 2006 (category: "commercial banks"), organised by the "Rzeczpospolita" daily; the winners were selected by a jury composed of market practitioners and academics, who looked at the following criteria: change in credit and deposit portfolio, net commission and interest income, net profit, profitability ratio, number of personal and business accounts, credit cards for retail customers and cash loans;
- High Reputation Brand title and the third position in the ranking Top Reputation Brand 2007, in the "Finance" category, based on the Polish brands reputation survey PremiumBrand 2007; the assessment included opinions of experts and customers, social

responsibility and sponsoring, advertising campaigns, presence in the media as well as reputation as an employer;

- "Benefactor of the Year" title in the biggest Polish programme promoting responsible social citizenship. The bank was also awarded in the two evaluated categories: for its own programme "Bank of Children Smiles" and for co-operation with Polska Akcja Humanitarna (Polish Humanitarian Organisation), the bank's partner in issuing the "Akcja Pajacyk" affinity card (part of the fee income is allocated to finance meals for children at schools);
- "Company Worth Trusting" ("Spółka godna zaufania") title by Institutional Investor Award Committee and the Polish Institute of Directors, in the fourth edition of the rating of listed companies based on multi-dimensional assessment of corporate governance implementation in the reviewed companies;
- "Customer Friendly Company" Certification Programme Award for outstanding customer facing service as confirmed by mystery shopping and customer satisfaction surveys carried out by TNS OBOP Institute as part of the certification process supervised by the Management Institute in Warsaw.

Awards for Subsidiaries

BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. was honoured with the following awards:

- the prestigious annual awards of the "Parkiet" stock-exchange newspaper conferred to the institutions and individuals that had a distinctive market presence in 2006;
 - for the second time the company received the "Bull & Bear" statuette for the best mutual fund;
 - the company's two experts were awarded with "golden portfolios" for the highest rates of return achieved by the funds under their management;
- awarded for the fourth time, in the ranking of the best financial institutions in 2006 (category: "mutual funds"), organised by the "Rzeczpospolita" daily; in addition to the outstanding investment results (leader in terms of return on equity funds and debt securities funds), the company was recognised for its rapid growth in assets under management, innovation and proactive customer and market share acquisition.

Dom Maklerski BZ WBK S.A. received the following awards:

- The Warsaw Stock Exchange award for the highest share in the stock market in 2006 (excluding its market-making activity);
- diplomas from MTS-CeTO S.A. in the following categories:
 - 1st position in terms of the number of market transactions in 2006;
 - 1st position as the best market-maker in 2006;
 - 2nd position in terms of the value of turnover in 2006.
- The company also came top in the ranking of the brokerage houses present at the Warsaw Stock Exchange. The ranking was organised by "Parkiet" based on the average ratings assigned by institutional and private investors. The assessment criteria included:

trust, quality and speed of service, fees and charges, analyses and recommendations, offering.

6. Other Events

"Performance Shares Plan"

In 2006, the first "Performance Shares Plan" was launched. Its aim is to provide the Bank Zachodni WBK Group's leaders with an opportunity to purchase the bank's shares on preferential terms, subject to achievement of certain performance targets in the years 2006-2008. This year, pursuant to the resolution of the Bank Zachodni WBK AGM, a second edition of the scheme, with a similar structure, was introduced.

The Incentive Scheme II for the years 2007-2009 is addressed to the Management Board members and senior management of Bank Zachodni WBK S.A and its subsidiaries recommended by the Management Board and approved by the Supervisory Board with the maximum number of 100 participants. The Incentive Scheme entitles the participants to buy bonds with pre-emptive rights and in the next stage to take up – at a preferential price – the bank's shares issued as part of the conditional increase in the share capital. The right of participants will be exercised contingent upon the compounded growth in earnings per share (EPS) within 3 years of the Incentive Scheme's duration. It is the Supervisory Board that will decide about the satisfaction of the defined criteria based on the financial performance of the Group as approved by the Annual General Meeting of Shareholders. The respective resolution will be adopted by 30 August 2010. Under the Incentive Scheme II, the bank issued and allocated 78,341 bonds with pre-emptive rights with a nominal unit value of PLN 0.01. Each bond gives its holder the pre-emptive right to subscribe for one bank's share of PLN 10. There were in total 210,817 bonds issued and allocated in both editions.

The incentive schemes are aimed to motivate the key employees of the bank and its subsidiaries to continue their efforts, reinforce the link between long-term performance of the company and, in effect, to ensure high competitiveness and financial effectiveness of the BZWBK Group in the long-term perspective, thus contributing to the growth in the bank's value and value for the shareholders.

Sarbanes-Oxley Act

Bank Zachodni WBK S.A. is a subsidiary of the AIB Group and therefore must fulfil the requirements arising from the Sarbanes-Oxley (SOX) Act as it impacts the whole Group. This regulation introduces very strict rules with respect to exercising internal control over the company's financial reports. As part of the AIB Group certification procedure (launched for the very first time in 2006), the bank's management confirmed that certain processes have been operating properly across the BZ WBK Group. The management's assertion was confirmed by an independent audit performed by KPMG.

As the SOX compliance certification is a cyclical process, the Sarbanes-Oxley Programme was transformed in March 2007 into the Financial Reporting Assurance Department in the Finance Division. The Department will supervise the annual procedure aimed to ensure that the Bank Zachodni WBK Group meets the requirements of the AIB Group as regards the Sarbanes-Oxley Act.

Selection of Auditor

In accordance with § 32 point 10 of the Statutes of Bank Zachodni WBK S.A., on 20 June 2007 the bank's Supervisory Board passed a resolution appointing KPMG Audyt Sp. z o.o. as an auditor of Bank Zachodni WBK stand-alone and consolidated financial statements for the year 2007. The company audited the bank's financial statements for the prior five years and provided consulting services permitted by law and the bank's internal regulations, which ensured adequate impartiality and independence of the auditor.

AIB decided to reappoint KPMG as its auditor pursuant to the European Parliament directive 2006/43/EC of 17 May 2006 on statutory audits of annual stand-alone and consolidated accounts. According to this regulation, the requirement of impartiality of the auditor is considered as met if the auditor is rotated at least every seven years. The decision to maintain relationship with the existing

auditor was primarily led by the intention to maintain continuity of the audit processes connected with validation of effectiveness of the accounting procedures and standards in keeping with the Sarbanes-Oxley Act. Documentation and testing of the relevant accounting processes is the responsibility of all the AIB Group members, as the parent company (AIB) is listed at the New York Stock Exchange. The complex Group certification process was completed for the first time in 2006.

AIB Group pursues the policy which recommends that all the Group members should have the same auditor. Accordingly, Bank Zachodni WBK S.A. did not change the auditor, also taking into consideration that the existing auditor provides a high quality service and complies with the world's best auditing standards.

X. Representations of the Management Board

True and Fair Presentation of the Financial Statements

According to the Management Board's best knowledge and belief, the financial figures and the comparable data presented in the "Interim Consolidated Financial Statements of the Bank Zachodni WBK Group for the 6 month period ended 30 June 2007" and in the "Condensed interim unconsolidated financial statements of Bank Zachodni WBK S.A. for the 6 month period ended 30 June 2007" were prepared in keeping with the applicable accounting policies and give a true and fair view of the assets and profit of the Bank Zachodni WBK Group. The Management Board's Report contained in this document shows a true picture of the Group's development, achievements and position (including the underlying risks) in the first half of 2007.

Selection of Auditor

The auditing firm responsible for auditing/reviewing the interim consolidated financial statements of the Bank Zachodni WBK Group and the condensed interim unconsolidated financial statements of Bank Zachodni WBK S.A. was selected in compliance with the applicable legislation. The auditing firm and its auditors satisfied the necessary conditions to ensure they provide an unbiased and independent report compliant with the Polish law.

Date	Name	Position	Signature
26-07-2007	Mateusz Morawiecki	President of the Board	
26-07-2007	Declan Flynn	Member of the Board	
26-07-2007	Michał Gajewski	Member of the Board	
26-07-2007	Justyn Konieczny	Member of the Board	
26-07-2007	Janusz Krawczyk	Member of the Board	
26-07-2007	Jacek Marcinowski	Member of the Board	
26-07-2007	James Murphy	Member of the Board	
26-07-2007	Marcin Prell	Member of the Board	
26-07-2007	Feliks Szyszkowiak	Member of the Board	

**INDEPENDENT AUDITORS' REVIEW REPORT
ON THE INTERIM CONSOLIDATED
FINANCIAL STATEMENTS OF
BANK ZACHODNI WBK S.A. CAPITAL GROUP
FOR THE PERIOD
FROM 1 JANUARY 2007 TO 30 JUNE 2007**

To the Shareholders of Bank Zachodni WBK S.A.

Introduction

We have reviewed the accompanying interim consolidated financial statements of Bank Zachodni WBK S.A. Group, with its registered office in Wrocław, Rynek 9/11, 50-950 Wrocław that consist of the consolidated balance sheet as at 30 June 2007, with total assets and total liabilities and equity of PLN 35,229,276 thousand, the consolidated profit and loss account for the period from 1 January 2007 to 30 June 2007 with a net profit of PLN 631,523 thousand (including net profit attributable to ordinary shareholders of PLN 558,596 thousand), the consolidated statement of changes in equity for the period from 1 January 2007 to 30 June 2007 with an increase in equity of PLN 71,859, the consolidated cash flow statement for the period from 1 January 2007 to 30 June 2007 with a decrease in cash amounting to PLN 752,631, and explanatory notes.

Management of the Parent entity is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union and other applicable regulations. Our responsibility is to express a conclusion on these interim consolidated financial statements, based on our review.

Scope of review

We conducted our review in accordance with Standard No. 4 of the professional standards *General principles for the review of financial statements*, issued by the National Council of Certified Auditors and with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly in all material respects, the financial position of Bank Zachodni WBK S.A. Group as at 30 June 2007, and its financial performance and its cash flows for the period from 1 January 2007 to 30 June 2007 in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

signed on the Polish original

.....
Certified Auditor No. No. 9941/7390
Bożena Graczyk

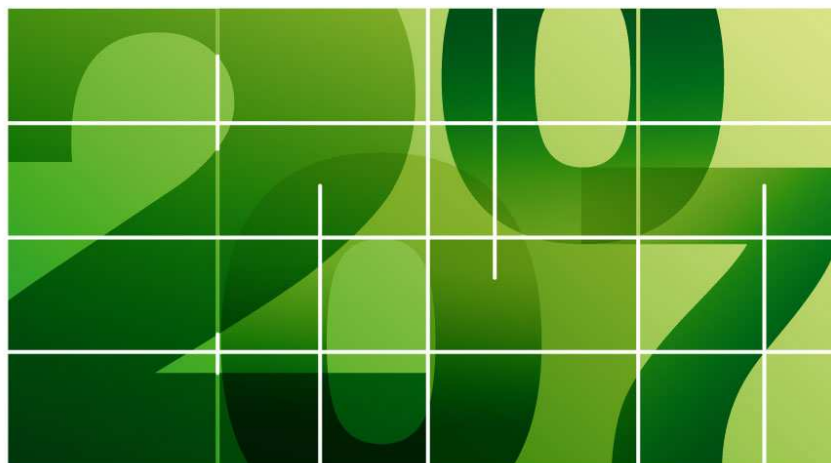
signed on the Polish original

.....
For KPMG Audyt Sp. z o.o.
ul. Chłodna 51; 00-867 Warsaw
Certified Auditor No. 9941/7390
Bożena Graczyk
Member of the Management Board

signed on the Polish original

.....
On behalf of KPMG Audyt Sp. z o.o.
ul. Chłodna 51, 00-867 Warsaw
Richard Cysarz
Member of the Management Board

Warsaw, 26 July 2007



**Condensed interim
unconsolidated financial
statements of
Bank Zachodni WBK S.A.
for the 6 months period
ended 30 June 2007**

Condensed interim unconsolidated financial statements of Bank Zachodni WBK SA for the 6 months period ended 30 June 2007

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1. Income statement of Bank Zachodni WBK S.A.

	01-01-2007 -30-06-2007	01-01-2006 -30-06-2006
for the reporting periods ending on:		
Interest and similar income	882 318	739 366
Interest expense and similar charges	(333 270)	(282 011)
Net interest income	549 048	457 355
Fee and commission income	484 988	435 691
Fee and commission expense	(33 729)	(27 886)
Net fee and commission income	451 259	407 805
Dividend income	170 681	98 367
Net trading and revaluation income	21 288	20 749
Gains (losses) from other financial securities	3 301	3 597
Gains (losses) from investment in subsidiaries and associates	13 423	7 295
Other operating income	14 510	10 548
Impairment losses on loans and advances	27 560	(14 469)
Operating expenses	(621 136)	(561 065)
Bank's staff, operating expenses and management costs	(541 930)	(463 356)
Depreciation/amortisation	(64 586)	(83 546)
Other operating expenses	(14 620)	(14 163)
Operating profit	629 934	430 182
Profit before tax	629 934	430 182
Corporate income tax	(92 454)	(73 035)
Profit for the period	537 480	357 147
Basic earnings per share (PLN)	7,37	4,90
Diluted earnings per share (PLN)	7,36	4,90

2. Balance sheet of Bank Zachodni WBK S.A.

	30-06-2007	31-12-2006	30-06-2006
ASSETS			
Cash and balances with central bank	762 884	1 534 469	984 143
Loans and advances to banks	2 730 097	3 149 267	3 580 661
Financial assets held for trading	418 400	1 048 010	2 154 962
Hedging derivatives	32 184	19 956	20 005
Loans and advances to customers	18 848 623	16 172 354	14 111 823
Investment securities	8 974 851	7 993 770	6 797 747
Investments in associates	173 621	186 318	235 005
Intangible assets	102 021	127 101	132 721
Property, plant & equipment	468 270	483 594	477 892
Current income tax due	-	947	-
Deferred tax assets	410 238	346 508	408 176
Other assets	167 539	270 724	217 702
Total assets	33 088 728	31 333 018	29 120 837
LIABILITIES			
Deposits from banks	2 495 924	1 960 144	2 971 323
Hedging derivatives	7 112	12 912	15 753
Financial liabilities held for trading	296 825	246 875	318 154
Deposits from customers	25 551 028	24 481 996	21 704 784
Debt securities in issue	97 376	95 897	93 913
Current income tax liabilities	9 252	-	48 331
Deferred tax liabilities	323 292	282 196	243 388
Other liabilities	681 843	639 754	694 073
Total liabilities	29 462 652	27 719 774	26 089 719
Equity			
Share capital	729 603	729 603	729 603
Other reserve funds	1 944 285	1 785 744	1 782 246
Revaluation reserve	414 708	505 102	162 122
Profit of the current period	537 480	592 795	357 147
Total equity	3 626 076	3 613 244	3 031 118
Total equity and liabilities	33 088 728	31 333 018	29 120 837

3. Movements on equity of Bank Zachodni WBK S.A.

MOVEMENTS ON EQUITY	Equity				Total
	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	
Balance as at 31.12.2006	729 603	1 785 744	505 102	592 795	3 613 244
Net change in available for sale investments	-	-	(90 394)	-	(90 394)
Share scheme charge	-	3 508	-	-	3 508
Net gains not recognised in income statement	-	3 508	(90 394)	-	(86 886)
Net profit	-	-	-	537 480	537 480
Total recognised increase in equity in 1H 2007	-	3 508	(90 394)	537 480	450 594
Dividend relating to 2006	-	-	-	(437 762)	(437 762)
Transfer from supplementary capital	-	155 033	-	(155 033)	-
As at 30.06.2007	729 603	1 944 285	414 708	537 480	3 626 076

MOVEMENTS ON EQUITY	Equity				Total
	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	
Balance at 31.12.2005	729 603	1 950 396	239 495	269 436	3 188 930
Net change in available for sale investments	-	-	265 607	-	265 607
Share scheme charge	-	3 674	-	-	3 674
Net gains not recognised in income statement	-	3 674	265 607	-	269 281
Net profit	-	-	-	592 795	592 795
Total recognised increase in equity in 2006	-	3 674	265 607	592 795	862 076
Dividend relating to 2005	-	-	-	(437 762)	(437 762)
Transfer from supplementary capital	-	(168 326)	-	168 326	-
As at 31.12.2006	729 603	1 785 744	505 102	592 795	3 613 244

MOVEMENTS ON EQUITY	Equity				Total
	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	
Balance at 31.12.2005	729 603	1 950 396	239 495	269 436	3 188 930
Net change in available for sale investments	-	-	(77 373)	-	(77 373)
Share scheme charge	-	176	-	-	176
Net gains not recognised in income statement	-	-	(77 373)	-	(77 373)
Net profit	-	-	-	357 147	357 147
Total recognised increase in equity in 1H 2006	-	176	(77 373)	357 147	279 950
Dividend relating to 2005	-	-	-	(437 762)	(437 762)
Transfer from supplementary capital	-	(168 326)	-	168 326	-
As at 30.06.2006	729 603	1 782 246	162 122	357 147	3 031 118

4. Cash flow statement of Bank Zachodni WBK S.A.

	01-01-2007 - 30-06-2007	01-01-2006 - 30-06-2006
for the period:		
Profit (loss) before tax	629 934	430 182
Total adjustments:	(4 322)	443 584
Depreciation	64 586	83 546
Impairment losses	(703)	(2 401)
Interests and similar charges	(22 963)	94 541
Dividend income	(170 681)	(98 367)
(Profit) loss from investing activities	(16 435)	(6 585)
Change in provisions	6 557	1 760
Change in trading portfolio financial instruments	661 532	215 011
Change in loans and advances to banks	437 009	18 360
Change in loans and advances to customers	(2 676 269)	(1 201 560)
Change in deposits from banks	535 780	675 333
Change in deposits from customers	1 088 188	771 682
Change in liabilities arising from debt securities in issue	1 479	878
Change in assets and liabilities arising from deferred taxation	-	(1)
Change in other assets and liabilities	171 704	(36 667)
Paid income tax	(84 632)	(72 350)
Other adjustments	526	404
Net cash flow from operating activities - indirect method	625 612	873 766
Inflows	1 843 658	998 944
Sale of shares or interests in subsidiaries and associates	29 665	13 537
Sale of investment securities	1 641 649	886 004
Sale of intangible and tangible fixed assets	1 660	930
Dividends received	170 681	98 367
Proceeds from other investments	3	106
Outflows	(2 763 867)	(1 000 797)
Purchase of investment securities	(2 741 187)	(984 651)
Purchase of intangible and tangible fixed assets	(21 537)	(15 240)
Other investments	(1 143)	(906)
Net cash flow from investing activities	(920 209)	(1 853)
Inflows	-	-
Outflows	(459 150)	(467 145)
Repayment of long-term loans	(19 156)	(27 617)
Dividends and other payments to shareholders	(437 762)	(437 762)
Other financing outflows	(2 232)	(1 766)
Net cash flow from financing activities	(459 150)	(467 145)
Total net cash flow	(753 747)	404 768
Cash at the beginning of the accounting period	1 542 716	591 384
Cash at the end of the accounting period	788 969	996 152

5. Significant accounting principles

Statement of compliance

The condensed interim unconsolidated financial statements of Bank Zachodni WBK S.A. for the 6 month period ended 30 June 2007 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union and other applicable regulations.

Basis of preparation

The financial statements are presented in PLN, rounded to the nearest thousand.

The financial statements are prepared on a fair value basis for derivative financial instruments, financial instruments at fair value through profit and loss account, and available-for-sale financial assets, except those for which a reliable measure of fair value is not available. Other financial assets and financial liabilities (including loans and advances) are recognized at amortised cost using the effective interest rate less impairment or purchase price less impairment.

The preparation of financial statements in conformity with IFRSs requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Comparability with results of previous periods

To ensure comparability, the following substantial changes were made to the presentation of financial data compared with 2006:

a) in the income statement:

- Accrued interest on hedging IRS of PLN 4 251 k currently disclosed in net interest income, was previously classified as „ Gains (losses) on financial instruments measured at fair value through profit and loss”,
- Presentation of realised f/x margins (previously "F/X profit") of PLN 93 114 k currently classified as "Commission income",
- Other trading f/x transactions of PLN 10 839 k previously disclosed as "F/X profit", currently classified to „Net trading and revaluation income"

- Change of presentation of "Gains and losses on hedging transactions" of PLN 2 565 k, currently in „Gains (losses) from other financial securities”, previously disclosed as separate item of the income statement ,
- Change in classification of gains on execution of Euroindex options related to indexed customer deposits, currently being a part of „Net interest income” while previously amount of PLN 3 697 k was classified as "Gains (losses) on financial instruments measured at fair value through profit and loss"

b) in the balance sheet:

- Change of presenting derivatives as at 30.06.2006 totaling PLN 349 798 k, presented now as net amounts under „Financial assets held for trading” and „Financial liabilities held for trading”,
- Reclassification of interest from IRS valuation to „Hedging derivatives” as at 30.06.2006 totaling PLN 15 460 k in assets and PLN 1 701 k in liabilities and as at Y/E 2006 totaling PLN 16 948 k and PLN 3 024 k respectively,
- Change of presenting „Liabilities due to current income tax” as at H1 2006 totaling PLN 48 331 k presented previously under „Other liabilities”,
- Reclassification of bonds to „Receivables from customers” totaling PLN 34 516 k as at 30.06.2006 presented previously under „Investment securities”,
- Change of presenting incoming and outgoing SWIFT transactions as at 30.06.2006 that currently total PLN nil after netting

Also, the following IFRS 7 based changes were made in balance sheet as regards data presentation:

- Reclassification of trading derivatives to „Financial assets held for trading” totaling PLN 362 675 k as at Y/E 2006 and PLN 332 917 k as at 30.06.2006 that were previously presented under „Derivative financial instruments”,
 - Reclassification of trading derivatives to „Financial liabilities held for trading” as at Y/E 2006 totaling PLN 241 869 k and PLN 294 195 k as at 30.06.2006 that were previously presented under „Derivative financial instruments”,
- Change of presenting „Reverse repo transactions” totaling PLN 107 516 k as at 30.06.2006 presented currently under „Loans and advances to banks” totaling PLN 85 670 k and „Loans and advances to customers” totaling PLN 21 846 k (PLN 15 629 k as at the end of 2006),
- Change of presenting „Repo transactions” totaling PLN 1 661 617k as at 30.06.2006 and PLN 1 230 682 k as at the end of 2006, currently presented under „Deposits from banks”, „ Deposits from customers” and „Financial liabilities held for trading”

Investment in subsidiaries and associates

Subsidiaries

Subsidiaries are those enterprises which are controlled by BZWBK S.A. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Control also exists when the parent owns half or less of the voting power of an entity when there is:

- (a) power over more than half of the voting rights by virtue of an agreement with other investors;
- (b) power to govern the financial and operating policies of the entity under a statute or an agreement;
- (c) power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; or
- (d) power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

Associates

Associates are those entities on which Bank Zachodni WBK S.A. has significant influence, but not control, over the financial and operating policies.

Interests in subsidiaries and associates are carried at cost. The carrying amount of the investment is annually tested for impairment as per IAS 36. Impairment is recognised in the profit and loss account under "Impairment charges". Dividend payment is not reflected in the carrying amount of the shares – it is only taken to profit and loss and is included under "Dividend income".

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the reporting currency at the foreign exchange rates ruling at the dates that the fair values were determined.

Hedge accounting

Derivative financial instruments are initially recognised at fair value. After their initial recognition, derivatives are measured at their fair values without any deduction for transactions costs to be incurred on sale or disposal.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification) or based on a valuation technique whose variables include only data from observable markets.

Bank uses derivative financial instruments to hedge its exposure to interest rate risks arising from operational, financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments and recognised at fair value.

Hedge accounting recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item.

At the inception of the hedge there is formal designation and documentation of the hedging relationship and the bank risk management objective and strategy for undertaking the hedge. The documentation includes

identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged. Bank also documents, at inception and on going basis, an assessment of the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value.

Fair value hedge

This is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

A fair value hedge is accounted for as follows: the gain or loss from remeasuring the hedging instrument at fair value (for a derivative hedging instrument) shall be recognised in profit or loss; and the gain or loss on the hedged item attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognised in profit or loss. This applies if the hedged item is otherwise measured at amortised cost. Recognition of the gain or loss attributable to the hedged risk in profit or loss applies if the hedged item is an available-for-sale financial asset.

Financial assets and financial liabilities

Classification

The bank classifies its financial instruments into the following categories: financial assets or financial liabilities at fair value through profit or loss; loans and receivables; available-for-sale financial assets and financial liabilities measured at amortised cost.

Financial asset or financial liability at fair value through profit or loss

This is a financial asset or liability that meets either of the following conditions.

- (1) Classified as held for trading. A financial asset or financial liability is classified as held for trading if:
 - a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
 - b) it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking;
 - c) derivatives are held for trading unless the derivative is a designated and effective hedging instrument.
- (2) Upon initial recognition it is designated by the bank as at fair value through profit or loss. As at the balance sheet date bank doesn't hold the category of financial instrument.

Loans and receivables

Loans and receivables arise when the bank provides money to a debtor for a purpose other than short-term profit taking. Loans and receivables comprise loans and advances to banks and customers including purchased receivables and investments in debt instruments provided that they are not quoted in an active market.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost using EIR method include deposits from banks, deposits from customers, repo transactions and debt securities in issue.

Recognition

A regular way purchase or sale of a financial asset classified at fair value through profit or loss, held to maturity (at present, in our portfolio we haven't such assets) and available for sale are recognised using settlement date accounting. The method is applied consistently for all purchases and sales of financial assets. Loans are recognised when cash is advanced to the borrowers.

Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the bank transfers the contractual rights to receive the cash flows.

Measurement

When a financial asset or financial liability is recognised initially, it is measured at fair value plus (in the case of a financial asset or financial liability not at fair value through profit or loss) transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

There is no issue of the first day valuation within the Group due to the fact that transactions are concluded at fair value corresponding to market prices.

After initial recognition, the bank measures financial assets, including derivatives that are assets, at their fair values, without any deduction for transaction costs it may incur on sale or other disposal, except for (a) loans and receivables which shall be measured at amortised cost using the effective interest method; (b) investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, except for: (a) financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are measured at fair value,

(b) financial liabilities resulting from transferring a financial asset that is not to be derecognised.

Financial assets and financial liabilities that are designated as hedged items are subject to measurement under hedge accounting requirements.

Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or financial liability that is not part of a hedging relationship is recognised, as follows:

A gain or loss on a financial asset or financial liability classified as at fair value through profit or loss is recognised in profit or loss.

A gain or loss on an available-for-sale financial asset, except for impairment losses and foreign exchange gains and losses, is recognised directly in equity, through the statement of changes in equity until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the entity's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities) the bank establishes fair value by using valuation techniques which include recent arms length market transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Where a fair value cannot be reliably estimated, unquoted instruments that do not have a quoted market price in an active market are measured at cost and periodically tested for impairment.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when there is a legally enforceable right to set off the recognised amounts and when there is an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Sale and repurchase agreements

The bank also generates funds by selling financial instruments under repurchase agreements whereby the instruments must be repurchased at the same price plus initially agreed interest.

Securities sold subject to repurchase agreements ("repos") are not derecognised at the balance sheet date. Where the transferee has the right by contract or custom to sell or repledge the collateral, the liability is disclosed as a liability arising from repo transactions. Securities purchased under agreements to resell ("reverse repos") are recorded as receivables arising from reverse repo transactions. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

Impairment of financial assets

Assets carried at amortised cost

The bank assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that

occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. It may not be possible to identify a single, discrete event that caused the impairment. Rather the combined effect of several events may have caused the impairment. Losses expected as a result of future events, no matter how likely, are not recognised. Objective evidence that a financial asset or group of assets is impaired includes observable data about the following loss events:

- (a) significant financial difficulty of the issuer or obligor;
- (b) a breach of contract, such as a default or delinquency in interest or principal payments;
- (c) the bank, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the bank would not otherwise consider;
- (d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - (i) adverse changes in the payment status of borrowers in the group, or
 - (ii) national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If a loan or receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The carrying amount of the asset shall be reduced through identification of a provision. The amount of the loss shall be recognised in profit or loss.

As a practical expedient, the bank may measure impairment of a financial asset carried at amortised cost on the basis of an instrument's fair value using an observable market price. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

The bank periodically reviews its loan portfolio to check whether there is any objective evidence that a financial asset or group of financial assets are impaired.

The analysis of impairment is carried out:

- with reference to individual credit exposures representing significant reporting items (in excess of PLN 2 m),
- with reference to the portfolio of credit exposures which individually are not significant.

With regard to impairment, the review of individual loan exposures is carried out once a quarter or more often, if needed. Impairment for the portfolio, which is assessed jointly, is verified monthly.

If the bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment

and for which an impairment loss is or continues to be recognised by the Group are not included in a collective assessment of impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms (for example, on the basis of the Group's credit risk evaluation or the bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). The characteristics chosen are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status or other factors that are indicative of incurred losses in the group and their magnitude). The bank reviews regularly the methodology and assumptions used for estimating future cash flows in order to reduce any differences between loss estimates and actual loss experience.

In the case of credit exposures for which no indications of impairment were identified, the Bank carries out the impairment analysis based on the concept of losses already incurred but not yet reported and connected with loan impairment (IBNR), which is estimated on the basis of the historical loss experience for loans with a similar risk profile, on the basis of estimated period between the occurrence of impairment and the identification as well as evidencing loss, and on the basis of historical data corrections, as described above.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting the provision. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

When a loan has been subject to a specific provision and the prospects of recovery do not improve, a time will come when it may be concluded that there is no real prospect of recovery. When this point is reached, the amount of the loan which is considered to be beyond the prospect of recovery is written off against the related provision for loan impairment. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of

estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Available-for-sale financial assets

For financial assets classified as available-for-sale for which there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in profit or loss. The amount of the cumulative loss that is removed from equity and recognised in profit or loss shall be the difference between the acquisition cost (net of any principal repayments and amortisation) and current fair value. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

Off balance sheet liabilities

For off-balance sheet liabilities, provisions for impairment is measured using the existing credit limit and the recoverable amount defined as the present value of the estimated future cash flows discounted by the effective interest rate. For off-balance sheet liabilities the cash flows are calculated with reference to the existing credit limit at the date corresponding to the maturity of the obligation and depend on the probability of outflow of the funds from the Bank.

Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses.

Leased assets

Leases in terms of which the bank assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Subsequent expenditures

The bank recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the bank and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- | | |
|-----------------------|--------------|
| • buildings | 40 years |
| • structures | 22 years |
| • plant and equipment | 3 – 14 years |

Fixed assets held for sale

On initial date of classification of non-current assets as assets held-for-sale, the bank measures them at the lower of its carrying amount and fair value less cost to sell.

Any initial or subsequent write-down of the asset held-for-sale to fair value less cost to sell are recognised in the profit and loss account.

Intangible assets**Computer software**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the production of identifiable and unique software products controlled by the bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Other intangible assets

Other intangible assets that are acquired by the bank are stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- | | |
|------------------------------|-------------|
| • software development costs | 3 – 5 years |
| • computer software | 3 – 5 years |

Other items

Other trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

Borrowings

Borrowings are recognised initially at fair value, being the issue proceeds (fair value of consideration received) net of transaction costs occurred. Borrowings are subsequently stated at amortised cost.

Liabilities

Liabilities, other than financial liabilities held for trading, are stated at cost.

Impairment of assets other than financial assets

The carrying amounts of the bank's assets, other than deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Calculation of recoverable amount

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Equity

Equity comprises capital and funds created in accordance with applicable law, acts and the Statutes. Equity also includes retained earnings and prior year losses carried forward.

Share capital is stated at its nominal value in accordance with the Statutes and the entry in the court register.

Supplementary capital is created from profit allocations and share issue premiums.

Reserve capital is created from profit allocations and is earmarked for covering balance sheet losses.

Revaluation reserve comprises differences from the valuation of financial assets available for sale taking into account the deferred income tax.

Revaluation reserve is not distributable.

On the day of derecognition of all or part of financial assets available for sale the total effects of periodical change in the fair value reflected in the revaluation reserve are reversed. Total or part of the previous revaluation charge increases or decreases the value of the given financial asset available for sale.

Net financial result for the accounting year is the profit disclosed in the profit and loss account of the current year adjusted by the corporate income tax charge.

Dividends

Dividends on redeemable preference shares are recognised as a liability and expressed on an accrual basis. Dividends for particular year, which have been declared but not paid at the balance sheet date are recognised as dividend liabilities in "other liabilities" item.

Employee benefits

Short-term service benefits

The bank's short-term employment benefits include wages, bonuses, holiday pay and social insurance payments are recognised as an expense as incurred.

Long-term service benefits

The bank's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The accrual for retirement bonus granted under the provisions of the Collective Labour Agreement and terms of individual employee contracts as well as the accrual for disability pension bonus were estimated on the basis of an actuarial valuation. The actuarial valuation of those accruals is updated on an annual basis.

The identifiable actuarial gains and losses include: retrospective adjustments to the actuarial assumptions being the difference between the previous actuarial assumptions and the actual occurrences and the effects of changes in the actuarial assumptions.

Share based payments

The bank operates a share based compensation plan. For grants of share based payments after 7 November 2002 (IFSR 2, 53), the fair value of the employee services received is measured by reference to the fair value of awards granted on the day of the grant. The cost of the employee services received in exchange for awards granted is recognized in the income statement over the period during which the employees become unconditionally entitled to the share based payments, which is the vesting period. The amount expensed is determined by reference to the fair value of awards granted. The fair value of awards granted is determined using the share based payments pricing models, which take into account the exercise price of the award, the

share price at date of grant, the risk free rate, the expected volatility of the share price over the life of the award and other relevant factors. Vesting conditions included in the terms of the grant are not taken into account in estimating fair value except where those terms relate to market conditions. Non-market vesting conditions are taken into account by adjusting the number of awards included in the measurement of the cost of employee services so that ultimately, the amount recognized in the income statement reflects the number of vested awards. The expense related to share based payments is credited to the shareholder's equity. Where the share based payment arrangements give rise to the issue of new shares, the proceeds of issue of the shares are credited to share capital (nominal amount) and share premium (if any) when awards are exercised.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provisions for off balance sheet items such as guarantees, letters of credit, and unutilised irrevocable credit facilities are recognised in accordance with this policy.

Net interest income

Interest income and expenses for all financial instruments is recognised in the income statement at amortised cost using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees (e.g. arrangement, drawdown, renewal, restructure fees and fees for annexes which modify payments) and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Net commission income

Fees and commissions settled under effective interest rate are listed above. Fees on overdrafts, revolving loans, credit cards and off balance sheet liabilities are brought in a straight-line method to the profit and loss account.

Other fees and charges, which are not settled according to effective interest rate, are taken to profit and loss account on an on-going basis.

Dividend income

Dividends are taken to the profit and loss account at the moment of acquiring rights to them.

Profit on disposal of subsidiaries and associates

Profit on the sale of interests in subsidiaries is set as a difference between the net asset value and their sale price.

Profit on the sale of interests in associates is set as a difference between the carrying amount and their sale price.

Other operating income and costs

Other operating income and costs include expenses and revenues, which are not related directly to the statutory activity of the Group. These are primarily revenues and costs from the sale and liquidation of fixed assets, income from sale of other services, paid and received damages, penalties and fines.

Operating lease payments

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge to be allocated so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Corporate income tax

Corporate income tax consists of current and deferred tax.

Current tax is calculated based on the gross accounting income/loss adjusted by revenues which in line with tax regulations are not taken to taxable income and by costs which tax regulations do not recognize as tax deductible costs. Moreover, for tax purposes, the gross accounting income/loss is adjusted for income and costs from previous years realized for tax purposes in a given accounting period, and for deductions from income, e.g. donations.

The Group creates a provision for deferred tax in respect of all taxable temporary differences and deferred tax assets with regard to all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities should be measured as the multiple of a temporary difference and the tax rates that are expected to apply to the period when the asset is realised or the liability is settled (liability method), based on tax rates/laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are not discounted.

6. Comments concerning the seasonal or cyclical character of the annual activities

The business activity of Bank Zachodni WBK S.A. has no seasonal character.

7. Character and amounts of items which are extraordinary due to their nature, volume or occurrence and have influence on the assets, liabilities, equity, financial performance or cash flows

No extraordinary events influencing the balance sheet structure and financial performance occurred in Bank Zachodni WBK S.A.

8. Accounting estimates and judgments

Loan impairment

The estimation of potential loan losses is inherently uncertain and depends upon many factors, including loan loss trends, portfolio grade profiles, economic climates, conditions in various industries to which BZWBK Group is exposed and other external factors such as legal and regulatory requirements. For example, should the expectation of loss within a portfolio increase, then this may result in an increase to the required incurred but not reported ("IBNR") loan loss provision level. A specific provision is made against problem loans when, in the judgement of management, the estimated repayment realizable from the obligor, including the value of any security available, is likely to fall short of the amount of principal and interest outstanding on the obligor's loan or overdraft account. The amount of the specific provision made in BZWBK Group's consolidated financial statements is intended to cover the difference between the assets' carrying value and the present value of estimated future cash flows discounted at the assets' original effective interest rates. The management process for the identification of loans requiring provision is underpinned by independent tiers of review. Credit quality and loan loss provisioning are independently monitored by head office personnel on a regular basis. A groupwide system for grading advances according to agreed credit criteria exists with an important objective being the timely identification of vulnerable loans so that remedial action can be taken at the earliest opportunity. Credit rating is fundamental to the determination of provisioning in BZWBK Group; it triggers the process which results in the creation of a specific provision on individual loans where there is doubt on recoverability. IBNR provisions are also maintained to cover loans, which are impaired at balance sheet date and, while not separately identified, are known from experience to be present in any portfolio of loans. IBNR provisions are maintained at levels that are deemed appropriate by management having considered: credit grading profiles and grading movements, historic loan loss rates, changes in credit management, procedures, processes and policies, economic climates, portfolio sector profiles/industry conditions and current estimates of expected loss in the portfolio. Estimates of expected loss are driven by the following key factors;

- Probability of default i.e. the likelihood of a customer defaulting on its obligations over the next 12 months,
- Loss given default i.e. the fraction of the exposure amount that will be lost in the event of default, and
- Exposure at default i.e. exposure is calculated by adding the expected drawn balance plus a percentage of the unused limits.

The rating systems have been internally developed and are continually being enhanced, e.g. externally benchmarked to help underpin the aforementioned factors which determine the estimates of expected loss.

Write-down due to impairment of non-financial assets

Balance sheet values assets other than deferred tax assets are reviewed as at a balance sheet day to specify whether there are reasons for write-down due to impairment. If there are such reasons, recoverable value of assets should be determined.

In case intangible assets not yet available for use, recoverable value is determined as at every balance sheet day. Write-down due to impairment is recognized if book value of an asset exceeds its recoverable value and is presented in the profit and loss account.

For other receivables impairment amount has been recognised considering the expected recoverable amounts, and for long term other receivables discounting has been applied.

Asset held for sale at the lower of its carrying amount and estimated fair value less estimated costs to sell.

Fair value of financial instruments

Some of the Group's financial instruments are carried at fair value, including all derivatives, financial assets at fair value through profit or loss and financial investments available for sale. Financial instruments are either priced with reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using financial-markets pricing models, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. These models use as their basis independently sourced market parameters including, for example, interest rate yield curves, equities and commodities prices, option volatilities and currency rates. Most market parameters are either directly observable or are implied from instrument prices. However, where no observable price is available the instrument fair value will include a provision for the uncertainty in the market parameter based on sale price or subsequent traded levels. The calculation of fair value for any financial instrument may require adjustment of quoted price or model value to reflect the cost of credit risk (where not embedded in underlying models or prices used), hedging costs not captured in pricing models and adjustments to reflect the cost of exiting illiquid or other significant positions. This may also include an estimation of the likely occurrence of future events which could affect the cashflows of the financial instrument. The valuation model used for a particular instrument, the quality and liquidity of market data used for pricing, other fair value adjustments not specifically captured by the model and market data are all subject to internal review and approval procedures and consistent application between accounting periods.

Other accounting estimates and judgements

Provisions for employee benefits arising from the Group Collective Labour Agreement and terms of individual employee contracts were estimated on the basis of an actuarial valuation. The actuarial valuation of those accruals is updated on an annual basis.

Provisions for legal claims have been estimated considering the expected probably amount to settle a case, and where applicable, including the time value of money.

9. Issues, redemption or repayment of debt or equity instruments

In 1H 2007, Bank Zachodni WBK S.A. did not issue bonds or other own debt securities.

As at the end of 1H 2007, the total value of obligations with respect to the issue of own bonds amounted to PLN 78 919 k (nominal value), as at the end of 1H 2006 – PLN 78 919 k.

10. Dividend information

Bank Zachodni WBK allocated to dividends 73,9 % of net profit (i.e. 57,7% of Group's net profit) of PLN 437 761 704 i.e. PLN 6,00 per one share (PLN 6,00 in 2005). Outstanding profit of PLN 155 033 623.93 was allocated to other reserve capital. Number of shares totaled 72 960 284.

11. Acquisitions and disposals of investments in 1H 2007

The subsidiary undertaking BZ WBK Nieruchomości S.A. i Wspólnicy Spółka Komandytowa was dissolved on 27 February 2007.

12. Changes to the contingent liabilities or assets

Off balance sheet liabilities

The Bank Zachodni WBK S.A. has commitments to deliver loans. These commitments include loans sanctioned, credit card limits and overdrafts. The Bank issue guarantees and letters of credit which collateralise customers' liabilities to third parties.

The break-down of contingent liabilities and off-balance transactions into categories are presented below. The values of guarantees and letters of credit as set out in the table below represent the maximum possible loss that would be disclosed as at the balance sheet day if the customers did not meet any of their obligations.

Contingent liabilities, sanctioned and received	30.06.2007	31.12.2006	30.06.2006
Liabilities sanctioned	8 156 322	7 812 302	6 821 222
- financial	7 350 634	7 064 149	6 021 763
- including: import letters of credit	104 673	94 447	96 510
- including: credit lines	6 720 009	6 368 254	5 013 567
- including: credit cards debits	509 304	439 255	402 630
- including: term deposits with future commencement term	16 648	162 193	509 056
- guarantees	805 688	748 153	799 459
-including: confirmed export letters of credit	3 604	1 880	314
Received liabilities	1 932 309	1 540 683	1 431 570
Total	10 088 631	9 352 985	8 252 792

As at 30.06.2007, the Bank's sanctioned and received guarantees to subsidiary undertakings amount to PLN 248 772 k .

The most common forms of guarantee are: payment guarantee, performance bond, bid bond, advance payment guarantee, loan repayment guarantee, customs guarantee. In accordance with the "Non-consumer lending regulations", the bank issues civil law guarantees (mainly: loan or advance repayment guarantee, service or goods repayment guarantee, advance payment guarantee, performance bond, bid bonds and other) and B/E guarantees (mainly: loan or advance repayment guarantee, service or goods repayment guarantee and other).

Guarantees and civil law guarantees are issued on the basis of the same information and in accordance with the same procedure as it is in the case of loans. Applicable regulations are set out in the Commercial Lending Manual and the Lending Manual of the Corporate Banking Centre.

These contingent liabilities carry an off-balance sheet credit risk as only the funding arrangement fees and loan loss provisions are disclosed in the balance sheet until repayment or expiry of the obligation. Many of the existing contingent liabilities will expire before any payment is made. For this reason, their values do not reflect the expected future cash flows.

The table presents the derivatives' nominal values.

Derivatives' nominal values	30.06.2007	31.12.2006	30.06.2006
1. Derivatives (hedging)	1 995 410	1 486 018	1 878 826
a) Single-currency interest rate swaps – purchased amounts	997 705	743 009	654 413
b) Single-currency interest rate swaps – sold amounts	997 705	743 009	654 413
c) FRA	-	-	570 000
2. Term derivatives (trading)	164 584 779	136 761 943	138 634 778
a) Interest rate operations	141 243 282	119 364 670	117 959 740
- Single-currency interest rate swaps – purchased amounts	48 971 641	38 807 335	36 269 870
- Single-currency interest rate swaps – sold amounts	48 971 641	38 807 335	36 269 870
- FRA-purchased amounts	20 850 000	19 650 000	22 550 000
- FRA-sold amounts	22 450 000	22 100 000	22 870 000
b) FX operations	23 341 497	17 397 273	20 675 038
- FX swap – purchased amounts	10 185 940	7 193 754	9 145 291
- FX swap – sold amounts	10 177 435	7 157 445	9 152 961
- Cross-currency interest rate swaps – purchased amounts	1 524 006	1 550 962	1 186 617
- Cross-currency interest rate swaps – sold amounts	1 454 116	1 495 112	1 190 169
3. Currency transactions- spot	3 822 676	3 850 694	5 192 496
spot-purchased	1 912 111	1 924 957	2 601 387
spot-sold	1 910 565	1 925 737	2 591 109
4. Derivatives – OTC options	2 364 368	749 280	1 045 096
- Options purchased	1 182 184	374 640	522 548
- Options sold	1 182 184	374 640	522 548
5. Euroindex Options	99 962	168 888	238 619
Options purchased	99 962	168 888	238 619
Total	172 867 195	143 016 823	146 989 815

13. Related party disclosures

The table below contains information about transactions effected by the bank and its subsidiaries with related entities at the end of the reporting period.

Most of the transactions are banking transactions made as part of ordinary business activities and mainly include loans, deposits and guarantees.

Receivables and Liabilities**30.06.2007**

Receivables	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Loans and advances to banks	506	-	391 124	391 630
Financial assets held for trading	217	-	61 028	61 245
Hedging derivatives	-	-	2 209	2 209
Loans and advances to customers	337 554	-	-	337 554
Investment securities	-	-	285 147	285 147
Other assets	15 555	-	-	15 555
Total	353 832	-	739 508	1 093 340

Liabilities	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Deposits from banks	-	-	641 207	641 207
Financial liabilities held for trading	16 414	-	31 836	48 250
Deposits from clients	1 477 463	110 857	-	1 588 320
Other liabilities	15 001	-	20 847	35 848
Total	1 508 878	110 857	693 890	2 313 625

31.12.2006

Receivables	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Loans and advances to banks	-	-	284 272	284 272
Financial assets held for trading	81	-	48 451	48 532
Hedging derivatives	-	-	1 023	1 023
Loans and advances to customers	395 466	-	-	395 466
Investment securities	-	-	371 218	371 218
Other assets	13 210	-	-	13 210
Total	408 757	-	704 964	1 113 721

Liabilities	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Deposits from banks	-	-	5 155	5 155
Financial liabilities held for trading	18 461	-	33 037	51 498
Deposits from clients	1 184 622	88 061	-	1 272 683
Other liabilities	13 452	-	19 529	32 981
Total	1 216 535	88 061	57 721	1 362 317

30.06.2006

Receivables	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Loans and advances to banks	-	-	820 829	820 829
Financial assets held for trading	564	-	39 705	40 269
Loans and advances to customers	422 597	-	-	422 597
Other assets	7 050	-	-	7 050
Total	430 211	-	860 534	1 290 745

Liabilities	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Deposits from banks	-	-	491	491
Financial liabilities held for trading	29 902	-	55 139	85 041
Deposits from clients	745 458	178 251	-	923 709
Other liabilities	13 850	-	25 917	39 767
Total	789 210	178 251	81 547	1 049 008

Profits and costs

01.01.2007- 30.06.2007

Income	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Interest and similar income	9 989	-	12 755	22 744
Fee and commission income	87 547	2	-	87 549
Other operating income	2 167	-	-	2 167
Net trading and revaluation income	-	-	27 908	27 908
Total	99 703	2	40 663	140 368

Expenses	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Interest expense and similar charges	26 739	1 618	(7 763)	20 594
Fee and commission expense	13	-	-	13
Other operating expenses incl.:	459	-	21 873	22 332
Bank's operating expenses and management costs	454	-	21 873	22 327
Other	5	-	-	5
Total	27 211	1 618	14 110	42 939

01.01.2006 - 30.06.2006

Income	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Interest and similar income	7 016	-	12 235	19 251
Fee and commission income	59 460	-	-	59 460
Other operating income	2 356	-	-	2 356
Net trading and revaluation income	-	-	4 134	4 134
Total	68 832	-	16 369	85 201

Expenses	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Interest expense and similar charges	14 245	2 492	(3 623)	13 114
Fee and commission expense	57	-	-	57
Other operating expenses incl.:	502	-	17 324	17 826
Bank's operating expenses and management costs	502	-	17 324	17 826
Total	14 804	2 492	13 701	30 997

Contingent liabilities**30.06.2007**

Intragroup transactions - off-balance sheet liabilities	of which from subsidiaries	of which from associates	Total
1. Received/Sanctioned contingent liabilities	2 603 248	-	2 603 248
- financing-related	2 354 476	-	2 354 476
- guarantees	248 772	-	248 772

Intragroup transactions- derivatives' nominal values	of which from subsidiaries	of which from associates	Total
2. Derivatives' nominal values, including:	538 975	-	538 975
-Financial instruments operations-single-currency interest rate hedging swaps	538 975	-	538 975

31.12.2006

Intragroup transactions - off-balance sheet liabilities	of which from subsidiaries	of which from associates	Total
1. Received/Sanctioned contingent liabilities	1 883 994	-	1 883 994
- financing-related	1 633 904	-	1 633 904
- guarantees	250 090	-	250 090

Intragroup transactions- derivatives' nominal values	of which from subsidiaries	of which from associates	total
2. Derivatives' nominal values, including:	603 017	-	603 017
-Financial instruments operations-single-currency interest rate hedging swaps	603 017	-	603 017

14. Principles of PLN conversion into EUR

Selected financial figures for 1H 2006 and 1H 2007 were converted according to the following principles:

for 1H 2007:

Selected balance sheet data and book value per share according to the average EUR/PLN rate current at the balance sheet date and announced by the National Bank of Poland – 3,7658.

Selected items of profit and loss account and cash flow for 1H 2007 according to the exchange rate calculated as an arithmetic mean on the last day of each month in a quarter - 3,8486 (Jan - 3,9320, Feb - 3,9175, March - 3,8695, Apr - 3,7879, May - 3,8190, June – 3,7658).

for 1H 2006:

Selected balance sheet data and book value per share - according to the average EUR/PLN rate current at the balance sheet date and announced by the National Bank of Poland – 4,0434.

Selected items of profit and loss account and cash flow for 1H 2006 – according to the exchange rate calculated as an arithmetic mean on the last day of each month in a quarter – 3,9002 (Jan – 3,8285, Feb – 3,7726, Mar – 3,9357, Apr – 3,8740, May – 3,9472, June – 4,0434).

15. Shareholders with min. voting power of 5%

According to the information held by the Bank's Management Board, the shareholder with a min. 5% of the total number of votes at the BZWBK Annual General Meeting as at the publication date of the quarterly consolidated report for 1H 2007 /01.08.2007/ is AIB European Investments Ltd. based in Dublin.

Shareholder	No. of shares held	% shareholding	No. of votes at AGM	% share in total number of votes at AGM
As at 25.04.2007				
AIB European Investments Limited	51 413 790	70,5 %	51 413 790	70,5 %
As at 1.08.2007				
AIB European Investments Limited	51 413 790	70,5 %	51 413 790	70,5 %

16. Changes in shareholding of members of the Management and Supervisory Board of Bank Zachodni WBK S.A.

	No. of Bank Zachodni WBK shares held		
	As at 01.08.2007	As at 25.04.2007	Change
Members of the Management Board	-	526	526*
Members of the Supervisory Board	278	278	-

*The change results from the fact that 1 share was sold by Mr. Marcin Prell and also because Mr. Jacek Kseń, who held 525 shares, resigned from the position of the President of the Management Board, effective on the 1st May 2007.

Table below presents personal shareholding of Supervisory and Management Board Members as at 1st August 2007:

Owner	No. of shares
Supervisory Board	
Waldemar Frąckowiak	278

No other Supervisory or Management Board Member is in possession of BZWBK shares.

17. Information about the commenced court proceedings

As at 30 June 2007 no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the bank or its subsidiaries amounting to a minimum of 10% of the Group's equity.

The value of all litigations totals PLN 288 876 k, which is ca. 8.00% of Bank's equity. This amount includes PLN 73 611 k claimed by the Bank, PLN 49 824 k in claims against the Bank and PLN 165 441 k are Bank's receivables due to bankruptcy or arrangement cases.

As at 30 June 2006 no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the bank or its subsidiaries amounting to a minimum of 10% of the Group's equity.

The value of all litigations totals PLN 289 135 k, which is ca. 9.54% of Bank's equity. This amount includes PLN 74 341 k claimed by the Bank, PLN 46 052 k in claims against the Bank and PLN 168 742 k are Bank's receivables due to bankruptcy or arrangement cases.

18. information concerning issuing loan guarantees by an issuer or its subsidiary

As at 30 June 2007 Bank Zachodni WBK S.A. had not issued any guarantees to one business unit or a subsidiary totalling a minimum of 10% of issuer's equity.

19. Events which occurred after the balance sheet date

Authorization for issue of financial statements

The consolidated semi-annual financial statements were authorised for issue on 26th of July 2007 by the Management Board of Bank Zachodni WBK S.A

Appointment of a new Member of Bank Zachodni WBK Management Board

On 24 July 2007, the Bank's Supervisory Board appointed Mr. Andrzej Burliga Member of the Bank's Management Board.

SIGNATURES			
Signatures of Members of the Management Board			
Date	Name	Function	Signature
26-07-2007	Mateusz Morawiecki	President	
26-07-2007	Declan Flynn	Member	
26-07-2007	Michał Gajewski	Member	
26-07-2007	Justyn Konieczny	Member	
26-07-2007	Janusz Krawczyk	Member	
26-07-2007	Jacek Marcinowski	Member	
26-07-2007	James Murphy	Member	
26-07-2007	Marcin Prell	Member	
26-07-2007	Feliks Szyszkowiak	Member	
Signature of a person who is in charge of keeping the accounts			
Date	name	Function	Signature
26-07-2007	Wanda Rogowska	Financial Accounting Area Director	

**INDEPENDENT AUDITORS' REVIEW REPORT
ON THE CONDENSED INTERIM
UNCONSOLIDATED
FINANCIAL STATEMENTS OF
BANK ZACHODNI WBK S.A.
FOR THE PERIOD
FROM 1 JANUARY 2007 TO 30 JUNE 2007**

To the Shareholders of Bank Zachodni WBK S.A.

Introduction

We have reviewed the accompanying condensed interim unconsolidated financial statements of Bank Zachodni WBK S.A., with its registered office in Wrocław, Rynek 9/11, 50-950 Wrocław that consist of the condensed unconsolidated balance sheet as at 30 June 2007, with total assets and total liabilities and equity of PLN 33,088,728 thousand, the condensed unconsolidated profit and loss account for the period from 1 January 2007 to 30 June 2007 with a net profit of PLN 537,480 thousand, the condensed unconsolidated statement of changes in equity for the period from 1 January 2007 to 30 June 2007 with an increase in equity of PLN 12,832 thousand, the condensed unconsolidated cash flow statement for the period from 1 January 2007 to 30 June 2007 with a decrease in cash amounting to PLN 753,747 thousand and selected explanatory notes.

Management of the Company is responsible for the preparation and presentation of these condensed interim unconsolidated financial statements in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union and other applicable regulations. Our responsibility is to express a conclusion on these condensed interim financial statements, based on our review.

Scope of review

We conducted our review in accordance with Standard No. 4 of the professional standards *General principles for the review of financial statements* issued by the Polish National Council of Certified Auditors and with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim unconsolidated financial statements of Bank Zachodni WBK S.A. are not prepared, in all material respects, in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

signed on the Polish original

.....
Certified Auditor No. 9941/7390
Bożena Graczyk

signed on the Polish original

.....
On behalf of KPMG Audyt Sp. z o.o.
ul. Chłodna 51, 00-867 Warsaw
Certified Auditor No. 9941/7390
Bożena Graczyk
Member of the Management Board

signed on the Polish original

.....
On behalf of KPMG Audyt Sp. z o.o.
ul. Chłodna 51, 00-867 Warsaw
Richard Cysarz
Member of the Management Board

Warsaw, 26 July 2007