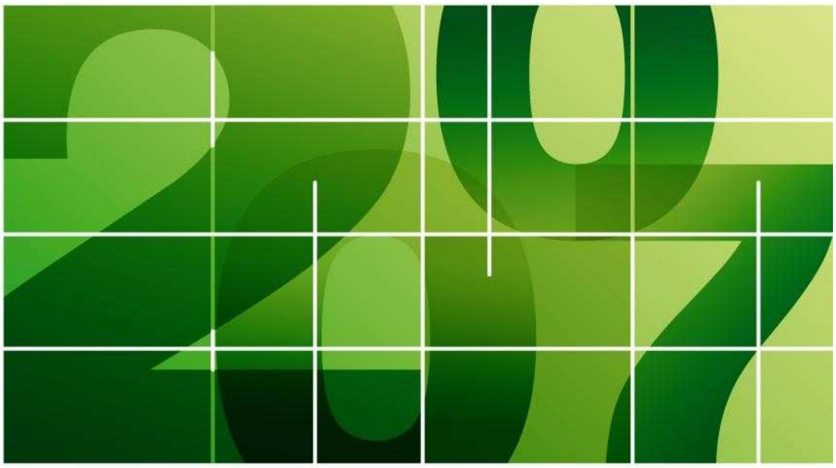

Consolidated financial statements of Bank Zachodni WBK S.A. Group for 3Q 2007

WBK | Bank Zachodni WBK

In thousands of PLN

	FINANCIAL HIGHLIGHTS	PLN '000		EUR '000	
	for the period:	01.01.2007 - 30.09.2007	01.01.2006 - 30.09.2006	01.01.2007 - 30.09.2007	01.01.2006 - 30.09.2006
	Consolidated financial statements				
I	Interest and similar income	1 489 204	1 213 058	388 684	309 683
II	Fee and commission income	1 318 183	992 126	344 047	253 281
III	Operating profit	1 121 302	827 077	292 661	211 145
IV	Gross profit	1 122 253	827 276	292 909	211 196
V	Net profit attributable to the Company's equity holders	784 253	593 446	204 691	151 501
VI	Total net cash flow	(372 860)	491 828	(97 317)	125 559
VII	Total assets	38 456 669	30 361 372	10 180 455	7 621 783
VIII	Deposits from banks	5 448 407	2 139 689	1 442 331	537 138
IX	Deposits from customers	26 377 357	22 688 167	6 982 755	5 695 536
X	Total liabilities	34 046 162	26 801 483	9 012 882	6 728 124
XI	Total equity	4 410 507	3 559 889	1 167 573	893 659
XII	Minority interest	194 938	94 206	51 605	23 649
XIII	Net profit attributable to the Minority	115 526	63 515	30 152	16 215
XIV	Number of shares	72 960 284	72 960 284		
XV	Net book value per share in PLN/EUR	60,45	48,79	16,00	12,25
XVI	Solvency ratio	12,69%	15,08%		
XVII	Profit (loss) per share in PLN/ EUR	10,76	8,14	2,81	2,08
XVIII	Diluted earnings (loss) per share in PLN/EUR	10,73	8,13	2,80	2,08
XIX	Declared or paid dividend per share in PLN/EUR	6,00	6,00	1,59	1,51

	Stand alone financial statements				
XX	Interest and similar income	1 390 119	1 123 904	362 823	286 922
XXI	Fee and commission income	736 995	646 861	192 357	165 138
XXII	Gross profit	830 503	601 679	216 762	153 603
XXIII	Net profit	692 127	481 769	180 646	122 991
XXIV	Total net cash flow	(375 060)	489 041	(97 891)	124 848
XXV	Total assets	36 411 311	28 981 173	9 638 997	7 275 304
XXVI	Deposits from banks	4 207 524	1 721 961	1 113 838	432 273
XXVII	Deposits from customers	26 871 476	22 912 837	7 113 561	5 751 936
XXVIII	Total liabilities	32 633 779	25 807 727	8 638 988	6 478 656
XXIX	Equity attributable to the Company's equity holders	3 777 532	3 173 446	1 000 008	796 648
XXX	Number of shares	72 960 284	72 960 284		
XXXI	Net book value per share in PLN/EUR	51,78	43,50	13,71	10,92
XXXII	Solvency ratio	11,08%	13,68%		
XXXIII	Profit (loss) per share in PLN/ EUR	9,49	6,61	2,48	1,69
XXXIV	Diluted earnings (loss) per share in PLN/EUR	9,47	6,60	2,47	1,68

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In thousands of PLN

1. Consolidated income statement

for the reporting periods ending on:	01-07-2007 - 30-09-2007	01-01-2007 - 30-09-2007	01-07-2006 - 30-09-2006	01-01-2006 - 30-09-2006
Interest and similar income	544 539	1 489 204	413 650	1 213 058
Interest expense and similar charges	(215 544)	(566 133)	(156 366)	(463 357)
Net interest income	**328 995**	**923 071**	**257 284**	**749 701**
Fee and commission income	449 276	1 318 183	329 178	992 126
Fee and commission expense	(61 410)	(174 643)	(41 620)	(122 183)
Net fee and commission income	**387 866**	**1 143 540**	**287 558**	**869 943**
Dividend income	285	64 731	146	57 276
Net trading and revaluation income	19 939	52 630	11 785	40 789
Gains (losses) from other financial securities	(1 308)	2 162	5 695	31 393
Gains (losses) from investment in subsidiaries and associates	-	-	1 878	8 121
Other operating income	11 307	32 556	11 805	29 985
Impairment losses on loans and advances	(21 539)	2 820	(5 920)	(22 267)
Operating expenses incl.:	(382 951)	(1 100 208)	(313 871)	(937 864)
Bank's staff, operating expenses and management costs	(341 274)	(968 923)	(267 063)	(788 156)
Depreciation/amortisation	(37 328)	(105 426)	(36 889)	(123 313)
Other operating expenses	(4 349)	(25 859)	(9 919)	(26 395)
Operating profit	**342 594**	**1 121 302**	**256 360**	**827 077**
Share in net profit (losses) of associates accounted for by the equity method	915	951	(544)	199
Profit before tax	**343 509**	**1 122 253**	**255 816**	**827 276**
Corporate income tax	(75 253)	(222 474)	(62 428)	(170 315)
Profit for the period	**268 256**	**899 779**	**193 388**	**656 961**
of which:				
attributable to the Company's equity holders	225 657	784 253	169 542	593 446
attributable to the Minority equity holders	42 599	115 526	23 846	63 515
Net earnings per share				
Basic earnings per share (PLN)		10,76		8,14
Diluted earnings per share (PLN)		10,73		8,13

In thousands of PLN

2. Consolidated balance sheet

	30-09-2007	30-06-2007	31-12-2006	30-09-2006
ASSETS				
Cash and balances with central bank	1 013 925	762 897	1 534 480	1 070 831
Loans and advances to banks	3 853 460	2 736 901	3 154 546	2 872 103
Financial assets held for trading	559 059	424 102	1 104 604	1 172 762
Hedging derivatives	33 354	32 185	19 956	20 981
Loans and advances to customers	22 280 408	20 650 181	17 620 066	16 674 707
Investment securities	9 275 100	8 996 182	8 021 289	7 130 733
Investments in associates	35 651	35 936	36 201	25 630
Intangible assets	102 664	111 515	135 032	126 172
Property, plant & equipment	490 780	479 189	493 657	474 532
Deferred tax assets	399 682	464 758	392 467	432 080
Other assets	412 586	535 430	479 885	360 841
Total assets	38 456 669	35 229 276	32 992 183	30 361 372
LIABILITIES				
Deposits from banks	5 448 407	3 555 187	2 608 377	2 139 689
Hedging derivatives	890	7 111	12 912	15 256
Financial liabilities held for trading	499 427	280 411	228 415	231 253
Deposits from customers	26 377 357	25 218 044	24 222 051	22 688 167
Debt securities in issue	404 998	589 675	646 342	643 135
Current income tax liabilities	100 536	60 056	7 643	20 932
Deferred tax liabilities	256 615	334 677	293 529	232 027
Other liabilities	957 932	1 035 514	896 172	831 024
Total liabilities	34 046 162	31 080 675	28 915 441	26 801 483
Equity				
Capital and reserves attributable to the Company's equity holders	4 215 569	3 996 275	3 960 001	3 465 683
Share capital	729 603	729 603	729 603	729 603
Other reserve funds	2 058 175	2 054 612	1 857 147	1 855 459
Revaluation reserve	412 049	420 775	508 548	180 694
Retained earnings	231 489	232 689	106 481	106 481
Profit of the current period	784 253	558 596	758 222	593 446
Minority interest	194 938	152 326	116 741	94 206
Total equity	4 410 507	4 148 601	4 076 742	3 559 889
Total equity and liabilities	38 456 669	35 229 276	32 992 183	30 361 372

In thousands of PLN

3. Movement on consolidated equity

MOVEMENTS ON CONSOLIDATED EQUITY	Equity Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Minority interest	Total
Opening balance as at 31.12.2006	**729 603**	**1 857 147**	**508 548**	**864 703**	**116 741**	**4 076 742**
Change in available for sale investments -increase	-	-	10 063	-	385	10 448
Change in available for sale investments -decrease	-	-	(112 064)	-	-	(112 064)
Share scheme charge	-	7 070	-	-	-	7 070
Net (gains)/losses recognised in income statement	-	-	5 502	-	-	5 502
Net profit	-	-	-	784 253	115 526	899 779
Total recognised increase in equity in 1-3 Q 2007	**-**	**7 070**	**(96 499)**	**784 253**	**115 911**	**810 735**
Dividend relating to 2006	-	-	-	(437 762)	(37 723)	(475 485)
Transfer to other reserve capitals	-	193 908	-	(193 908)	-	-
Other	-	50	-	(1 544)	9	(1 485)
As at 30.09.2007	**729 603**	**2 058 175**	**412 049**	**1 015 742**	**194 938**	**4 410 507**

As at the end of the period revaluation reserve comprises the valuation of debt securities and equity shares classified as available for sale of PLN (31 333) and PLN 443 382 respectively.

MOVEMENTS ON CONSOLIDATED EQUITY	Equity Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Minority interest	Total
Opening balance at 31.12.2005	**729 603**	**2 028 706**	**250 088**	**373 121**	**54 943**	**3 436 461**
Change in available for sale investments - increase	-	-	312 142	-	25	312 167
Change in available for sale investments - decrease	-	-	(38 528)	-	-	(38 528)
Share scheme charge	-	3 674	-	-	-	3 674
Net (gains)/losses recognised in income statement	-	-	(14 919)	-	-	(14 919)
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**

As at the end of the period revaluation reserve comprises the valuation of debt securities and equity shares classified as available for sale of PLN 73 041 and PLN 435 507 respectively.

In thousands of PLN

MOVEMENTS ON CONSOLIDATED EQUITY	Equity					
	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Minority interest	Total
Opening balance at 31.12.2005	**729 603**	**2 028 706**	**250 088**	**373 121**	**54 943**	**3 436 461**
Change in available for sale investments- increase	-	-	6 136	-	-	6 136
Change in available for sale investments- decrease	-	-	(67 007)	-	-	(67 007)
Share scheme charge	-	1 986	-	-	-	1 986
Net (gains)/losses recognised in income statement	-	-	(8 288)	-	-	(8 288)
Net profit	-	-	-	593 446	63 515	656 961
Total recognised increase in equity in 1-3 Q 2006	**-**	**1 986**	**(69 159)**	**593 446**	**63 515**	**589 788**
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	2 792	(1 554)
As at 30.09.2006	**729 603**	**1 855 459**	**180 694**	**699 927**	**94 206**	**3 559 889**

As at the end of the period revaluation reserve comprises the valuation of debt securities and equity shares classified as available for sale of PLN 42 798 and PLN 137 896 respectively.

In thousands of PLN

4. Consolidated cash flow statement

	01.07.2007 - 30.09.2007	01.01.2007 - 30.09.2007	01.07.2006 -30.09.2006	01.01.2006 - 30.09.2006
Profit (loss) before tax	**343 509**	**1 122 253**	**255 816**	**827 276**
Total adjustments:	**303 336**	**(25 902)**	**43 702**	**353 212**
Share in net profits (losses) of associates accounted for by the equity method	(915)	(951)	544	(199)
Depreciation	37 329	105 427	36 889	123 313
Impairment losses	(350)	(350)	97	(1 711)
Gains (losses) on exchange differences	4 646	4 517	(415)	(2 270)
Interests and similar charges	(21 725)	(21 206)	21 970	151 320
Dividend income	(285)	(64 731)	(146)	(57 276)
(Profit) loss from investing activities	(444)	(4 569)	(7 411)	(35 908)
Change in provisions	42 547	50 143	1 505	2 983
Change in trading portfolio financial instruments	76 669	791 137	909 855	1 121 678
Change in loans and advances to banks	(987 816)	(551 219)	759 612	540 070
Change in loans and advances to customers	(1 632 999)	(4 660 950)	(1 712 460)	(3 033 642)
Change in deposits from banks	1 708 952	2 226 519	(1 126 317)	(473 078)
Change in deposits from customers	1 159 313	2 182 532	1 338 227	2 326 239
Change in liabilities arising from debt securities in issue	5 289	5 196	87	(2 600)
Change in assets and liabilities arising from deferred taxation	(1 221)	(362)	(16 481)	(20 795)
Change in other assets and liabilities	(50 407)	54 240	(76 984)	(100 959)
Paid income tax	(35 466)	(142 022)	(85 228)	(184 722)
Other adjustments	219	747	358	769
Net cash flow from operating activities - indirect method	**646 845**	**1 096 351**	**299 518**	**1 180 488**
Inflows	**200 690**	**1 925 077**	**320 320**	**1 331 987**
Sale of shares or interests in subsidiaries and associates	-	-	44 496	58 033
Sale of investment securities	197 528	1 855 674	273 998	1 213 878
Sale of intangible and tangible fixed assets	2 876	4 668	1 653	2 667
Dividends received	285	64 731	146	57 276
Proceeds from other investments	1	4	27	133
Outflows	**(440 746)**	**(3 209 512)**	**(556 893)**	**(1 564 801)**
Purchase of investment securities	(415 500)	(3 156 719)	(544 583)	(1 533 238)
Purchase of intangible and tangible fixed assets	(24 702)	(51 074)	(11 880)	(30 227)
Other investments	(544)	(1 719)	(430)	(1 336)
Net cash flow from investing activities	**(240 056)**	**(1 284 435)**	**(236 573)**	**(232 814)**
Inflows	**209 321**	**1 020 667**	**267 311**	**459 130**
Drawing of long-term loans	209 321	978 158	208 967	365 786
Issue of debt securities	-	42 509	58 344	93 344
Outflows	**(236 339)**	**(1 205 443)**	**(245 029)**	**(914 976)**
Repayment of long-term loans	(26 927)	(395 782)	(28 260)	(113 461)
Debt securities buy out	(189 966)	(289 049)	(198 348)	(286 348)
Dividends and other payments to shareholders	-	(475 485)	-	(464 806)
Other financing outflows	(19 446)	(45 127)	(18 421)	(50 361)
Net cash flow from financing activities	**(27 018)**	**(184 776)**	**22 282**	**(455 846)**
Total net cash flow	**379 771**	**(372 860)**	**85 227**	**491 828**
Cash at the beginning of the accounting period	**794 973**	**1 547 604**	**1 000 287**	**593 686**
Cash at the end of the accounting period	**1 174 744**	**1 174 744**	**1 085 514**	**1 085 514**

In thousands of PLN

5. Income statement of Bank Zachodni WBK S.A.

for the reporting periods ending on:	01-07-2007 - 30-09-2007	01-01-2007 - 30-09-2007	01-07-2006 - 30-09-2006	01-01-2006 - 30-09-2006
Interest and similar income	507 801	1 390 119	384 538	1 123 904
Interest expense and similar charges	(206 374)	(539 644)	(145 676)	(427 687)
Net interest income	**301 427**	**850 475**	**238 862**	**696 217**
Fee and commission income	252 007	736 995	211 170	646 861
Fee and commission expense	(22 343)	(56 072)	(15 215)	(43 101)
Net fee and commission income	**229 664**	**680 923**	**195 955**	**603 760**
Dividend income	15	170 696	10	98 377
Net trading and revaluation income	17 078	38 366	7 284	28 033
Gains (losses) from other financial securities	(1 529)	1 772	5 612	9 209
Gains (losses) from investment in subsidiaries and associates	-	13 423	7 421	14 716
Other operating income	9 635	24 145	5 905	16 453
Impairment losses on loans and advances	(19 881)	7 679	(5 350)	(19 819)
Operating expenses incl.:	(335 840)	(956 976)	(284 202)	(845 267)
Bank's staff, operating expenses and management costs	(297 609)	(839 539)	(241 781)	(705 137)
Depreciation/amortisation	(35 526)	(100 112)	(35 437)	(118 983)
Other operating expenses	(2 705)	(17 325)	(6 984)	(21 147)
Operating profit	**200 569**	**830 503**	**171 497**	**601 679**
Profit before tax	**200 569**	**830 503**	**171 497**	**601 679**
Corporate income tax	(45 922)	(138 376)	(46 875)	(119 910)
Profit for the period	**154 647**	**692 127**	**124 622**	**481 769**
Net earnings per share				
Basic earnings per share (PLN)		9,49		6,61
Diluted earnings per share (PLN)		9,47		6,60

In thousands of PLN

6. Balance sheet of Bank Zachodni WBK S.A.

	30-09-2007	30-06-2007	31-12-2006	30-09-2006
ASSETS				
Cash and balances with central bank	1 013 915	762 884	1 534 469	1 070 820
Loans and advances to banks	3 847 040	2 730 097	3 149 267	2 866 216
Financial assets held for trading	557 367	418 400	1 048 010	1 156 028
Hedging derivatives	33 505	32 184	19 956	20 981
Loans and advances to customers	20 462 190	18 848 623	16 172 354	15 411 033
Investment securities	9 256 320	8 974 851	7 993 770	7 100 977
Investments in associates	173 771	173 621	186 318	197 909
Intangible assets	92 445	102 021	127 101	119 566
Property, plant & equipment	478 511	468 270	483 594	466 108
Current income tax due	-	-	947	-
Deferred tax assets	342 602	410 238	346 508	391 592
Other assets	153 645	167 539	270 724	179 943
Total assets	36 411 311	33 088 728	31 333 018	28 981 173
LIABILITIES				
Deposits from banks	4 207 524	2 495 924	1 960 144	1 721 961
Hedging derivatives	8 397	7 112	12 912	15 256
Financial liabilities held for trading	499 427	296 825	246 875	247 965
Deposits from customers	26 871 476	25 551 028	24 481 996	22 912 837
Debt securities in issue	98 629	97 376	95 897	95 299
Current income tax liabilities	24 556	9 252	-	9 689
Deferred tax liabilities	246 650	323 292	282 196	222 481
Other liabilities	677 120	681 843	639 754	582 239
Total liabilities	32 633 779	29 462 652	27 719 774	25 807 727
Equity				
Share capital	729 603	729 603	729 603	729 603
Other reserve funds	1 947 847	1 944 285	1 785 744	1 784 056
Revaluation reserve	407 955	414 708	505 102	178 018
Retained earnings	-	-	-	-
Profit of the current period	692 127	537 480	592 795	481 769
Total equity	3 777 532	3 626 076	3 613 244	3 173 446
Total equity and liabilities	36 411 311	33 088 728	31 333 018	28 981 173

In thousands of PLN

7. Movements on equity of Bank Zachodni WBK S.A.

MOVEMENTS ON EQUITY	Equity				
	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Total
Balance as at 31.12.2006	**729 603**	**1 785 744**	**505 102**	**592 795**	**3 613 244**
Change in available for sale investments-increase	-	-	7 256	-	7 256
Change in available for sale investments-decrease	-	-	(111 757)	-	(111 757)
Share scheme charge	-	7 070	-	-	7 070
Net (gains)/losses recognised in income statement	-	-	7 354	-	7 354
Net profit	-	-	-	692 127	692 127
Total recognised increase in equity in 1-3 Q 2007	**-**	**7 070**	**(97 147)**	**692 127**	**602 050**
Dividend relating to 2006	**-**	**-**	**-**	(437 762)	(437 762)
Transfer from supplementary capital	**-**	155 033	-	(155 033)	**-**
As at 30.09.2007	**729 603**	**1 947 847**	**407 955**	**692 127**	**3 777 532**

As at the end of the period revaluation reserve comprises the valuation of debt securities and equity shares classified as available for sale of PLN (31 302) and PLN 439 257 respectively.

MOVEMENTS ON EQUITY	Equity				
	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Total
Balance at 31.12.2005	**729 603**	**1 950 396**	**239 495**	**269 436**	**3 188 930**
Change in available for sale investments-increase	-	-	306 585	-	306 585
Change in available for sale investments-decrease	-	-	(38 528)	-	(38 528)
Share scheme charge	-	3 674	-	-	3 674
Net (gains)/losses recognised in income statement	-	-	(2 450)	-	(2 450)
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**

As at the end of the period revaluation reserve comprises the valuation of debt securities and equity shares classified as available for sale of PLN 73 012 and PLN 432 090 respectively.

In thousands of PLN

MOVEMENTS ON EQUITY	Equity Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Total
Balance as at 31.12.2005	**729 603**	**1 950 396**	**239 495**	**269 436**	**3 188 930**
Change in available for sale investments-increase	-	-	1 065	-	1 065
Change in available for sale investments-decrease	-	-	(65 484)	-	(65 484)
Share scheme charge	-	-	2 942	-	2 942
Net (gains)/losses recognised in income statement		1 986	-	-	1 986
Net profit	-	-	-	481 769	481 769
Total recognised increase in equity in 1-3 Q 2006	**-**	**1 986**	**(61 477)**	**481 769**	**422 278**
Dividend relating to 2005	-	-	-	(437 762)	(437 762)
Transfer from supplementary capital	-	(168 326)	-	168 326	-
As at 30.09.2006	**729 603**	**1 784 056**	**178 018**	**481 769**	**3 173 446**

As at the end of the period revaluation reserve comprises the valuation of debt securities and equity shares classified as available for sale of PLN 42 764 and PLN 135 254 respectively.

In thousands of PLN

8. Cash flow statement of Bank Zachodni WBK S.A.

	01-07-2007 - 30-09-2007	01-01-2007 - 30-09-2007	01-07-2006 - 30-09-2006	01-01-2006 - 30-09-2006
Profit (loss) before tax	**200 569**	**830 503**	**171 497**	**601 679**
Total adjustments:	**413 069**	**408 747**	**179 541**	**623 125**
Depreciation	35 526	100 112	35 437	118 983
Impairment losses	(150)	(853)	-	(2 401)
Interests and similar charges	48 215	25 252	1 464	96 005
Dividend income	(15)	(170 696)	(10)	(98 377)
(Profit) loss from investing activities	(943)	(17 378)	(12 988)	(19 573)
Change in provisions	17 116	23 673	1 223	2 983
Change in trading portfolio financial instruments	63 599	725 131	907 134	1 122 145
Change in loans and advances to banks	(989 288)	(552 279)	712 041	730 401
Change in loans and advances to customers	(1 613 567)	(4 289 836)	(1 298 514)	(2 500 074)
Change in deposits from banks	1 441 148	1 976 928	(1 229 821)	(554 488)
Change in deposits from customers	1 590 899	2 679 087	1 230 332	2 002 014
Change in liabilities arising from debt securities in issue	1 253	2 732	1 386	2 264
Change in assets and liabilities arising from deferred taxation	2 023	2 023	1	-
Change in other assets and liabilities	(155 917)	15 787	(96 766)	(133 433)
Paid income tax	(27 049)	(111 681)	(71 596)	(143 946)
Other adjustments	219	745	218	622
Net cash flow from operating activities - indirect method	**613 638**	**1 239 250**	**351 038**	**1 224 804**
Inflows	**203 292**	**2 046 950**	**312 162**	**1 311 106**
Sale of shares or interests in subsidiaries and associates	-	29 665	44 518	58 055
Sale of investment securities	200 423	1 842 072	266 038	1 152 042
Sale of intangible and tangible fixed assets	2 853	4 513	1 569	2 499
Dividends received	15	170 696	10	98 377
Proceeds from other investments	1	4	27	133
Outflows	**(437 127)**	**(3 200 994)**	**(555 681)**	**(1 556 478)**
Purchase of investment securities	(415 532)	(3 156 719)	(544 583)	(1 529 234)
Purchase of intangible and tangible fixed assets	(21 068)	(42 605)	(10 668)	(25 908)
Other investments	(527)	(1 670)	(430)	(1 336)
Net cash flow from investing activities	**(233 835)**	**(1 154 044)**	**(243 519)**	**(245 372)**
Inflows	-	**-**	**-**	**-**
Outflows	(1 116)	**(460 266)**	**(23 246)**	**(490 391)**
Repayment of long-term loans	-	(19 156)	(22 363)	(49 980)
Dividends and other payments to shareholders	-	(437 762)	-	(437 762)
Other financing outflows	(1 116)	(3 348)	(883)	(2 649)
Net cash flow from financing activities	**(1 116)**	**(460 266)**	**(23 246)**	**(490 391)**
Total net cash flow	**378 687**	**(375 060)**	**84 273**	**489 041**
Cash at the beginning of the accounting period	**788 969**	**1 542 716**	**996 152**	**591 384**
Cash at the end of the accounting period	**1 167 656**	**1 167 656**	**1 080 425**	**1 080 425**

9. Bank Zachodni WBK S.A. performance

Performance overview after 3 quarters of 2007

Excellent financial performance and comprehensive business growth with a number of forward-looking projects in progress

Financial Highlights (YTD):

- PBT increased by 35.7% y-o-y to PLN 1,122.3 m,
- PAT increased by 32.2% y-o-y to PLN 784.3 m,
- Higher Return on Equity (27.7% as at end-Sept 2007 vs. 24.3% as at end-Sept 2006),
- Growth of total income by 24.1% y-o-y (of which commission income higher by 31.4% y-o-y), reflecting balanced business growth of the bank and its subsidiaries,
- Improvement of operational efficiency (C/I ratio down from 52.5% for 1-3Q 2006 to 49.6% for 1-3Q 2007) against controlled cost increases driven by business growth and ongoing development projects,
- Sound credit risk management evidenced by further reduction in the NPL ratio (from 5.9% as at end-Sept 2006 to 3.3% as at end-Sept 2007) and sustained positive balance of loan impairment provisions (PLN 2.8 m ytd).

Key Business Achievements:

- Dynamic expansion of the Group's loan-books: cash loans (+52% y-o-y), PLN mortgage loans (+50% y-o-y), business loans (+32% y-o-y), lease receivables (+29% y-o-y),
- Substantial growth in deposits (+16.3% y-o-y),
- Continued flow of assets to mutual funds (+PLN 8.9 bn y-o-y) and private portfolios (+ PLN 1.9 bn y-o-y),
- Strong position of the BZWBK Brokerage House in the brokerage services market (trading turnover in the stock market higher by 45% y-o-y),
- Fast-paced development of promising business lines: bancassurance, services for third party financial institutions, advisory and issue services in the capital market,
- Continual functional and procedural advancement of products and services.

Financial performance after 3 quarters of 2007

Profit and Loss Account

The table below presents major developments in key categories of the consolidated profit and loss account during the 3 quarters of 2007 compared with the corresponding period of 2006.

PLN m

Key Profit & Loss Items	1-3Q 2007	1-3Q 2006	Change
Total income	2,218.7	1,787.2	+24.1%
Total costs	(1,100.2)	(937.9)	+17.3%
Profit-before-tax	1,122.3	827.3	+35.7%
Income tax	(222.5)	(170.3)	+30.7%
Profit-after-tax*	784.3	593.4	+32.2%

* *does not include the profit attributed to minority interests (1-3Q 2007 – PLN 115.5 m; 1-3Q 2006 – PLN 63.5 m)*

During the 9 months of 2007, the BZWBK Group posted a **profit-before-tax** of PLN 1,122.3 m, an increase of 35.7% y-o-y. The **profit-after-tax** attributed to the shareholders of Bank Zachodni WBK S.A. was PLN 784.3m and 32.2% higher y-o-y.

Income

In the period from January to September 2007, the BZWBK Group produced a total income of PLN 2,218.7 m, exceeding the figure reported for the same period last year by 24.1%. The main components of the total income were as follows:

- **Net interest income** amounted to PLN 923.1 m compared with PLN 749.7 m posted a year before. Following the presentation changes of June 2007, this line includes interest on hedging derivatives and profit realised on index options underlying the calculation of the rate of return for tracker bonds (total impact on the net interest income: PLN 10.1 m for the 3 quarters of 2007 vs. PLN -2.3 m for the corresponding period of 2006). Taking into account other interest-related income from FX Swaps and Basis Swaps recognised in net trading income (PLN 14.4 m for the 3 quarters of 2007 vs. PLN 19.6 m for the corresponding period of 2006), the underlying net interest income increased by 21.9% y-o-y. This was achieved thanks to the growth of business and favourable changes in its structure, with particular impact from the dynamic growth in business lending and a higher volume of demand deposits. The NBP interest rate hikes contributed to the net interest income growth, leading to a higher deposit margin, yet with little effect on the credit margin which is heavily restrained by the competitive market.

- **Net commission income** amounted to PLN 1,143.5 m and increased by 31.4% y-o-y driven by further expansion of the bank's and subsidiaries' business.

  - Due to the continuous flow of assets to the mutual funds managed by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. and private portfolios of BZ WBK AIB Asset Management S.A. (y-o-y growth of PLN 10.87 bn in total net assets), a combined net income from **fund distribution and asset management** hit a record level of PLN 475.1 m, an increase of 75% y-o-y.

  - A strong growth was also witnessed in net fees earned by the **BZWBK Brokerage House** (+47.9% y-o-y), which after the 3 quarters of 2007 amounted to PLN 113.7 m. This was achieved primarily thanks to the company's high trading turnover levels in the stock market, arrangement of share issues in the primary market and increased market-making activity.

  - Noteworthy increases in the net commission income were generated by **bancassurance** (+97.6% y-o-y), driven by the sale of insurance for cash and mortgage loans, and in the area of handling **capital market projects** (+59.3% y-o-y), involving advisory and issue arrangement services commissioned by customers.

  - Two product lines from e-Business and Payments Area kept developing strongly, producing increases in net commission income. These were **debit cards** (+22.6% y-o-y) with a quickly expanding portfolio and increasing card usage frequency, and **services to third party financial institutions** (+17.9% y-o-y) which saw an extension in the range of services and customer base.

  - As a result of presentation changes in the profit and loss account effected in June 2007, the net commission income also includes **the margins on customer FX transactions** (PLN 156.9 m for the 3 quarters of 2007 vs. PLN 140.6 m for the corresponding period of 2006). Previously, these items were recognised under FX profit. The 11.6% growth in profit from the above-mentioned FX transactions reflects the stronger customer activity at the branch level and higher Treasury-based corporate negotiated trading.

- **Dividend income** of PLN 64.7 m increased by 13% as a result of a lower dividend paid out by the Commercial Union Group members included in the bank' s equity investment portfolio. In 2007, these entities disbursed PLN 60.3 m in dividends to the bank as compared to PLN 53 m last year.

- **Net trading income and revaluation** increased by 29% up to PLN 52.6 m thanks to the higher income earned by the bank from derivatives trading and by the Brokerage House from equity trading (as part of its market-making activity). This line also includes income from FX bank-to-bank operations and other FX trading income (PLN 13.9 m for the 3 quarters of 2007 vs. PLN 16.4 m for the 3 quarters of 2006), previously disclosed as part of FX profit.

- A decrease in **gains on other financial assets** from PLN 31.4 m to PLN 2.2 m reflects primarily the difference in the profit earned in both periods on the disposal of TIM S.A. shares from the equity portfolio of the bank's subsidiary BZ WBK Inwestycje Sp. z o.o. The sale of TIM S.A. shares in 2007 generated a profit of PLN 3.3 m vs. PLN 22.6 m last year. The figure for 2006 also includes PLN 5.2m from the repurchase of shares by MasterCard Incorporated. In addition to gains from equity-based transactions, the line reports profit on hedged and hedging transactions with a negative variance of PLN 2.6 m y-o-y. Prior to the changes in presentation, this item was recognised in a separate profit and loss account line.

- In 2007, no **gains** were recorded **on the disposal of subsidiaries or associates**. In the corresponding period of 2006, a profit of PLN 8.1 m was earned on the disposal of the following three companies: AIB WBK Fund Management Sp. z o.o., LZPS Protektor S.A. and NFI Magna Polonia S.A.

Loan Impairment Provision Balance

The balance of loan impairment provisions was positive and amounted to PLN 2.8 m compared to PLN 22.3 m charge posted a year before. This result is attributable to effective debt collection, the borrowers' improved service of old portfolio debts and the high quality of the new loans. With the substantial y-o-y growth in lending volumes, the net impairment figure confirms the soundness of the Group's credit risk management framework and a sharp focus on ensuring high quality of the portfolio. The effectiveness of the Group's approach to risk management is also evidenced by further reduction of the NPL ratio. At the end of September 2007, the NPLs accounted for 3.3% of the gross portfolio with a provision cover at 66.8%. A year ago, the corresponding ratios were at 5.9% and 60.7%.

Costs

The sharp increase in the total income of the BZWBK Group combined with rational and strictly controlled cost increases, led to a reduction of the cost-to-income ratio from 52.5% to 49.6% for the 9 months of 2007. This trend reaffirms the organisation's cost effectiveness, given that the improvement was attained amid a rapid business growth and numerous development initiatives in progress.

Total operating costs of the BZWBK Group amounted to PLN 1,100.2 m and were higher by 17.3% y-o-y. Their main components were as follows:

- The **staff and other administrative expenses** of the Group increased by 22.9% y-o-y to PLN 968.9 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 26.5% to PLN 606.8 m at the end of September due to, among others, larger employment (+733 FTEs), 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 17.5% y-o-y to PLN 362.1 m. This movement results mainly from the Group's intensive promotional activity aimed 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 its subsidiaries, ensure adequate regulatory compliance and improve integration across the AIB Group. In addition, the cost of building and office maintenance increased in parallel to the expansion of delivery channels. The Group's savings initiatives (renegotiation of contracts, monitoring of suppliers' market, streamlining of internal processes) coupled with rigorous planning and control of operating costs budgets, successfully curtailed the administrative expenses by restraining the growth of the cost items connected with business development and making the spending related with on-going development projects ever more effective.

Depreciation

- Depreciation decreased by 14.5% y-o-y to PLN 105.4 m due to the continued optimisation of the bank's fixed asset base.

Balance-Sheet Items

The table below presents major developments in key categories of the balance sheet of the BZWBK Group at the end of September 2007 versus the end of September 2006.

PLN m

Selected balance sheet items	30-09-2007	30-09-2006	Change
Balance sheet total	38,456.7	30,361.4	+26.7%
Key assets			
Loans and advances to customers*	22,280.4	16,674.7	+33.6%
Investment securities	9,275.1	7,130.7	+30.1%
Loans and advances to banks	3,853.5	2,872.1	+34.2%
Financial assets held for trading	559.1	1,172.8	-52.3%
Key liabilities			
Deposits from customers	26,377.4	22,688.2	+16.3%
Deposits from banks	5,448.4	2,139.7	+154.6%
Other liabilities	957.9	831.0	+15.3%
Debt securities in issue	405.0	643.1	-37.0%

** net of impairment*

As at 30 September 2007, total assets of the Bank Zachodni WBK Group amounted to PLN 38,456.7 m and were higher by 26.7% y-o-y. The value and structure of the Group's balance sheet was determined by the bank's balance sheet which accounted for 94.7% of the consolidated total assets.

The main growth driver of assets over the year ended on 30 September 2007 was loans and advances to customers (+33.6% y-o-y), which went up due to the dynamic credit delivery. Investment securities kept on an upward trend (+30.1% y-o-y) as a result of the Group's management of the structural balance sheet risk. The increase reported under loans and advances to banks (+34.2% y-o-y) was accompanied by the decline in the financial assets held for trading (-52.3% y-o-y). The latter portfolio showed a fall in NBP and Treasury bills which turned out a less attractive liquidity management alternative than money market placements.

On the liabilities side, the Group posted a substantial increase in deposits from customers (+16.3% y-o-y) and banks (+154.6% y-o-y) and a parallel fall in liabilities from issue of debt securities (-37% y-o-y).

Credit Portfolio

At the end of September 2007, **net loans and advances to customers** were PLN 22,280.4 m and 33.6% up y-o-y (+7.9% q-o-q) due to increasing volumes of the Group's key portfolios: business loans, retail loans and lease rentals. Gross loans and advances to customers amounted to PLN 22,919.6 m vs. PLN 17,390.3 m as of the end of September 2006.

- The **business loans** increased by 32% y-o-y to PLN 15 bn, reflecting higher demand of business customers for funding towards investments, stock and working capital requirements amid fast 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 57% increase y-o-y to PLN 5.9 bn.

- The value of **retail loans** increased by 39% y-o-y to PLN 5.5 bn, with a strong growth in cash loans and mortgage loans. Cash loans increased by 52% to PLN 1.4 bn thanks to the positive perception of the bank's offering and highly effective pro-active promotion and sales methods. Home mortgages gathered momentum, in particular in the area of zloty-denominated lending (+50% y-o-y). Total mortgage portfolio went up by 38% y-o-y to PLN 3.4 bn on account of very good parameters of the bank's product proposition, improved financial standing of retail customers and trends prevailing in the market.

- Over the same period, **the leasing portfolio** increased by 29% to PLN 2.2 bn owing to stronger performance of the Group's leasing organisation (BZ WBK Leasing S.A. and BZ WBK Finanse & Leasing S.A.) in the two key assets categories: vehicles and plant & equipment.

Deposit Base

Deposits from customers, which represent 68.6% of the Group's liabilities, are the primary source of funding its lending business. At the end of September 2007, customer deposits totalled PLN 26,377.4 m and were higher by 16.3% y-o-y.

- The value of **funds deposited in current accounts of personal, business and public sector customers** (excluding one-day deposits) was PLN 9,401.4 m and 32.3% up on the end of September 2006. This growth is attributable to the higher number of customer accounts held with the bank, continued improvement of financial standing of households and their more optimistic outlook on the future.

- Over the last 12 months, the **term deposit base** (including one-day deposits) increased by 8.6% to PLN 16,461.7 m, mainly due to the funds deposited by business customers who enhanced their operations and financial performance thanks to the favourable macroeconomic climate.

Basic Financial Ratios

Selected Financial Ratios	1-3Q 2007	1-3Q 2006
Total costs / Total income	49.6%	52.5%
Net interest income / Total income	41.6%	41.9%
Net commission income / Total income	51.5%	48.7%
Customer deposits / Total assets	68.6%	74.7%
Customer loans / Total assets	57.9%	54.9%
NPL ratio	3.3%	5.9%
NPL coverage ratio	66.8%	60.7%
ROE*	27.7%	24.3%
ROA**	2.8%	2.3%
Solvency Ratio	12.69%	15.08%
Diluted earnings per share (in PLN)	10.73	8.13
Book value per share (in PLN) ***	60.45	48.79

The following were used in computations:

* *profit-after-tax attributable to BZWBK shareholders for 12 month period starting from 1 Oct 2006 and equity as at 30 Sept 2007 net of current profit and minority interests*
** *profit-after-tax attributable to BZWBK shareholders for 12 month period starting from 1 Oct 2006 and average assets derived from balances at the end of comparable periods (end-Sept 2006 and end-Sept 2007)*
*** *total equity per number of BZWBK shares*

Achievements of BZWBK Group in Q3 2007

Bank Zachodni WBK S.A.

Credit delivery

- Given the good economic climate and market requirements, Bank Zachodni WBK S.A. continued to improve its personal lending policy with respect to credit cards, home mortgages, cash loans and overdrafts. Changes involved the revised approach to repayment capacity calculation, limited documentation requirements and harmonisation of procedures for all retail products.

Personal accounts

- In July 2007, Bank Zachodni WBK S.A. launched a "fast-track" account opening procedure under the process called "Account in 10 Minutes". With some further modifications (e.g. possibility to select a specific package of products), the current functionality allows the account opening time to be reduced even below 10 minutes.

- Since September 2007, the customers of Bank Zachodni WBK S.A. can have an account opened without visiting a branch. On signing an account agreement delivered by the bank employee to a convenient location, a payment card and an electronic banking ID are sent to the customer so they can use the account in the full scope.

Debit and credit cards

- In July 2007, the bank added the following two products to its offer: Visa KKS Lech card for personal customers, prepared in co-operation with the football club KKS Lech Poznań (the bar code on the reverse side gives the card's holder access to the stadium) and the Visa Business foreign currency card coming with a current account denominated in euro.

- In August 2007, Bank Zachodni WBK S.A. was the first bank in Poland to introduce '"Verified by Visa" (VbV), a service based on the 3D Secure technology, which ensures the highest security for on-line card transactions. The service was first offered to the holders of AlleKarta (non-embossed Visa Classic card), issued by Bank Zachodni WBK S.A. for the users of Allegro internet auction site. In September, the service was made available to all personal customers holding VISA debit and credit cards issued by the Bank.

Electronic Banking

- In order to maintain the highest security standards for electronic transactions, the bank continued to migrate the users of BZWBK24 internet banking solution to the new form of log-on called 'masked password'. The migration process is expected to be completed by the end of April 2008.

- Bank Zachodni WBK S.A. - in co-operation with leading IT companies - prepared a special offer for those who wish to improve the security of their electronic resources. Through the BZWBK portal, the customers may purchase up-to-date antivirus software with a 50% discount being granted to the users of BZWBK24.

- In the third quarter of 2007, a number of modifications were implemented to facilitate the BZWBK24 internet services (changed layout and descriptions, easier use of e-applications) and to expand their functionality (e.g. Sorbnet transfers for business customers, payment orders for beneficiaries holding FX accounts with other domestic banks; extension of the list of countries accepted in electronic instructions of payment orders; history of transactions available for the past 12 months instead of 6 months as before).

- During the third quarter of 2007, the number of electronic banking users reached 1 million.

Investment Banking

- In the period under consideration, the bank arranged bond issues for eight external clients for a total value of PLN 73.1 m. The bonds were offered and acquired by the entities indicated by the issuers.

- The bank advised Hydrobudowa Włocławek S.A. on its merger with Hydrobudowa Śląsk S.A. and on floatation of the shares of Hydrobudowa Włocławek S.A. (acquiring company) at the Warsaw Stock Exchange (debut on 18 September 2007).

- Bank Zachodni WBK S.A. - together with the BZWBK Brokerage House - acted as an advisor in the public offer of F series shares issued by TUP S.A. to its existing shareholders (excluding pre-emptive rights). The value of the offer was PLN 110 m. On 25 September 2007, the Financial Supervision Commission approved the company's share prospectus.

- The bank participated in the preparation of a share prospectus for Tell S.A. with an intention to float 135,000 B series shares on the regulated market. The prospectus was approved on 21 September 2007 and the floatation took place in October 2007.

- Under the agreement with Koelner S.A., the BZWBK Capital Markets Department performed a valuation of the shares of Koelner S.A. and Śrubex S.A. and recommended to the Management Board of Koelner S.A. a share exchange parity in advance of the planned merger of the two companies.

Development of distribution channels

- During the third quarter of 2007, Bank Zachodni WBK S.A. continued intensive efforts to open subsequent outlets under the Branch Network Development Programme. The actions included search for the best branch locations, negotiating and signing the required contracts, design and building works and staff recruitment. A special induction programme was developed to efficiently cover a large number of new hires in the Branch Banking.

- At the end of September 2007, the bank's branch network consisted of 378 outlets (by physical locations; not counting 12 rationalised outlets which are still operative within the structures of other branches).

- In the third quarter of the current year, new agency outlets were opened as part of "Minibank", a network of units providing customers with fast and easy access to inexpensive standardised banking products. Further units are ready to be opened shortly with many more still at the preparation stage.

- The BZWBK Mobile Sales (a network of self-employed financial advisors) extended its geographical reach (two new regions added: Poznań and Katowice) to cover 8 regions and 19 sales at the end of September 2007.

- As at 30 September 2007, the ATM network of Bank Zachodni WBK S.A. comprised 638 machines, i.e. 10 more than in the previous quarter.

Selected subsidiaries

BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A.

- In the third quarter of 2007, the value of funds flowing to BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. was much higher than the value of withdrawals, despite the price adjustments at the Warsaw Stock Exchange market and the resultant volatility in the prices of mutual fund units.

- In line with the prevailing investment trends (a shift from equity funds towards more safer funds), many customers were choosing Arka BZ WBK Ochrony Kapitału FIO (Capital Protection Fund; +13% q-o-q) and Arka BZ WBK Obligacji FIO (Bonds Fund; +20% q-o-q). However, the biggest growth on a quarter-on-quarter basis was observed in Arka BZ WBK Akcji Środkowej i Wschodniej Europy FIO (fund for the shares of Central and Eastern Europe; +529% q/q) with PLN 1,030.3 m worth of assets attracted as a result of the strong investment strategy and effective marketing campaign.

- At the end of September 2007, the value of net assets under the management of BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. was PLN 22,836.3 m, which was higher by PLN 431.2 m than 3 months before and by PLN 8,937.5 m than 12 months before. This performance gives the company a 16.2% share in the mutual funds market, i.e. 0.2 p.p. more than at the end of the second quarter.

BZ WBK AIB Asset Management S.A.

- As at 30 September 2007, the value of the assets managed by BZ WBK AIB Asset Management S.A. (together with the mutual funds of BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A.) was PLN 26,468.8 m.

Dom Maklerski BZ WBK S.A.

- Over the 3 quarters of 2007, Dom Maklerski BZ WBK (Brokerage House) recorded a turnover of PLN 38,997.2 m in the stock market, which is 45% higher y-o-y and ensures the company top position in Poland by the market share (11%). This rank is primarily attributable to the high quality of service provided to the company's customers. In the third quarter of 2007, stock trading totalled PLN 11,546.4 m and was lower by 18% q-o-q due the base effect of the record high trading achieved in the previous quarter and the subsequent downturn of the stock market as a whole.

- In the third quarter of 2007, the Brokerage House acted as an intermediary in concluding 526.1 k futures contracts, a 33% growth q-o-q. The number of such transactions increased y-o-y by 14% to 1,362.2 k ytd, giving the company the third position in Poland with a market share of 10.4%.

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

- The net assets leased by the two leasing companies during the third quarter of 2007 amounted to PLN 452.1 m (PLN 1,259.6 m ytd). In effect, a significant growth of the leasing receivables was achieved and the barrier of PLN 2 billion was broken for the first time. In the third quarter, a particularly strong growth was recorded in the sale of machinery and equipment (+16% q-o-q), while car leases were the main driver of the portfolio growth on a year-on-year basis (+59% y-o-y).

10. Significant accounting policies applied in BZ WBK Group

Statement of compliance

The interim consolidated financial statements of the BZWBK Group for the 9 month period ended 30 September 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 6 014 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 140 565 k currently classified as "Commission income",
- Other trading f/x transactions of PLN 16 400 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 2 592 k, currently in „Gains (losses) from other financial securities", previously as at separate item of profit and loss account
- Change in classification of gains on execution of Euroindex options related to indexed customer deposits, currently being a part of „Fee and commission expenses" 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) Consolidated balance sheet:

- Reclassification of interest from IRS valuation to „Hedging derivatives" as at 30.09.2006 totaling PLN 17 445 k in assets and PLN 2 643 k in liabilities
- Change of presenting derivatives as at 30.09.2006 totaling PLN 10 895 k, presented now as net amounts under „Financial assets held for trading" and „Financial liabilities held for trading",
- Reclassification of bonds to „Receivables from customers" totaling PLN 35 994 k as at 30.09.2006 presented previously under „Investment securities",
- Change of presenting incoming and outgoing SWIFT transactions as at 30.09.2006 that currently total PLN nil after netting,
- Change of presenting liabilities towards international financial organization by BZ WBK Leasing S.A. as at 30.09.2006 totaling PLN 79 300 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 235 410 k as 30.09.2006 that were previously presented under „Derivative financial instruments",
- Reclassification of trading derivatives to „Financial liabilities held for trading" as at 30.09.2006 totaling PLN 211 115 k that were previously presented under „Derivative financial instruments",
- Change of presenting „Reverse repo transactions" totaling PLN 20 035 k as at 30.09.2006 presented currently under „Loans and advances to banks"
- Change of presenting „Repo transactions" totaling PLN 685 809 as at 30.09.2006, 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.

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, are translated at the foreign exchange rate ruling at the balance sheet date. 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. Foreign exchange differences arising on translation are recognised in the income statement except for differences arising on retranslation of available for sale equity instruments.

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 other financial liabilities.

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 are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the entity intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (b) those that the entity upon initial recognition designates as available for sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

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 and receivables due to reverse repo.

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.

Other financial liabilities

Other financial liabilities include deposits from banks, deposits from customers, liabilities due to repo transactions and debt securities in issue.

Recognition

The Group recognises a financial asset or a financial liability on its balance sheet when, and only when, the entity becomes a party to the contractual provisions of the instrument.
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 in a transaction in which substantially all risk and rewards of ownership of the financial asset are transferred.

The Group removes a financial liability (or a part of a financial liability) from its balance sheet when, and only when, it is extinguished — i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Repo and Reverse Repo

The Group also generates/invests funds by selling/purchasing financial instruments under repurchase/reverse repurchase agreements whereby the instruments must be repurchased/resold 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. Securities lent to counterparties are also retained in the financial statements.

Securities purchased subject to resale agreements ("reverse repos") are not recognised at the balance sheet date. The difference between purchase and resale price is treated as interest and accrued over the life of the agreements. Securities borrowed from counterparties are also not recognised in the financial statements.

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. 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.

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 financial instruments 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.

Hedge accounting

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.

The Group uses derivative financial instruments among others to hedge its exposure to interest rate risks arising from operational, financing and investment activities.

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.

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

The Group creates provisions towards impairment risk-bearing irrevocable conditional liabilities (irrevocable credit lines, financial guarantees, Letter of Credits, etc). The value of the provision is determined as a difference between the estimated amount of available conditional exposure and the current value of expected future cash flows under this exposure.

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

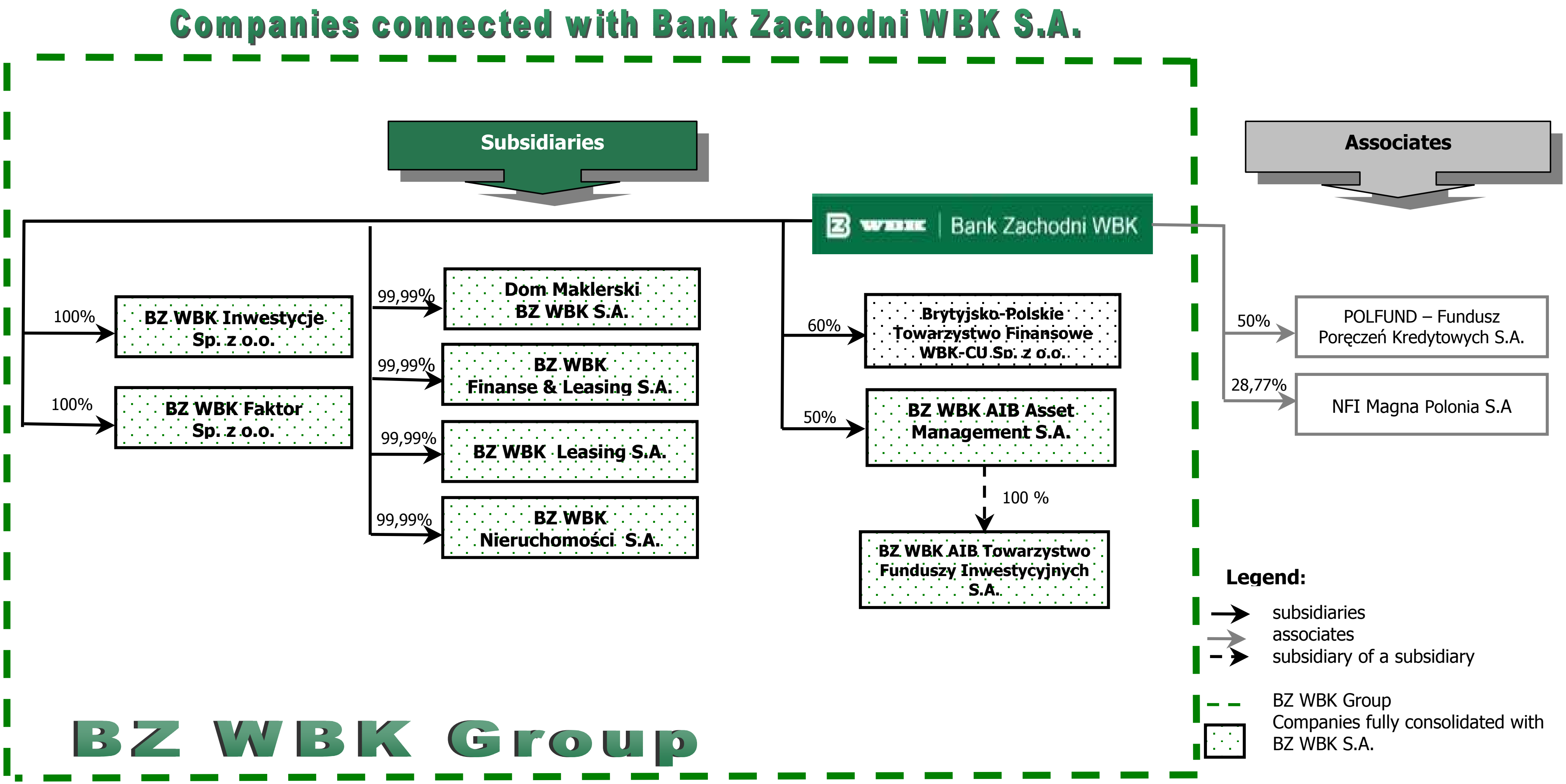
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge to be allocated so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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.

11. Description of organization of BZ WBK Group

Graphical representation of the Group's organization structure and information about types of connection within the Group.



Pursuant to IAS 27, the following subsidiary undertakings were fully consolidated in the financial statements of Bank Zachodni WBK for 3Q 2007:

1) BZ WBK Inwestycje Sp. z o.o.
2) BZ WBK Faktor Sp. z o.o.
3) Dom Maklerski BZ WBK S.A.
4) BZ WBK Finanse & Leasing S.A.
5) BZ WBK Leasing S.A.
6) BZ WBK Nieruchomości S.A. i Wspólnicy Spółka Komandytowa (it was deleted from the company register on 27 February 2007)
7) BZ WBK AIB Asset Management S.A.
8) BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. – subsidiary of BZ WBK Asset Management S.A.
9) BZ WBK Nieruchomości S.A
10) Brytyjsko-Polskie Towarzystwo Finansowe WBK – CU Sp. z o.o.

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.

Pursuant to IAS 28, as at 30 September 2007, associated undertakings were accounted for using the equity method. This applies to the following companies:

1) POLFUND – Fundusz Poręczeń Kredytowych S.A.
2) NFI Magna Polonia SA

12. Related party disclosures

The Group companies enter into intercompany transactions. The transactions are effected between subsidiaries, associates and parent entity. Most of the transactions are banking transactions made as part of ordinary business activities and mainly include loans, deposits and guarantees.
Intercompany transactions effected by the bank and its subsidiaries have been eliminated during the consolidation process.
The table below contains information about transactions effected by the bank and its subsidiaries with related entities at the end of the reporting period.

In thousands of PLN

Receivables and liabilities relating to transactions with connected entities

30.09.2007

Receivables	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Loans and advances to banks	1 449 866	-	68 149	1 518 015
Financial assets held for trading	474	-	36 177	36 651
Hedging derivatives	7 357	-	1 565	8 922
Loans and advances to customers	574 397	-	-	574 397
Investment securities	-	-	282 062	282 062
Other assets	40 134	-	-	40 134
Total	**2 072 228**	**-**	**387 953**	**2 460 181**

Liabilities	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Deposits from banks	571 167	-	986 245	1 557 412
Hedging derivatives	1	-	-	1
Financial liabilities held for trading	7 507	-	61 463	68 970
Deposits from clients	1 433 858	102 786	-	1 536 644
Debt securities in issue	323	-	-	323
Other liabilities	59 372	-	18 724	78 096
Total	**2 072 228**	**102 786**	**1 066 432**	**3 241 446**

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.

In thousands of PLN

30.09.2006

Receivables	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Loans and advances to banks	893 533	-	125 166	1 018 699
Financial assets held for trading	384	-	24 595	24 979
Hedging derivatives	16 723	-	374	17 097
Loans and advances to customers	507 764	-	-	507 764
Investment securities	-	-	270 963	270 963
Other assets	13 281	-	-	13 281
Total	**1 431 685**	**-**	**421 098**	**1 852 783**

Liabilities	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Deposits from banks	501 939	-	306	502 245
Hedging derivatives	25	-	58	83
Financial liabilities held for trading	16 723	-	29 443	46 166
Deposits from clients	883 798	56 962	-	940 760
Debt securities in issue	359	-	-	359
Other liabilities	28 929	-	24 560	53 489
Total	**1 431 773**	**56 962**	**54 367**	**1 543 102**

The difference on transaction with subsidiaries in the amount of PLN 88 k results from prepaid expenses which are recognized in profit and loss account.

Revenues and expenses relating to transactions with connected entities

01.01.2007 - 30.09.2007

Income	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Interest and similar income	61 819	-	17 730	79 549
Fee and commission income	190 033	3	-	190 036
Other operating income	3 727	-	-	3 727
Net trading and revaluation income	(4 905)	-	19 434	14 529
Total	**250 674**	**3**	**37 164**	**287 841**

Expenses	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Interest expense and similar charges	55 999	2 791	1 034	59 824
Fee and commission expense	189 908	-	-	189 908
Other operating expenses incl.:	4 767	-	31 696	36 463
Bank's operating expenses and management costs	4 721	-	31 696	36 417
Other	46	-	-	46
Total	**250 674**	**2 791**	**32 730**	**286 195**

In thousands of PLN

01.01.2006 - 30.09.2006

Income	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Interest and similar income	35 107	-	21 124	56 231
Fee and commission income	127 559	4	-	127 563
Other operating income	3 685	-	897	4 582
Net trading and revaluation income	-	-	4 297	4 297
Gains (losses) from other financial securities	-	-	317	317
Total	**166 351**	**4**	**26 635**	**192 990**

Expenses	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Interest expense and similar charges	34 575	3 079	78	37 732
Fee and commission expense	127 139	-	-	127 139
Gains (losses) from other financial securities and investment in subsidiaries and associates	78	-	-	-
Other operating expenses incl.:	4 647	-	26 320	30 967
Bank's operating expenses and management costs	4 647	-	26 320	30 967
Other		-	-	-
Total	**166 439**	**3 079**	**26 398**	**195 916**

Off balance sheet positions relating to transactions with connected entities

30.09.2007

Intragroup transactions - off-balance sheet liabilities	of which from subsidiaries
1. Sanctioned contingent liabilities	**1 068 788**
- financing-related	944 668
- guarantees	124 120
2. Received contingent liabilities	**1 068 788**
- financing-related	944 668
- guarantees	124 120
Total	**2 137 576**

Intragroup transactions- derivatives' nominal values	of which from subsidiaries
3. Derivatives' nominal values, including:	**1 457 743**
-FX forward- purchased	723
-FX forward - sold	260
-Financial instruments operations-single-currency interest rate hedging swaps	728 380
-Financial instruments operations-single-currency interest rate swaps	728 380

30.06.2007

Intragroup transactions - off-balance sheet liabilities	of which from subsidiaries
1. Sanctioned contingent liabilities	**1 301 694**
- financing-related	1 177 308
- guarantees	124 386
2. Received contingent liabilities	**1 301 694**
- financing-related	1 177 308
- guarantees	124 386
Total	**2 603 388**

In thousands of PLN

Intragroup transactions- derivatives' nominal values	of which from subsidiaries
3. Derivatives' nominal values, including:	**1 080 006**
-FX forward- purchased	1 044
-FX forward - sold	1 012
-Financial instruments operations-single-currency interest rate hedging swaps	538 975
-Financial instruments operations-single-currency interest rate swaps	538 975

13. Comments concerning the seasonal or cyclical character of the annual activities

The business activity of Bank Zachodni WBK S.A. and its subsidiary undertakings has no seasonal character.

14. 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 Group.

15. 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 seperately 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.

16. Issue, redemption or repayment of debt or equity instruments

In 3Q 2007, Bank Zachodni did not issue bonds or other own debt securities, however bonds were issued in BZWBK Finanse & Leasing S.A. subsidiary undertaking - 2-year bonds – 2Z0809 of PLN 14 329 k (nominal value) with the final redemption date of 02.08.2009.

BZWBK Finanse & Leasing S.A. made a repayment of 3-year bonds - 3S0707 of PLN 49 858 k (nominal value) with the final redemption date of 05.07.2007.
BZWBK Leasing S.A. made a repayment of 3-year bonds - 3S0807, 3-year bonds – 3S0907 and 3-year bonds - 3Z0807 of total nominal value PLN 140 108 k with the final redemption date of 02.08.2007, 02.09.2007 and 02.08.2007, respectively.

At the end of 3Q 2007, the total value of obligations with respect to the issue of own bonds by Bank Zachodni WBK S.A., BZWBK Leasing and BZWBK Finanse & Leasing amounted to PLN 378 566 k (nominal value).

In 3Q 2006, Bank Zachodni did not issue bonds or other own debt securities, however bonds were issued in BZWBK Leasing S.A. subsidiary undertaking - 3-year bonds – 3S0809 of PLN 46 376 k (nominal value) with the final redemption date of 07.08.2009 and in BZWBK Finanse & Leasing S.A. subsidiary undertaking - 3-year bonds – 3S0809 of PLN 11 924 k (nominal value) with the final redemption date of 07.08.2009.

BZWBK Leasing S.A. made a repayment of 3-year bonds - 3S0806 and 3-year bonds - 3Z0806 of total nominal value PLN 198 347 k with the final redemption date of 05.08.2006.

At the end of 3Q 2006, the total value of obligations with respect to the issue of own bonds by Bank Zachodni WBK S.A., BZWBK Leasing and BZWBK Finanse & Leasing amounted to PLN 610 667 k (nominal value).

17. Dividend information

Bank Zachodni WBK allocated to dividends 73.9 % of net profit for 2006 (i.e. 57.7% of the Group's net profit attributable to the company's equity holders) of PLN 437 761 704 i.e. PLN 6.00 per one share (PLN 6.00 in 2005). Number of shares totaled 72 960 284. Outstanding profit of PLN 155 033 626.93 will be allocated to other reserve capital.

18. Income and profits by business segments

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 the segment in its operating activity. 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.

In thousands of PLN

Consolidated income statement (by business segments)

30.09.2007	Branch operations	Treasury operations	Investment banking	Leasing operations	Eliminations	Total
1. Total segments income	**2 359 734**	**471 971**	**771 466**	**118 142**	**(826 578)**	**2 894 735**
Segments income (external)	1 872 993	186 008	718 803	116 931	-	**2 894 735**
Segments income (internal)	486 741	285 963	52 663	1 211	(826 578)	**-**
2. Total segments costs	**(1 752 561)**	**(374 573)**	**(376 450)**	**(87 486)**	**826 578**	**(1 764 492)**
Segments costs (external)	(1 414 618)	(32 296)	(243 997)	(73 581)	-	**(1 764 492)**
Segments costs (internal)	(337 943)	(342 277)	(132 453)	(13 905)	826 578	**-**
3. Dividend income			**64 731**			**64 731**
4. Movements in provisions	**7 732**	**-**	**-**	**(4 912)**	**-**	**2 820**
5. Segments income on investment in associates	**-**	**-**	**951**	**-**	**-**	**951**
6. Segments gross profit	**614 905**	**97 398**	**460 698**	**25 744**	**-**	**1 198 745**
7. Unallocated income						-
8. Unallocated costs						(76 492)
9. EBT						**1 122 253**
10. Income tax						(222 474)
11. Minority interest						(115 526)
12. Profit for the period						**784 253**

In thousands of PLN

Consolidated income statement (by business segments)

30.09.2006	Branch operations	Treasury operations	Investment banking	Leasing operations	Eliminations	Total
1. Total segments income	**2 036 701**	**468 301**	**499 766**	**115 917**	**(801 516)**	**2 319 169**
Segments income (external)	1 578 746	156 055	469 638	114 730		**2 319 169**
Segments income (internal)	457 955	312 246	30 128	1 187	(801 516)	**-**
2. Total segments costs	**(1 554 371)**	**(391 654)**	**(237 204)**	**(82 983)**	**801 516**	**(1 464 696)**
Segments costs (external)	(1 213 411)	(28 580)	(150 188)	(72 517)		**(1 464 696)**
Segments costs (internal)	(340 960)	(363 074)	(87 016)	(10 466)	801 516	**-**
3. Dividend income			**57 276**			**57 276**
4. Movements in provisions	**(19 853)**	**-**	**-**	**(2 414)**	**-**	**(22 267)**
5. Segments income on investment in associates	**-**	**-**	**199**	**-**	**-**	**199**
6. Segments gross profit	**462 477**	**76 647**	**320 037**	**30 520**	**-**	**889 681**
7. Unallocated income						-
8. Unallocated costs						(62 405)
9. EBT						**827 276**
10. Income tax						(170 315)
11. Minority interest						(63 515)
12. Profit for the period						**593 446**

In thousands of PLN

19. Acquisitions and disposals of investments in 3Q 2007

No changes in the group structure (mergers, acquisitions and disposals of investments) occurred in the BZ WBK Group during the 3Q 2007.

20. Changes to the contingent liabilities or assets

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	30.09.2007	30.06.2007	Movement
Liabilities sanctioned	**7 971 919**	**7 114 542**	**857 377**
- financial	**7 274 053**	**6 433 240**	**840 813**
- including: import letters of credit	87 046	104 673	(17 627)
- including: credit lines	6 137 739	5 802 615	335 124
- including: credit cards debits	556 754	509 304	47 450
- including: term deposits with future commencement term	492 514	16 648	475 866
- guarantees	**697 866**	**681 302**	**16 564**
- including: confirmed export letters of credit	776	3 604	(2 828)
Received liabilities	**1 937 823**	**1 953 023**	**(15 200)**
Total	**9 909 742**	**9 067 565**	**842 177**

As at 30.09.2007 the Bank received/sanctioned guarantees of PLN 248 238 k (as at 30.06.2007 – PLN 248 772 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.

In thousands of PLN

	Derivatives' nominal values	30.09.2007	30.06.2007	Movement
1.	**Derivatives (hedging)**	**2 127 884**	**1 995 410**	**132 474**
a)	Single-currency interest rate swaps – purchased amounts	1 063 942	997 705	66 237
b)	Single-currency interest rate swaps – sold amounts	1 063 942	997 705	66 237
			-	
2.	**Term derivatives (trading)**	**205 467 352**	**163 531 827**	**41 935 525**
a)	Interest rate operations	162 581 972	140 165 330	22 416 642
-	Single-currency interest rate swaps – purchased amounts	56 165 986	48 432 665	7 733 321
-	Single-currency interest rate swaps – sold amounts	56 165 986	48 432 665	7 733 321
-	FRA-purchased amounts	25 400 000	20 850 000	4 550 000
-	FRA-sold amounts	24 850 000	22 450 000	2 400 000
b)	FX operations	42 885 380	23 366 497	19 518 883
-	FX swap – purchased amounts	16 584 313	8 044 932	8 539 381
-	FX swap – sold amounts	16 602 728	8 021 916	8 580 812
-	Forward purchased	2 857 719	2 166 008	691 711
-	Forward sold	2 847 919	2 155 519	692 400
-	Cross-currency interest rate swaps – purchased amounts	2 020 816	1 524 006	496 810
-	Cross-currency interest rate swaps – sold amounts	1 971 885	1 454 116	517 769
3.	**Currency transactions- spot**	**1 643 922**	**3 822 676**	**(2 178 754)**
	spot-purchased	822 124	1 912 111	(1 089 987)
	spot-sold	821 798	1 910 565	(1 088 767)
4.	**Derivatives – OTC options**	**3 328 530**	**2 364 368**	**964 162**
-	Options purchased	1 664 265	1 182 184	482 081
-	Options sold	1 664 265	1 182 184	482 081
5.	**Euroindex Options**	**8 733**	**99 962**	**(91 229)**
-	Options purchased	8 733	99 962	(91 229)
	Total	**212 576 421**	**171 814 243**	**40 762 178**

21. Principles of PLN conversion into EUR

Selected financial figures for 3Q 2007 and 3Q 2006 were converted according to the following principles:

- balance sheet data – 3.7775 as at 30.09.2007 and 3.9835 as at 30.09.2006; EUR/PLN rate current at the balance sheet date and announced by the National Bank of Poland
- items of profit and loss account - according to the exchange rate EUR/PLN announced by the National Bank of Poland and calculated as an arithmetic mean of the rates from the last day of each month of particular year– as at 30.09.2007 – 3.8314, as at 30.09.2006 – 3.9171

In thousands of PLN

22. 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 3Q 2007 /07.11.2007/ 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 01.08.2007				
AIB European Investments Limited	51 413 790	70,5 %	51 413 790	70,5 %
As at 07.11.2007				
AIB European Investments Limited	51 413 790	70,5 %	51 413 790	70,5 %

23. Changes in shareholding of members of the Management and Supervisory Boards

	No. of Bank Zachodni WBK shares held		
	As at 7.11.2007	As at 1.08.2007	Change
Members of the Management Board	-	-	-
Members of the Supervisory Board	278	278	-

Table below presents personal shareholding of Supervisory and Management Board Members as at 7th November 2007:

Owner	No. of shares
Supervisory Board	
Waldemar Frąckowiak	278

No other Supervisory or Management Board Member is in possession of BZWBK shares.

24. Information about the commenced court proceedings

As at 30 September 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 297 641 k, which is ca. 6.75% of Group's equity. This amount includes PLN 59 719 k claimed by the Bank, PLN 56 114 k in claims against the Bank and PLN 181 808 k are Bank's receivables due to bankruptcy or arrangement cases.

As at 30 September 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 totalled PLN 290 073 k, which was ca. 8.15% of Group's equity. This amount includes PLN 67 951 k claimed by the Bank, PLN 44 898 k in claims against the Bank and PLN 177 224 k are Bank's receivables due to bankruptcy or arrangement cases.

25. Information concerning issuing loan and guarantees by an issuer or its subsidiary

As at 30 September 2007 Bank Zachodni WBK S.A. and its subsidiaries had not issued any guarantees to one business unit or a subsidiary totalling a minimum of 10% of issuer's equity.

26. Events which might affect financial performance over the next quarter

The most important factors, which may affect financial results of the Group in future are:

- continuation of high economic growth, based to a growing extent on domestic demand (both consumption and investment), which 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 rising investment activity of enterprises,
- 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), but the negative influence of stronger zloty on international competitiveness of domestic firms may be offset by continuation of robust gains in labour productivity and economy restructuring supported by increasing financial resources from the EU,
- expected rise in NBP interest rates may somewhat constrain demand for loans, but given that in 2008 the financial policy in Switzerland will still be restrictive, it should stimulate demand for loans in the zloty due to the low Swiss franc rate; 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.

27. Events which occurred after the balance sheet date

There was no events which occurred after the balance sheet date and which could have far influence on the future financial statement.

SIGNATURES OF THE PERSONS REPRESENTING THE ENTITY			
Date	**Name**	**Function**	**Signature**
7-11-2007	James Murphy	member of the Management Board	
7-11-2007	Wanda Rogowska	Financial Accounting Area Director	