



Consolidated
financial statements
of Bank Zachodni WBK S.A.
Group for 4Q 2006

FINANCIAL HIGHLIGHTS		PLN '000		EUR '000	
		01.01.2006 - 31.12.2006	01.01.2005 - 31.12.2005	01.01.2006 - 31.12.2006	01.01.2005 - 31.12.2005
Consolidated financial statements					
I	Interest and similar income	1 659 797	1 670 339	425 687	415 166
II	Fee and commission income	1 173 330	859 241	300 923	213 566
III	Operating profit	1 055 772	688 986	270 773	171 249
IV	Profit before tax	1 065 498	689 456	273 268	171 366
V	Net profit attributable to the Company's equity holders	758 222	516 315	194 461	128 331
VI	Total net cash flow	953 918	(639 056)	244 651	(158 839)
VII	Total assets	33 041 645	29 310 677	8 624 359	7 593 833
VIII	Deposits from banks	1 472 192	1 692 595	384 264	438 519
IX	Deposits from customers	24 169 003	20 838 980	6 308 468	5 398 979
X	Total liabilities	28 964 903	25 874 216	7 560 269	6 703 512
XI	Total equity	4 076 742	3 436 461	1 064 090	890 321
XII	Minority interest	116 741	54 943	30 471	14 235
XIII	Net profit attributable to the Minority	86 024	29 592	22 454	7 355
XIV	Number of shares	72 960 284	72 960 284		
XV	Net book value per share in PLN/EUR	55,88	47,10	14,59	12,20
XVI	Solvency ratio	15,47%	16,05%		
XVII	Profit (loss) per share in PLN/ EUR	10,39	7,08	2,66	1,76
XVIII	Diluted earnings (loss) per share in PLN/EUR	10,38	7,08	2,66	1,76
XIX	Declared or paid dividend per share in PLN/EUR	6,00	6,00	1,57	1,55
Stand alone financial statements					
XX	Interest and similar income	1 541 219	1 543 465	395 276	383 632
XXI	Fee and commission income	683 646	647 786	175 334	161 009
XXII	Operating profit	745 162	559 803	191 111	139 140
XXIII	Profit before tax	745 162	559 803	191 111	139 140
XXIV	Net profit (loss)	592 795	446 223	152 034	110 910
XXV	Total net cash flow	951 332	(627 882)	243 988	(156 061)
XXVI	Total assets	31 382 480	27 891 348	8 191 293	7 226 112
XXVII	Deposits from banks	737 549	1 319 491	192 511	341 855
XXVIII	Deposits from customers	24 515 358	20 969 867	6 398 872	5 432 890
XXIX	Total liabilities	27 769 236	24 702 418	7 248 182	6 399 922
XXX	Equity attributable to the Company's equity holders	3 613 244	3 188 930	943 110	826 190
XXXI	Number of shares	72 960 284	72 960 284		
XXXII	Net book value per share in PLN/EUR	49,52	43,71	12,93	11,32
XXXIII	Solvency ratio	13,79%	15,06%		
XXXIV	Profit (loss) per share in PLN/ EUR	8,13	6,12	2,09	1,52
XXXV	Diluted earnings (loss) per share in PLN/EUR	8,12	6,12	2,08	1,52
XXXVI	Declared or paid dividend per share in PLN/EUR	6,00	6,00	1,57	1,55

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1. Consolidated income statement

For reporting periods ending on:	01-10-2006 -31-12-2006	01-01-2006 -31-12-2006	01-10-2005 -31-12-2005	01-01-2005 -31-12-2005
Interest and similar income	440 725	1 659 797	408 893	1 670 339
Interest expense and similar charges	(158 535)	(625 589)	(166 595)	(761 064)
Net interest income	282 190	1 034 208	242 298	909 275
Fee and commission income	321 769	1 173 330	232 986	859 241
Fee and commission expense	(48 121)	(170 304)	(32 413)	(165 103)
Net fee and commission income	273 648	1 003 026	200 573	694 138
Dividend income	-	57 276	291	47 698
Foreign exchange profit	51 207	208 172	48 599	218 292
Gains (losses) on hedge accounting activities	395	2 987	274	(656)
Gains (losses) from financial instruments measured at fair value through profit and loss	(984)	21 088	2 560	18 624
Gains (losses) from investment in securities	174	28 975	636	5 649
Gains (losses) on sale of subsidiaries and associates	1 379	9 500	-	-
Other operating income	19 786	49 771	14 770	50 174
Impairment losses on loans and advances	(6 069)	(28 336)	(32 839)	(61 595)
Operating expenses incl.: Bank's staff, operating expenses and management costs	(393 031)	(1 330 895)	(319 121)	(1 192 613)
Depreciation/amortisation	(342 704)	(1 130 860)	(266 209)	(977 574)
Other operating expenses	(35 504)	(158 817)	(46 025)	(186 481)
Operating profit	(14 823)	(41 218)	(6 887)	(28 558)
Share in net profits (losses) of associates accounted for by the equity method	228 695	1 055 772	158 041	688 986
	9 527	9 726	(238)	470
Profit before tax	238 222	1 065 498	157 803	689 456
Corporate income tax	(50 937)	(221 252)	(45 158)	(143 549)
Profit for the period	187 285	844 246	112 645	545 907
of which:				
attributable to the Company's equity holders	164 776	758 222	103 535	516 315
attributable to the Minority equity holders	22 509	86 024	9 110	29 592
Net earnings per share				
Basic earnings per share (PLN)		10,39		7,08
Diluted earnings per share (PLN)		10,38		7,08

2. Consolidated balance sheet

	31-12-2006	30-09-2006	31-12-2005
ASSETS			
Cash and balances with central bank	1 534 480	1 070 831	572 342
Loans and advances to banks	3 154 546	2 872 103	3 608 333
Financial instruments at fair value through profit or loss	741 929	937 352	1 925 909
Derivative financial instruments	395 650	267 286	443 615
Loans and advances to customers	17 607 251	16 651 477	14 194 484
Reverse repo transactions	15 629	20 035	15 199
Investment securities	8 055 911	7 166 727	6 990 336
Investments in associates	36 201	25 630	73 237
Intangible assets	135 032	126 172	174 194
Property, plant & equipment	493 657	474 532	518 643
Current income tax due	-	-	20 146
Deferred tax assets	392 467	432 080	435 232
Other assets	478 892	359 551	339 007
Total assets	33 041 645	30 403 776	29 310 677
LIABILITIES			
Deposits from banks	1 472 192	1 559 364	1 692 595
Derivative financial instruments	249 340	237 266	285 487
Deposits from customers	24 169 003	22 634 330	20 838 980
Repo transactions	1 230 682	685 809	999 541
Debt securities in issue	646 342	643 135	840 383
Current income tax liabilities	7 643	20 932	-
Deferred tax liabilities	293 529	232 027	315 232
Other liabilities	896 172	831 024	901 998
Total liabilities	28 964 903	26 843 887	25 874 216
Equity			
Capital and reserves attributable to the Company's equity holders	3 960 001	3 465 683	3 381 518
Share capital	729 603	729 603	729 603
Other reserve funds	1 857 147	1 855 459	2 028 706
Revaluation reserve	508 548	180 694	250 088
Retained earnings	106 481	106 481	(143 194)
Profit of the current period	758 222	593 446	516 315
Minority interest	116 741	94 206	54 943
Total equity	4 076 742	3 559 889	3 436 461
Total equity and liabilities	33 041 645	30 403 776	29 310 677

3. Movements on consolidated equity

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

MOVEMENTS ON CONSOLIDATED EQUITY	Equity					Total
	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Minority interest	
Opening balance at 31.12.2005	729 603	2 028 706	250 088	373 121	54 943	3 436 461
Net change in available for sale investments	-	-	(69 159)	-	-	(69 159)
Share scheme charge	-	1 986	-	-	-	1 986
Net gains not recognised in income statement	-	1 986	(69 159)	-	-	(67 173)
Net profit	-	-	-	593 446	63 515	656 961
Total recognised increase in equity in 1-3Q 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 capitals	-	(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

MOVEMENTS ON CONSOLIDATED EQUITY	Equity					Total
	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Minority interest	
Opening balance at 31.12.2004	729 603	1 701 632	156 012	432 153	30 807	3 050 207
changes in accounting principles resulting from adoption of IFRS	-	-	29 197	(72 102)	-	(42 905)
Adjusted balance at 1.01.2005	729 603	1 701 632	185 209	360 051	30 807	3 007 302
Net change in available for sale investments	-	-	66 001	-	-	66 001
Net gains not recognised in income statement	-	-	66 001	-	-	66 001
Net profit	-	-	-	516 315	29 592	545 907
Total recognised increase in equity in 2005	-	-	66 001	516 315	29 592	611 908
Dividend relating to 2004	-	-	-	(177 293)	(5 459)	(182 752)
Transfer to general banking risk fund	-	30 000	-	(30 000)	-	-
Transfer to supplementary capital	-	275 682	-	(275 682)	-	-
Other	-	21 392	(1 122)	(20 270)	3	3
As at 31.12.2005	729 603	2 028 706	250 088	373 121	54 943	3 436 461

4. Consolidated cash flow statement

	01-10-2006 -31-12-2006	01-01-2006 -31-12-2006	01-10-2005 -31-12-2005	01-01-2005 - 31-12-2005
Profit (loss) before tax	238 222	1 065 498	157 803	689 456
Total adjustments:	560 230	913 442	(1 463 686)	205 025
Share in net profits (losses) of associates accounted for by the equity method	(9 527)	(9 726)	238	(470)
Amortization	35 504	158 817	46 025	186 481
Impairment losses	351	(1 360)	(1 204)	(4 311)
Gains (losses) on exchange differences	4 008	1 738	(19 673)	(3 965)
Interests and similar charges	(32 659)	113 838	(2 823)	(6 063)
Dividend income	-	(57 276)	(291)	(47 698)
(Profit) loss from investing activities	(1 389)	(37 297)	(863)	(2 536)
Change in provisions	37 398	40 381	14 132	26 214
Change in financial instruments at fair value through profit and loss	74 120	1 195 798	322 735	(663 523)
Change in loans and advances from banks	(94 503)	445 567	(531 010)	(819 259)
Change in loans and advances from customers	(384 783)	(3 408 766)	197 577	(211 268)
Change in receivables arising from securities purchased under reverse repo agreements	4 406	(430)	114	10 498
Change in deposits from banks	(531 596)	(707 372)	(175 157)	510 425
Change in deposits from customers	1 037 334	3 380 003	443 894	1 606 954
Change in liabilities arising from securities sold under repurchase agreements	544 873	231 141	(1 233 587)	266 851
Change in liabilities arising from debt securities in issue	1 563	(1 037)	(500 651)	(457 625)
Change in assets and liabilities arising from deferred taxation	11 753	(9 042)	(24 642)	(17 475)
Change in other assets and liabilities	(117 060)	(218 019)	(6 632)	(72 071)
Paid income tax	(19 897)	(204 619)	7 920	(96 373)
Other adjustments	334	1 103	212	239
Net cash flow from operating activities - indirect method	798 452	1 978 940	(1 305 883)	894 481
Inflows	454 366	1 786 353	1 026 994	1 665 502
Sale of shares or interests in subsidiaries and associates	-	58 033	13 955	13 955
Sale of investment securities	452 913	1 666 791	1 009 867	1 592 823
Sale of intangible and tangible fixed assets	1 443	4 110	2 608	9 595
Dividends received	-	57 276	291	47 698
Proceeds from other investments	10	143	273	1 431
Outflows	(961 476)	(2 526 277)	(844 566)	(2 842 735)
Purchase of investment securities	(901 644)	(2 434 882)	(807 080)	(2 769 527)
Purchase of intangible and tangible fixed assets	(58 829)	(89 056)	(36 969)	(71 603)
Other investments	(1 003)	(2 339)	(517)	(1 605)
Net cash flow from investing activities	(507 110)	(739 924)	182 428	(1 177 233)
Inflows	213 289	672 419	26 994	99 548
Drawing of long-term loans	213 289	579 075	-	-
Issue of debt securities	-	93 344	26 994	99 548
Outflows	(42 541)	(957 517)	(56 388)	(455 852)
Repayment of long-term loans	(34 364)	(147 825)	(45 163)	(199 737)
Debt securities buy out	-	(286 348)	-	-
Dividends and other payments to shareholders	-	(464 806)	(488)	(182 752)
Other financing outflows	(8 177)	(58 538)	(10 737)	(73 363)
Net cash flow from financing activities	170 748	(285 098)	(29 394)	(356 304)
Total net cash flow	462 090	953 918	(1 152 849)	(639 056)
Cash at the beginning of the accounting period	1 085 514	593 686	1 746 535	1 232 742
Cash at the end of the accounting period	1 547 604	1 547 604	593 686	593 686

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

	01-10-2006 - 31-12-2006	01-01-2006 - 31-12-2006	01-10-2005 - 31-12-2005	01-01-2005 - 31-12-2005
Interest and similar income	411 301	1 541 219	376 717	1 543 465
Interest expense and similar charges	(149 981)	(581 365)	(155 934)	(714 273)
Net interest income	261 320	959 854	220 783	829 192
Fee and commission income	177 350	683 646	164 637	647 786
Fee and commission expense	(17 222)	(60 323)	(19 095)	(112 704)
Net fee and commission income	160 128	623 323	145 542	535 082
Dividend income	335	98 712	-	73 658
Foreign exchange profit	50 578	205 711	48 474	215 311
Gains (losses) on hedge accounting activities	518	2 998	279	(49)
Gains (losses) from financial instruments measured at fair value through profit and loss	(3 961)	7 187	106	12 647
Gains (losses) from investment in securities	1 934	8 663	2 131	7 203
Gains (losses) on sale of subsidiaries and associates	-	14 717	-	-
Other operating income	15 636	32 088	10 332	34 429
Impairment losses on loans and advances	(6 307)	(26 126)	(32 832)	(57 471)
Operating expenses incl.: Bank's staff, operating expenses and management costs	(336 698)	(1 181 965)	(283 155)	(1 090 199)
Depreciation/amortisation	(290 644)	(995 781)	(232 492)	(885 366)
Other operating expenses	(34 025)	(153 008)	(44 660)	(180 937)
	(12 029)	(33 176)	(6 003)	(23 896)
Operating profit	143 483	745 162	111 660	559 803
Profit before tax	143 483	745 162	111 660	559 803
Corporate income tax	(32 457)	(152 367)	(35 644)	(113 580)
Profit for the period	111 026	592 795	76 016	446 223
Net earnings (loss) per ordinary share (PLN)		8,13		6,12
Diluted earnings (loss) per ordinary share (PLN)		8,12		6,12

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

	31-12-2006	30-09-2006	31-12-2005
ASSETS			
Cash and balances with central bank	1 534 469	1 070 820	572 329
Loans and advances to banks	3 149 267	2 866 216	3 606 067
Financial instruments at fair value through profit or loss	685 255	920 605	1 925 612
Derivative financial instruments	395 730	267 299	443 615
Loans and advances to customers	16 159 539	15 387 804	12 897 389
Reverse repo transactions	15 629	20 035	15 199
Investment securities	8 028 392	7 136 971	6 917 015
Investments in associates	186 318	197 909	240 069
Intangible assets	127 101	119 566	166 728
Property, plant & equipment	483 594	466 108	510 976
Current income tax due	947	-	21 014
Deferred tax assets	346 508	391 592	402 407
Other assets	269 731	178 652	172 928
Total assets	31 382 480	29 023 577	27 891 348
LIABILITIES			
Deposits from banks	737 549	1 062 336	1 319 491
Derivative financial instruments	267 800	253 978	313 156
Deposits from customers	24 515 358	22 938 300	20 969 867
Repo transactions	1 230 682	685 809	999 541
Debt securities in issue	95 897	95 299	93 035
Current income tax liabilities	-	9 689	-
Deferred tax liabilities	282 196	222 481	303 428
Other liabilities	639 754	582 239	703 900
Total liabilities	27 769 236	25 850 131	24 702 418
Equity			
Capital and reserves attributable to the Company's equity holders	3 613 244	3 173 446	3 188 930
Share capital	729 603	729 603	729 603
Other reserve funds	1 785 744	1 784 056	1 950 396
Revaluation reserve	505 102	178 018	239 495
Retained earnings	-	-	(176 787)
Profit of the current period	592 795	481 769	446 223
Total equity	3 613 244	3 173 446	3 188 930
Total equity and liabilities	31 382 480	29 023 577	27 891 348

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

Equity					
MOVEMENTS ON 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
Net change in available for sale investments	-	-	265 607	-	265 607
Share scheme charge	-	3 674	-	-	3 674
Net gains not recognised in income statement	-	3 674	265 607	-	269 281
Net profit	-	-	-	592 795	592 795
Total recognised increase in equity in 2006	-	3 674	265 607	592 795	862 076
Dividend relating to 2005	-	-	-	(437 762)	(437 762)
Transfer from supplementary capital	-	(168 326)	-	168 326	-
As at 31.12.2006	729 603	1 785 744	505 102	592 795	3 613 244

Equity					
MOVEMENTS ON 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
Net change in available for sale investments	-	-	(61 477)	-	(61 477)
Share scheme charge	-	1 986	-	-	1 986
Net gains not recognised in income statement	-	1 986	(61 477)	-	(59 491)
Net profit	-	-	-	481 769	481 769
Total recognised increase in equity in 1-3Q 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

Equity					
MOVEMENTS ON EQUITY	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Total
Balance at 31.12.2004	729 603	1 684 362	154 534	326 227	2 894 726
changes in accounting principles resulting from adoption of IFRS	-	-	20 621	(59 687)	(39 066)
Adjusted balance at 01.01.2005	729 603	1 684 362	175 155	266 540	2 855 660
Net change in available for sale investments	-	-	64 340	-	64 340
Net gains not recognised in income statement	-	-	64 340	-	64 340
Net profit	-	-	-	446 223	446 223
Total recognised increase in equity in 2005	-	-	64 340	446 223	510 563
Dividend relating to 2004	-	-	-	(177 293)	(177 293)
Transfer to general banking risk fund	-	30 000	-	(30 000)	-
Transfer to reserve capital	-	236 034	-	(236 034)	-
As at 31.12.2005	729 603	1 950 396	239 495	269 436	3 188 930

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

	01-10-2006 - 31-12-2006	01-01-2006 - 31-12-2006	01-10-2005 - 31-12-2005	01-01-2005 - 31-12-2005
Profit (loss) before tax	143 483	745 162	111 660	559 803
Total adjustments:	805 739	1 434 757	(1 358 933)	231 717
Amortization	34 025	153 008	44 660	180 937
Impairment losses	(1 341)	(3 742)	(2 315)	(5 140)
Interests and similar charges	(38 644)	58 431	(21 083)	(74 140)
Dividend income	(335)	(98 712)	-	(73 658)
(Profit) loss from investing activities	(307)	(19 880)	(295)	(2 058)
Change in provisions	21 536	24 519	(2 480)	9 680
Change in financial instruments at fair value through profit and loss	120 741	1 242 886	323 465	(653 040)
Change in loans and advances from banks	(284 409)	445 992	(571 896)	(818 831)
Change in loans and advances from customers	(771 735)	(3 262 150)	(281 299)	(97 181)
Change in receivables arising from securities purchased under reverse repo agreements	4 406	(430)	114	10 498
Change in deposits from banks	(324 756)	(581 942)	137 261	412 740
Change in deposits from customers	1 577 027	3 595 471	662 281	1 638 019
Change in liabilities arising from securities sold under repurchase agreements	544 873	231 141	(1 233 587)	266 851
Change in liabilities arising from debt securities in issue	598	2 862	(495 691)	(466 093)
Change in assets and liabilities arising from deferred taxation	(1)	(1)	(1)	123
Change in other assets and liabilities	(76 398)	(209 831)	82 601	(31 422)
Tax paid	-	(143 946)	(65)	(65 108)
Other adjustments	459	1 081	(603)	(460)
Net cash flow from operating activities - indirect method	949 222	2 179 919	(1 247 273)	791 520
Inflows	461 694	1 772 800	1 013 918	1 649 220
Sale of shares or interests in subsidiaries and associates	12 999	71 054	-	6 837
Sale of investment securities	447 167	1 599 209	1 011 607	1 558 382
Sale of intangible and tangible fixed assets	1 183	3 682	2 038	8 912
Dividends received	335	98 712	-	73 658
Proceeds from other investments	10	143	273	1 431
Outflows	(953 635)	(2 510 113)	(858 622)	(2 803 076)
Purchase of shares or interests in subsidiaries and associates	-	-	(16 360)	(16 360)
Purchase of investment securities	(897 203)	(2 426 437)	(808 310)	(2 720 370)
Purchase of intangible and tangible fixed assets	(55 429)	(81 337)	(33 435)	(64 741)
Other investments	(1 003)	(2 339)	(517)	(1 605)
Net cash flow from investing activities	(491 941)	(737 313)	155 296	(1 153 856)
Inflows	-	-	-	-
Outflows	(883)	(491 274)	(34 946)	(265 546)
Repayment of long-term loans	-	(49 980)	(34 094)	(84 874)
Dividends paid	-	(437 762)	-	(177 263)
Other financing outflows	(883)	(3 532)	(852)	(3 409)
Net cash flow from financing activities	(883)	(491 274)	(34 946)	(265 546)
Total net cash flow	456 398	951 332	(1 126 923)	(627 882)
Cash at the beginning of the accounting period	1 086 318	591 384	1 718 307	1 219 266
Cash at the end of the accounting period	1 542 716	1 542 716	591 384	591 384

ADDITIONAL INFORMATION TO CONSOLIDATED QUARTERLY REPORT OF BZWBK GROUP**9. Bank Zachodni WBK Group performance****Financial Performance****Profit and Loss Account after four quarters of 2006**

The table below presents major developments in key categories of the profit and loss account of the Bank Zachodni WBK Group in 2006 as compared to 2005.

PLN m

Key Profit & Loss Items	1-4Q 2006	1-4Q 2005	Change
Total income	2,415.0*	1,943.2	+24.3%
Total costs	(1,330.9)	(1,192.6)	+11.6%
Profit-before-tax	1,065.5*	689.5	+54.5%
Income tax	(221.3)	(143.5)	+54.2%
Profit-after-tax**	758.2*	516.3	+46.9%

* includes one-off gains earned in the equity market for a total of PLN 37.3m

** excludes profit attributable to minority shareholders (2006 – PLN 86m; 2005 – PLN 29.6m)

In 2006, the Bank Zachodni WBK Group posted profit-before-tax of PLN 1,065.5m which exceeds the 2005 level by 54.5%. Profit-after-tax attributable to BZ WBK shareholders was PLN 758.2m and 46.9% higher y-o-y. The increase in consolidated profits was driven by a very good performance of the bank and excellent results of subsidiaries, mainly BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A., BZ WBK AIB Asset Management S.A., Dom Maklerski BZ WBK S.A., BZ WBK Leasing S.A. and BZ WBK Finanse & Leasing S.A.

Income

In 2006, the Bank Zachodni WBK Group produced total income of PLN 2,415m, an increase of 24.3% on the previous year. The main components of the total income were as follows:

- Net Interest Income**

Net interest income amounted to PLN 1,034.2m compared with PLN 909.3m posted a year before. Taking into account interest-related income from FX Swap and FX Basis Swap transactions (recognised in "FX profit" and "Gains from assets measured at fair value through profit and loss", respectively), which declined y-o-y from PLN 72.7m to PLN 24.7m, the underlying net interest income increased by 7.8%. This was achieved thanks to the growth of business and favourable changes in its structure, with credit margins at relatively stable levels and deposit margins contracting in a lower interest rate environment.

- Net Commission Income**

Net commission income amounted to PLN 1,003m and increased by 44.5% y-o-y driven by sustained expansion of the bank's and subsidiaries' business.

Due to the fast 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., a significant increase in net

In thousands of PLN

income was recorded in asset management fees (+229.1%) and fees for distribution of mutual fund units (+59.5%). A strong growth was also witnessed in net brokerage fees of Dom Maklerski BZ WBK S.A. (+76.5) parallel with the rising business volumes amid increasingly higher trading at the Warsaw Stock Exchange. There was also a noteworthy increase in net commission income generated by insurance products (+165.4%) and services rendered for customers involved in capital market projects (+19.7%).

The e-Business and Payments Area reported a growth of 2.6% which is slower than a year before due to smaller net income from international payments in the aftermath of significant reduction of respective fees and commissions in July 2006. A significant progress in this business line was noted however in net fee income from Western Union money transfers (+31.9%), debit cards (19.5%) and electronic services (18.6%).

The slight decrease of 3.7% in fees and commissions for account maintenance and cash transactions resulted from a price promotion and negotiable schedule of current account-related fees made available to business customers, and also their increased migration to electronic channels.

- **Dividend Income**

Dividend income of PLN 57.3m increased by 20.1% as a result of higher dividend paid out by the Commercial Union Group members included in the bank's equity investment portfolio. In 2006, these entities disbursed PLN 53m in dividends to the bank as compared to PLN 44.1m in the previous year.

- **FX Profit**

FX profit was PLN 208.2m and 4.6% down y-o-y due to the decline in FX Swap income as a result of the shrinking gap between the PLN and FX interest rates. Excluding FX Swap impact, the line shows an increase of 11.9%, which reflects higher income from increased FX transactions with customers, mainly corporate negotiated.

- **Gains on Assets Measured at Fair Value Through Profit and Loss**

Gains on financial transactions measured at fair value through profit and loss increased by 13.4% to PLN 21.1m thanks to higher income from derivative transactions, resulting largely from the stronger market-making activity of the brokerage house.

- **Gains on Assets from the Investment Portfolio and Disposal of Subsidiaries and Associates**

The combined gains on the investment portfolio and disposals of subsidiaries/associates amounted to PLN 38.5m and increased by PLN 32.8m due to the one-off gains in the equity market, i.e. profit earned on the disposal of two associated companies: LZPS Protektor S.A. (PLN 7.8m) and NFI Magna Polonia S.A. (PLN 3.3m), the disposal of TIM S.A. shares from the investment portfolio of the bank's subsidiary BZ WBK Inwestycje Sp. z o.o. (PLN 22.6m) and the repurchase of shares by MasterCard Incorporated (PLN 5.2m).

Loan Impairment Charge

In 2006, the impairment charge to the profit and loss account amounted to PLN 28.3m compared to PLN 61.6m posted a year before. Such a low level of impairment recorded amid the increasing credit volumes confirms the very good performance of the Group's loan-book, consistent operation of the credit risk management policy and

In thousands of PLN

the sharp focus on ensuring portfolio quality. The effectiveness of the credit risk management framework is also evidenced by reduction of the NPL ratio. At the end of December 2006, the "impaired loans" accounted for 4.9% of the gross portfolio with a provision cover of 60.7%. A year before, the corresponding ratios were 6.9% and 62.4%, respectively.

Costs

The performance of the Bank Zachodni WBK Group in 2006 caused reduction of its cost-to-income ratio to 55.1% from the level of 61.4% recorded the previous year.

Total operating costs of the Bank Zachodni WBK Group amounted to PLN 1,330.9m and were higher by 11.6% y-o-y. Their main components were as follows.

- **Staff and Other Administrative Expenses**

Staff and other administrative expenses increased by 15.7% y-o-y to PLN 1,130.9m driven by dynamic business development of the bank and its subsidiaries.

The biggest element of this figure, i.e. the Group's staff expenses, amounted to PLN 683.7m and increased by 19% y-o-y due to higher employment, pay increases triggered by growing competition among banks for highly skilled banking experts, performance-related bonuses and once-off year-end payments in the form of pre-paid cards (PLN 21.9m) for the employees of the bank and subsidiaries.

With a strong business growth, the Group's other administrative expenses increased by 10.9% y-o-y to PLN 447.2m. This movement results mainly from the Group's promotional activities designed to support the sales of its strategic products, e.g. Arka BZ WBK mutual funds and cash loans, and the costs related with IT projects implemented to provide the infrastructure to foster further business growth of the bank and its subsidiaries. The Group's ongoing savings initiatives curbed the administrative expenses, restraining the growth of the business-driven cost items and maintaining other costs at a level comparable to the previous year.

- **Depreciation**

Depreciation totalled PLN 158.8m and decreased by 14.9% y-o-y due to effective management of the Group's fixed assets.

- **Other Operating Costs**

Other operating costs increased by 44.1% to PLN 41.2m due to higher level of provisions raised in 2006 for legal risk.

Balance-Sheet as at end-4Q 2006

The table below presents major developments in key categories of the balance sheet of the Bank Zachodni WBK Group as at the end of December 2006 versus 2005.

Key balance-sheet items	31-12-2006	31-12-2005	Change
Balance sheet total	33,041.6	29,310.7	+12.7%
Key assets			
Loans and advances to customers*	17,607.3	14,194.5	+24.0%
Investment securities	8,055.9	6,990.3	+15.2%
Loans and advances to banks	3,154.5	3,608.3	-12.6%
Cash and balances with Central Bank	1,534.5	572.3	+168.1%
Securities at fair value through profit & loss	741.9	1,925.9	-61.5%
Key liabilities			
Deposits from customers	24,169.0	20,839.0	+16.0%
Deposits from banks	1,472.2	1,692.6	-13.0%
Repo transactions	1,230.7	999.5	+23.1%
Debt securities in issue	646.3	840.4	-23.1%

* net of impairment

As at 31 December 2006, total assets of the Bank Zachodni WBK Group amounted to PLN 33,041.6m and were 12.7% up on the previous year. The value and structure of the Group's balance sheet was determined by the bank's balance sheet which accounted for 95% of the consolidated total assets.

The main growth driver of the Group's total assets were loans and advances to customers which were on the rise along with fast-developing credit delivery. Investment securities were on an upward trend as part of the Group's management of the structural balance-sheet risk. The relatively high balance under "Cash and operations with Central Bank" stems from the replenishment of the reserve which was due to the National Bank of Poland at the year-end as a result of the Group's liquidity management. The resultant increase in assets was partially offset by the decline in interbank placements and the portfolio of securities measured at fair value through profit and loss. This portfolio recorded a fall in NBP bills which are short-term securities and subject to significant fluctuations over time.

On the liabilities side, the Group posted a substantial increase in deposits from customers and repo transactions. The latter grew in importance in 2006 as a source of Treasury funding due to more favourable pricing conditions compared with the money market.

Credit Portfolio

At the end of December 2006, net loans and advances to customers were PLN 17,607.3m and 24% up y-o-y due to increasing volumes of the Group's key loan-books: business loans, retail loans and lease rentals. Gross loans and advances to customers amounted to PLN 18,253.5m vs. PLN 14,921.3m a year before.

Compared to the end of December 2005, the business loans increased by 25.2% to PLN 12,046.3m, reflecting higher demand of business customers for funding towards investments and working capital requirements. The credit delivery accelerated driven by the optimistic outlook for further development of the Polish economy and the quality of the Group's credit offer for businesses, both product proposal and services being well-adjusted to the customers' needs. Property was one of the most rapidly growing sectors in 2006 and this, along with effective

In thousands of PLN

sales efforts, contributed to the significant expansion of the Group's property loan-book (loans for income-producing real estates).

The value of retail loans increased by 27.9% y-o-y to PLN 4,238.9m, with the strongest growth in cash loans (+54.1%) and mortgage loans (+26%).

Consolidated loans and advances to customers include lease rentals which grew over the last year by 6.1% to PLN 1,705m. Excluding the impact of prematurely terminated leases of BZ WBK Nieruchomości S.A. i Wspólnicy Spółka Komandytowa (PLN 143.5m as at end-2005) in 3Q 2006, the Group's leasing portfolio increased by 16.5% y-o-y owing to stronger sales of vehicles, plant and equipment by both leasing subsidiaries, i.e. BZ WBK Leasing S.A. and BZ WBK Finanse & Leasing S.A.

The quality of the Group's loan-book continued to improve during the year, which is reflected in the declining NPL ratio, i.e. 4.9% in 2006 versus 6.9% in 2005.

Deposit Base

Deposits from customers, which represent 73.1% of the Group's liabilities, are the primary source of funding its lending business. At the end of December 2006, customer deposits totalled PLN 24,169m and were higher by 16% y-o-y due to the significant growth in balances accumulated in term deposits of business and public sector customers, and in personal current accounts.

The value of funds deposited in current accounts of personal, business and public sector customers (excluding one-day deposits) was PLN 8,120.6m and 19.8% higher on the end of 2005. This growth is attributable to low interest rates which made retail customers more inclined to keep their financial resources in current and savings accounts. These facilities, as opposed to term deposits, offer their holders flexibility in managing the funds, with no financial consequences involved. The Group's current deposit base was also driven by significantly improved financial standing of households and their rising optimism about the prospects for the future.

Over the last 12 months the Group's term deposit base (including one-day deposits) increased by 14.1% to PLN 15,540.8m, mainly due to the funds deposited by business customers who recorded an increased activity and good financial performance thanks to the favourable economic climate.

Debt Securities in Issue

As at the end of December 2006, the Group's liability arising from debt securities in issue amounted to PLN 646.3m which represents a 23.1% decrease y-o-y. Reduction in the own bonds portfolio is an effect of redemption of PLN 281.3m worth of bonds by the leasing companies (Finanse & Leasing S.A. and Leasing S.A.) in 2006. As part of the public bonds issue programmes of the two companies, three new issues were placed in the market last year, with a total nominal value of PLN 93.3m.

Basic Financial Ratios

Financial Ratio	2006	2005
Total costs /Total income	55.1%	61.4%
Interest income /Total income	42.8%	46.8%
Commission fee /Total income	41.5%	35.7%
Deposits / Total assets	73.1%	71.1%
Loans / Total assets	53.3%	48.4%
Impaired loans ratio	4.9%	6.9%
Impaired loan coverage ratio	60.7%	62.4%
ROE*	23.7%	18.0%
ROA**	2.4%	1.8%
Solvency ratio	15.5%	16.1%
Basic earnings per share in PLN	10.4	7.1
Book value per share in PLN	55.9	47.1

* equity as at the end the given period, net of current profit and minority interest, was used in the computations,; adjusting for the impact of revaluation of the bank's equity investment in Commercial Union entities, 2006 ROE was 26%.

** average assets derived from two comparable end-of-period balances (end of the given year and the previous year) were used in the computations

Achievements of Bank Zachodni WBK Group in the fourth quarter of 2006

The bank's and subsidiaries' achievements during the four quarters of 2006 have been discussed in detail in "Report of the Management Board on BZWBK Group Performance in 2006" incorporated in the Group's annual report which is due to be released along with this quarterly report.

10. Significant accounting principles applied in Bank Zachodni WBK Group

Statement of compliance

The interim consolidated financial statements of the BZWBK Group as at 31 December 2006 has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with respect to matters not regulated by the above standards, in accordance with the Accounting Act dated 29 September 1994 (Official Journal from 2002, No. 76, item 694 with amendments) and the respective laws and in accordance with the Decree of the Ministry of Finance dated 19 October 2005 on current and periodical information provided by issuers of securities (Official Journal from 2005, No. 209, item 1744).

Standards that are issued and not yet effective.

IFRS 7 *Financial Instruments: Disclosures* is not effective until 1 January 2007 and was endorsed by the European Union on 11 January 2006. The BZWBK Group (Bank Zachodni WBK S.A.) has not early adopted since management believe that the disclosures under IFRS 7 would not be very different to the requirements of IAS 32 and IAS 30. Other standards, amendments to the standards and IFRIC interpretations recently endorsed or awaiting endorsement are either not relevant to the Bank (BZWBK Group) or would not have a material impact on the current financial statements.

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, the following substantial changes were made to the presentation of financial data compared with 2005:

a) in the consolidated income statement:

- change in recognition of fees of PLN 6 063 k under item "Fee and commission income", which were presented as at 31.12.2005 under the item "Other operating income",
- presenting income from third person's assets management in "other operating income" instead of in "fee and commission income" (as it was at the end 2005) , in the amount of PLN 8 838 k.

b) in the consolidated balance sheet:

- change in presentation of derivative financial instruments in comparable periods in the amount of PLN 336 864 k as at 30.09.2006 and PLN 291 599 k as at 31.12.2005, currently presented as net value of "derivative financial instruments" item.
- Change in presentation of: (1) current income tax due in the amount of PLN 20 146 k as at 31.12.2005 – now presenting as a separate item, not in "other assets" item (2) current income tax liabilities in the amount of PLN 20 932 k as at 30.09.2006 – now presenting as a separate item, not in "other liabilities" item.

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:

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

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

Purchase method of accounting

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

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains

and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

Transactions eliminated on consolidation

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

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

Foreign currency

Foreign currency transactions

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

Hedge accounting and derivative financial instruments

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

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

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

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

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

Fair value hedge

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

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

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

The Group classifies its financial instruments into the following categories: financial assets or financial liabilities at fair value through profit or loss; loans and receivables; available-for-sale financial assets and financial liabilities measured at amortised cost.

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

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

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

Loans and receivables

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

Available-for-sale financial assets

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

Financial liabilities measured at amortised cost

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

Recognition

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

Derecognition

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

Measurement

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

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 and foreign exchange gains and losses, is recognised directly in equity, through the statement of changes in equity until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss. Dividends on



an available-for-sale equity instrument are recognised in profit or loss when the entity's right to receive payment is established.

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

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

Offsetting financial instruments

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

Sale and repurchase agreements

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

Securities sold subject to repurchase agreements ("repos") are not derecognised at the balance sheet date. Where the transferee has the right by contract or custom to sell or repledge the collateral, the liability is disclosed as a liability arising from repo transactions. Securities purchased under agreements to resell ("reverse repos") are recorded as receivables arising from reverse repo transactions. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

Impairment of financial assets

Assets carried at amortised cost

The 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.

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 impairment analysis is carried out 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.

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

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

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

Available-for-sale financial assets

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

Off balance sheet liabilities

For off-balance sheet liabilities, provisions for impairment is measured using the existing credit limit and the recoverable amount defined as the present value of the estimated future cash flows discounted by the effective interest rate. For off-balance sheet liabilities the cash flows are calculated with reference to the existing credit

limit at the date corresponding to the maturity of the obligation and depend on the probability of outflow of the funds from the Bank.

Finance lease receivables

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

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

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

Property, plant and equipment

Owned assets

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

Leased assets

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

Subsequent costs

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

Goodwill

Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint ventures. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. At present, goodwill doesn't exist in the consolidated balance sheet of BZWBK Group.

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 in respect of goodwill is not reversed.

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.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

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

BZWB K 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.

FX profit

Result on SPOT transactions taken to the FX profit is calculated by way of comparing the transaction exchange rate with the average NBP rate as at the balance sheet date.

Result on and valuation of FX Swap and FX Forward transactions is disclosed in "FX gains/losses".

The effects of valuation of the FX off balance sheet items (FX swaps, forwards and spot contracts) are recognized in the balance sheet and the profit and loss account at the transaction date.

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.

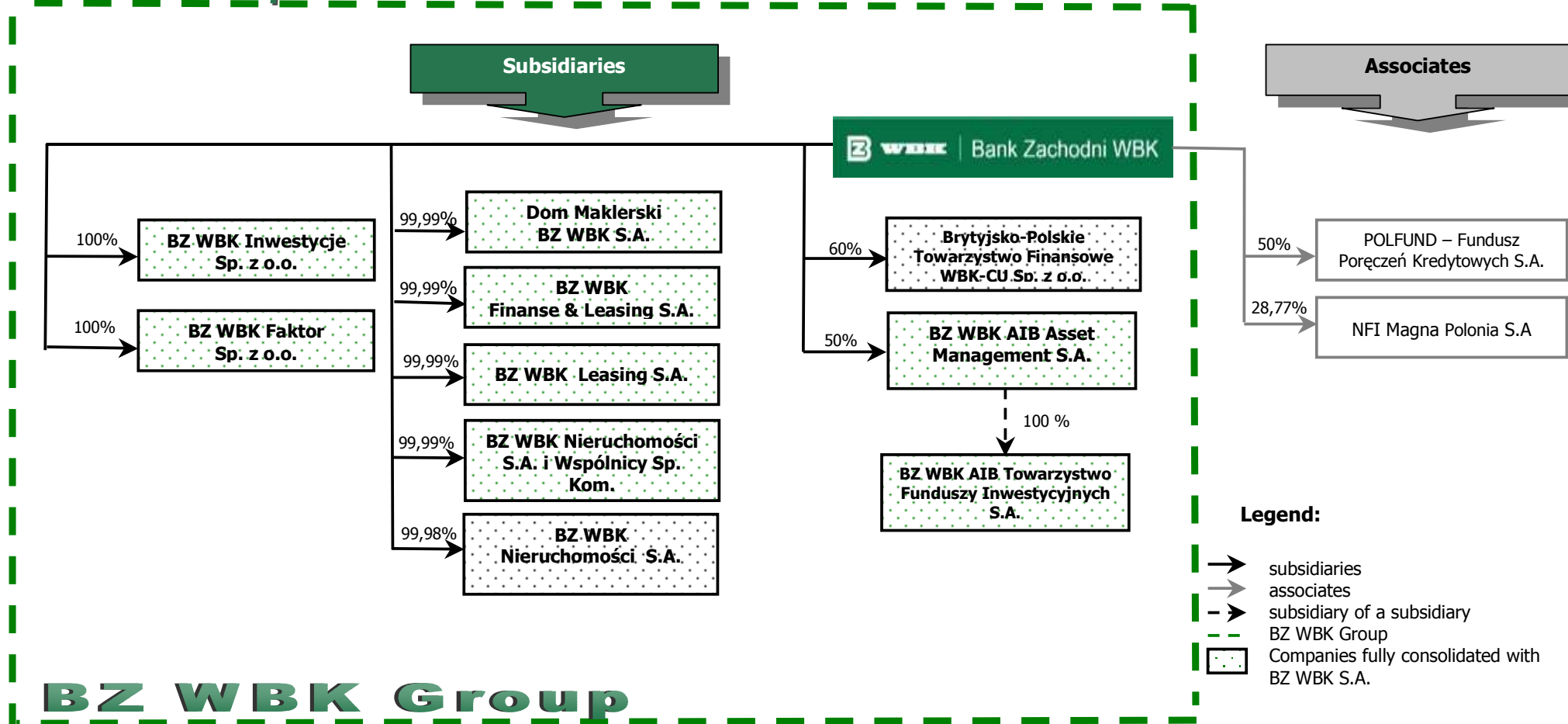
Deferred tax assets and liabilities are not discounted.

Pursuant to the decision of 19 December 2003, based on art. 1a of the Corporate Income Tax Act, Stare Miasto Tax Office in Wrocław registered an Agreement establishing a tax group between Bank Zachodni WBK S.A. and its subsidiary – BZ WBK Inwestycje Sp. z o.o. The agreement was concluded for 3 tax years, i.e. from 1 January 2004 to 31 December 2006.

11. Description of organization of BZWBK Group

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

Companies connected with Bank Zachodni WBK S.A.



Pursuant to IAS 27, the following subsidiary undertakings were fully consolidated in the financial statements of Bank Zachodni WBK for Q4 2006:

- 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
- 7) BZ WBK AIB Asset Management S.A.
- 8) BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. - subsidiary of BZ WBK AIB 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 31 December 2006, 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 S.A.

12. Related party disclosures

All relevant information is disclosed in consolidated financial for year 2006.

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. Characters 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 flow

No extraordinary events influencing the balance sheet structure and financial performance occurred in Bank Zachodni WBK Group.

15. Accounting estimates and judgments

Information about accounting estimates and judgments is disclosed in consolidated financial statements for year 2006.

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

In Q4 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 – 3S0809X of PLN 46 420 k (nominal value) with the final redemption date of 07.08.2009 and in BZWBK Finanse&Leasing S.A. - 3-year bonds – 3S0809X of PLN 11 924 k with the final redemption date of 07.08.2009.

At the end of Q4 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 610 611 k (nominal value).

In Q4 2005, 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 – 3S1008X of PLN 12 801 k (nominal value) with the final redemption date of 06.10.2008 and in BZWBK Finanse&Leasing S.A. - 3-year bonds – 3S1108X of PLN 14 315 k with the final redemption date of 16.11.2008.

At the end of Q4 2005, 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 798 742 k (nominal value).

17. Dividend information

As at 31.12.2006 Bank Zachodni WBK will propose an allocation to dividends 73,9 % of net profit (i.e. 57,7% of 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). Outstanding profit of PLN 155 033 626,97 will be allocated to other reserve capital. Number of shares totaled 72 960 284.

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 that segment in its operating activities. They can be, based on rational premises, allocated to a particular business segment.

Allocations of internal income and expenses were taken into account in determining the profitability of individual segments. Sale prices between the segments are close to market prices. Operating costs and income are appropriately allocated to a relevant segment. Costs and income, which cannot be rationally assigned, are stated in "unallocated costs" and "unallocated income".

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

Consolidated income statement (by business segments)

31.12.2006	Branch operations	Treasury operations	Investment banking	Leasing operations	Eliminations	Total
1. Total segments income	2 755 387	619 149	696 222	154 370	(1 071 508)	3 153 620
Segments income (external)	2 141 010	205 683	654 267	152 660		3 153 620
Segments income (internal)	614 377	413 466	41 955	1 710	(1 071 508)	-
2. Total segments costs	(2 121 689)	(518 812)	(352 965)	(109 759)	1 071 508	(2 031 717)
Segments costs (external)	(1 668 269)	(38 151)	(230 076)	(95 221)		(2 031 717)
Segments costs (internal)	(453 420)	(480 661)	(122 889)	(14 538)	1 071 508	-
3. Dividend income	-	-	57 276	-		57 276
4. Movements in provisions	(26 062)	-	-	(2 274)	-	(28 336)
Write off	(308 884)			(20 420)		(329 304)
Write back	282 822			18 146		300 968
5. Segments income on investment in associates	-	-	9 726	-	-	9 726
6. Segments gross profit	607 636	100 337	410 259	42 337	-	1 160 569
7. Unallocated income						-
8. Unallocated costs						(95 071)
9. EBT						1 065 498
10. Income tax						(221 252)
11. Minority interest						(86 024)
12. Net profit						758 222

Consolidated income statement (by business segments)

31.12.2005	Branch operations	Treasury operations	Investment banking	Leasing operations	Eliminations	Total
1. Total segments income	2 859 458	668 478	300 273	148 905	(1 154 520)	2 822 594
Segments income (external)	2 251 232	164 262	260 238	146 862		2 822 594
Segments income (internal)	608 226	504 216	40 035	2 043	(1 154 520)	-
2. Total segments costs	(2 318 859)	(601 599)	(165 642)	(106 481)	1 154 520	(2 038 061)
Segments costs (external)	(1 778 232)	(41 485)	(122 061)	(96 283)		(2 038 061)
Segments costs (internal)	(540 627)	(560 114)	(43 581)	(10 198)	1 154 520	-
3. Dividend income	-	-	47 698	-	-	47 698
4. Movements in provisions	(57 356)	-	-	(4 239)	-	(61 595)
Write off	(146 143)	-	-	(21 433)		(167 576)
Write back	88 787	-	-	17 194		105 981
5. Segments income on investment in associates	-	-	470	-	-	470
6. Segments gross profit	483 243	66 879	182 799	38 185	-	771 106
7. Unallocated income						-
8. Unallocated costs						(81 650)
9. EBT						689 456
10. Income tax						(143 549)
11. Minority interest						(29 592)
12. Net profit						516 315

19. Acquisitions and disposals of investments in 4Q 2006

No significant changes in the group structure (mergers, acquisitions and disposals of investments) occurred in the BZ WBK Group during the 4th Q 2006.

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	31.12.2006	30.09.2006	Movement
Liabilities sanctioned incl.:	7 061 422	6 418 066	643 356
- financing-related	6 438 314	5 785 444	652 870
including: import letters of credit	94 447	111 941	(17 494)
including: credit lines	5 742 419	4 592 419	1 150 000
including: credit cards debits	439 255	420 889	18 366
including: term deposits with future commencement term	162 193	660 195	(498 002)
- guarantees	623 108	632 622	(9 514)
including: confirmed export letters of credit	1 880	2 651	(771)
Received liabilities	149 928	487 145	(337 217)
Total	7 211 350	6 905 211	306 139

As at 31.12.2006, the Bank issued guarantees of PLN 125 045 k (as at 31.12.2005 – PLN 59 838 k) to following subsidiary undertakings: BZ WBK S.A. Finance & Leasing, BZ WBK Leasing, BZWBK Dom Maklerski SA, BZWBK TFI and Nieruchomości SA.

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.

Derivatives' nominal values	31.12.2006	30.09.2006	Movement
1. Derivatives (hedging)	1 486 018	1 974 298	(488 280)
a) Single-currency interest rate swaps – sold amounts	743 009	702 149	40 860
b) Single-currency interest rate swaps – sold amounts	743 009	702 149	40 860
c) FRA	-	570 000	(570 000)
2. Term derivatives (trading)	135 555 909	147 077 889	(11 521 980)
a) Interest rate operations	118 158 636	128 562 872	(10 404 236)
- Single-currency interest rate swaps – purchased amounts	38 204 318	40 571 436	(2 367 118)
- Single-currency interest rate swaps – sold amounts	38 204 318	40 571 436	(2 367 118)
- FRA-purchased amounts	19 650 000	23 450 000	(3 800 000)
- FRA-sold amounts	22 100 000	23 970 000	(1 870 000)
b) FX operations	17 397 273	18 515 017	(1 117 744)
- FX swap – purchased amounts	7 193 754	8 285 689	(1 091 935)
- FX swap – sold amounts	7 157 445	8 282 227	(1 124 782)
- Double-currency interest rate swaps – purchased amounts	1 550 962	978 959	572 003
- Double-currency interest rate swaps – sold amounts	1 495 112	968 142	526 970
3. Currency transactions-spot	3 850 694	3 408 040	442 654
spot-purchased	1 924 957	1 703 965	220 992
spot-sold	1 925 737	1 704 075	221 662
4. Derivatives – OTC options	918 168	1 212 134	(293 966)
- Options purchased	543 528	724 207	(180 679)
- Options sold	374 640	487 927	(113 287)
Total	141 810 789	153 672 361	(11 861 572)

21. Principles of PLN conversion into EUR

Selected financial figures for Q4 2006 were converted according to the following principles:

for Q4 2006:

Selected balance sheet data and book value per share - according to the average EURO/PLN rate current at the balance sheet date and announced by the National Bank of Poland – 3,3812.

Selected items of profit and loss account and cash flow for Q4 2006 – according to the exchange rate calculated as an arithmetic mean on the last day of each month in a quarter – 3,8991 (Jan – 3,8285, Feb – 3,7726, Mar – 3,9357, Apr – 3,8740, May – 3,9472, June – 4,0434, July – 3,9321, August – 3,9369, September – 3,9835, October – 3,8871, November – 3,8166, December – 3,8312).

for Q4 2005:

Selected balance sheet data and book value per share - according to the average EURO/PLN rate current at the balance sheet date and announced by the National Bank of Poland – 3,8598.

Selected items of profit and loss account and cash flow for Q4 2005 - according to the exchange rate calculated as an arithmetic mean on the last day of each month in a quarter – 4,0233 (Jan – 4,0503, Feb – 3,9119, Mar – 4,0837, Apr – 4,2756, May – 4,1212, June – 4,0401, July – 4,0758, August – 4,0495, September – 3,9166, October – 3,9893, November – 3,9053, December – 3,8598).

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 4Q 2006 (22.02.2007) is AIB European Investments Ltd. based in Dublin.

Shareholder	No. of shares held	% shareholdings	No. of votes at AGM	% share in total number of votes at AGM
As at 09.11.2006				
AIB European Investments Limited	51 413 790	70,5 %	51 413 790	70,5 %
As at 22.02.2007				
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 of Bank Zachodni WBK S.A.

No. Of Bank Zachodni WBK shares held			
	As at 22.02.2007	As at 09.11.2006	Change
Members of the Management Board	501	501	-
Members of the Supervisory Board	278	278	-

Table below presents personal shareholding of Supervisory and Management Board Members as at 22nd February 2007:

Owner	No. of shares
Supervisory Board	
Waldemar Frąckowiak	278
Management Board	
Jacek Kseń	500
Marcin Prell	1

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

24. Information about the commenced proceedings

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

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

25. Information concerning issuing loan guarantees by an issuer or its subsidiary – to one business unit or it's subsidiary, if the total of guarantees issued amounts to at least 10% of issuer's equity

As at 30 December 2006 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, especially that it is coupled with 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 domestic demand through lower profitability of export), but this effect may not take place, because negative influence of stronger zloty on international competitiveness of domestic firms may be offset by continuation of robust gains in labour productivity and enterprises restructuring,
- keeping domestic interest rates at relatively low level with increase in rates abroad, including the euro zone and Switzerland, should stimulate demand for loans in the zloty and at the same time constrain willingness to hold deposits in the banking system at the expense of other financial instruments.

27. Events which occurred after the balance sheet date

Authorization for issue of financial statements

The consolidated financial statements were authorised for issue on 19th of February 2007 by the Management Board of Bank Zachodni WBK S.A.

Convening the Annual General Meeting of Shareholders

Bank Zachodni WBK S.A. advised that the Bank's Management Board has convened the Annual General Meeting of Shareholders for 17th April 2007.

Incentive Scheme II for the Senior Management of Bank Zachodni WBK SA and its subsidiaries

The Management Board of Bank Zachodni WBK SA, as requested by the Supervisory Board, undertook actions aimed at implementing, as of the year 2007, the Incentive Scheme II for the Senior Management of Bank Zachodni WBK SA and its subsidiaries. The Scheme will consist in allocating bonds with pre-emptive rights to the Company's managerial cadre.

SIGNATURES OF THE PERSONS REPRESENTING THE ENTITY			
Date	Name	Function	Signature
19-02-2007	James Murphy	Member of the Management Board	
19-02-2007	Wanda Rogowska	Financial Accounting Area Director	