

INTERIM REPORT 2010 **OF BANK ZACHODNI WBK GROUP**

The year '2010' is rendered in large, light green, sans-serif font. Behind the numbers are several vertical white lines of varying heights, creating a bar chart effect. The entire graphic is set against a dark green rectangular background.

2010



WBK

| Bank Zachodni WBK S.A.

FINANCIAL HIGHLIGHTS for reporting period ended:	PLN k		EUR k	
	30.06.2010	30.06.2009	30.06.2010	30.06.2009
Consolidated financial statements				
I Interest and similar income	1 570 335	1 641 288	392 172	363 245
II Fee and commission income	785 953	740 395	196 282	163 862
III Operating profit	680 628	481 875	169 979	106 647
IV Profit before tax	681 994	478 527	170 320	105 906
V Net profit attributable to the Company's equity holders	483 588	369 443	120 770	81 764
VI Total net cash flow	(1 849 789)	(1 589 168)	(461 962)	(351 710)
VII Total assets	53 583 819	56 492 639	12 924 844	12 639 305
VIII Deposits from banks and central bank	4 006 892	6 207 274	966 494	1 388 776
IX Deposits from customers	41 298 498	41 912 301	9 961 527	9 377 193
X Total liabilities	47 336 464	51 029 607	11 417 932	11 417 041
XI Total equity	6 247 355	5 463 032	1 506 912	1 222 264
XII Non-controlling interests in equity	116 825	76 839	28 179	17 191
XIII Net profit attributable to non-controlling interests	33 412	23 301	8 344	5 157
XIV Number of shares	73 076 013	72 960 284		
XV Net book value per share in PLN/EUR	85,49	74,88	20,62	16,75
XVI Solvency ratio	13,67%	11,50%		
XVII Profit per share in PLN/EUR	6,62	5,06	1,65	1,12
XVIII Diluted earnings per share in PLN/EUR	6,60	5,05	1,65	1,12
XIX Declared or paid dividend per share in PLN/EUR	4,00	-	1,00	-
Stand alone financial statements				
I Interest and similar income	1 489 602	1 543 856	372 010	341 682
II Fee and commission income	572 522	575 398	142 980	127 346
III Operating profit	632 979	617 206	158 079	136 598
IV Profit before tax	632 979	617 206	158 079	136 598
V Profit for the period	494 282	553 140	123 441	122 419
VI Total net cash flow	(1 847 969)	(1 588 932)	(461 508)	(351 658)
VII Total assets	51 578 315	54 021 143	12 441 101	12 086 348
VIII Deposits from banks and central bank	2 636 333	4 120 315	635 905	921 853
IX Deposits from customers	41 445 100	42 103 067	9 996 888	9 419 874
X Total liabilities	45 891 330	49 003 637	11 069 355	10 963 763
XI Total equity	5 686 985	5 017 506	1 371 746	1 122 585
XII Number of shares	73 076 013	72 960 284		
XIII Net book value per share in PLN/EUR	77,82	68,77	18,77	15,39
XIV Solvency ratio	13,16%	11,25%		
XV Profit per share in PLN/EUR	6,76	7,58	1,69	1,68
XVI Diluted earnings per share in PLN/EUR	6,76	7,55	1,69	1,67
XVII Declared or paid dividend per share in PLN/EUR	4,00	-	1,00	-

FINANCIAL HIGHLIGHTS for the period ended 31.12.2009	Consolidated statement of financial position		Statement of financial position	
	PLN k	EUR k	PLN k	EUR k
I Total assets	54 065 025	13 160 271	51 946 281	12 644 536
II Deposits from banks and central bank	5 349 984	1 302 270	3 820 700	930 018
III Deposits from customers	41 222 871	10 034 290	41 262 174	10 043 857
IV Total liabilities	48 028 555	11 690 900	46 471 825	11 311 968
V Total equity	6 036 470	1 469 371	5 474 456	1 332 568
VI Non-controlling interests in equity	108 338	26 371	-	-

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

- for balance sheet items: 4.1458 PLN rate to EUR as at 30.06.2010 stated by National Bank of Poland (NBP), 4.4696 PLN rate to EUR as at 30.06.2009 and 4.1082 PLN rate to EUR as at 31.12.2009
- for profit and loss items - as at 30.06.2010: 4.0042 (an average PLN mid-rate to EUR in NBP on the last day of each month in 1H 2010), as at 30.06.2009: 4.5184 (an average PLN mid-rate to EUR in NBP on the last day of each month in 1H 2009).

As at 30.06.2010, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 125A/NBP 2010 dd. 30.06.2010.

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS OF
BANK ZACHODNI WBK GROUP FOR THE
6-MONTH PERIOD ENDED 30 JUNE 2010**

2010



WBK

| Bank Zachodni WBK S.A.

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Consolidated income statement

for reporting period:	01.04.2010- 30.06.2010	01.01.2010- 30.06.2010	01.04.2009- 30.04.2009	01.01.2009- 30.06.2009
Interest and similar income	781 882	1 570 335	785 811	1 641 288
Interest expense and similar charges	(343 572)	(707 556)	(430 872)	(924 841)
Net interest income	438 310	862 779	354 939	716 447
Fee and commission income	399 929	785 953	382 396	740 395
Fee and commission expense	(64 189)	(118 275)	(52 225)	(100 338)
Net fee and commission income	335 740	667 678	330 171	640 057
Dividend income	53 268	53 622	75 964	75 990
Net trading income and revaluation	70 265	137 663	85 028	129 054
Gains (losses) from other financial securities	108	8 872	(7 131)	(1 751)
Other operating income	11 619	19 412	9 390	22 823
Impairment losses on loans and advances	(146 447)	(216 809)	(122 674)	(283 386)
Operating expenses incl.:	(431 105)	(852 589)	(403 786)	(817 359)
<i>Bank's staff, operating expenses and management costs</i>	<i>(391 673)</i>	<i>(773 957)</i>	<i>(368 801)</i>	<i>(745 631)</i>
<i>Depreciation/amortisation</i>	<i>(31 838)</i>	<i>(63 676)</i>	<i>(30 328)</i>	<i>(60 451)</i>
<i>Other operating expenses</i>	<i>(7 594)</i>	<i>(14 956)</i>	<i>(4 657)</i>	<i>(11 277)</i>
Operating profit	331 758	680 628	321 901	481 875
Share in net profits (loss) of entities accounted for by the equity method	1 577	1 366	(422)	(3 348)
Profit before tax	333 335	681 994	321 479	478 527
Corporate income tax	(65 991)	(164 994)	(55 248)	(85 783)
Profit for the period	267 344	517 000	266 231	392 744
of which:				
<i>attributable to Company's equity holders</i>	<i>250 109</i>	<i>483 588</i>	<i>254 157</i>	<i>369 443</i>
<i>attributable to non-controlling interests</i>	<i>17 235</i>	<i>33 412</i>	<i>12 074</i>	<i>23 301</i>
Net earnings per share (PLN/share)				
Basic earnings per share	3,42	6,62	3,48	5,06
Diluted earnings per share	3,42	6,60	3,48	5,05

Consolidated statement of comprehensive income

for reporting period:	01.04.2010- 30.06.2010	01.01.2010- 30.06.2010	01.04.2009- 30.04.2009	01.01.2009- 30.06.2009
Profit for the period	267 344	517 000	266 231	392 744
Other comprehensive income:				
Available-for sale financial assets valuation	(32 934)	8 868	25 258	39 114
Cash flow hedges valuation	8 952	2 321	6 244	23 354
Other comprehensive income for the period, net of income tax	(23 982)	11 189	31 502	62 468
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	243 362	528 189	297 733	455 212
Attributable to:				
company's equity holders	226 233	494 702	284 879	430 975
non-controlling interests	17 129	33 487	12 854	24 237



Consolidated statement of financial position

	as at:	30.06.2010	31.12.2009	30.06.2009
ASSETS				
Cash and balances with central banks	Note 13	1 477 897	2 660 658	2 304 520
Loans and advances to banks	Note 14	1 024 302	663 027	1 036 165
Financial assets held for trading	Note 15	1 609 683	1 344 809	1 798 805
Hedging derivatives		16 247	10 801	4 026
Loans and advances to customers	Note 16	34 335 350	34 570 697	36 222 576
Investment securities	Note 17, 18	13 406 056	13 292 572	13 491 880
Investments in associates and joint ventures	Note 19	81 916	81 887	78 873
Intangible assets		170 861	181 620	172 328
Property, plant and equipment		560 200	596 154	610 588
Current income tax due		-	43 373	3 534
Net deferred tax assets		312 293	278 227	237 236
Other assets		589 014	341 200	532 108
Total assets		53 583 819	54 065 025	56 492 639
LIABILITIES				
Deposits from central bank	Note 20	224 323	1 519 208	1 381 739
Deposits from banks	Note 21	3 782 569	3 830 776	4 825 535
Hedging derivatives		48 178	32 933	48 312
Financial liabilities held for trading	Note 15	852 633	736 050	1 747 485
Deposits from customers	Note 22	41 298 498	41 222 871	41 912 301
Debt securities in issue		-	-	75 481
Current income tax liabilities		92 105	-	-
Other liabilities		1 038 158	686 717	1 038 754
Total liabilities		47 336 464	48 028 555	51 029 607
Equity				
Parent company equity		6 130 530	5 928 132	5 386 193
Share capital		730 760	730 760	729 603
Other reserve funds		4 342 765	3 566 999	3 566 999
Revaluation reserve		433 119	422 005	397 038
Retained earnings		140 298	323 110	323 110
Profit of the current period		483 588	885 258	369 443
Non-controlling interests in equity		116 825	108 338	76 839
Total equity		6 247 355	6 036 470	5 463 032
Total equity and liabilities		53 583 819	54 065 025	56 492 639

Movements on consolidated equity

MOVEMENTS ON CONSOLIDATED EQUITY	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Non-controlling interests in equity	Total
Opening balance as at 31.12.2009 (*)	730 760	3 566 999	422 005	1 208 368	108 338	6 036 470
Total comprehensive income	-	-	11 114	483 588	33 487	528 189
Transfer to other capital	-	775 766	-	(775 766)	-	-
Dividend relating to 2009	-	-	-	(292 304)	(25 000)	(317 304)
As at 30.06.2010	730 760	4 342 765	433 119	623 886	116 825	6 247 355

As at the end of the period revaluation reserve in the amount of PLN 433 119 k comprises of debt securities and equity shares classified as available for sale of PLN 17 909 k and PLN 410 972 k respectively and additionally cash flow hedge activities of PLN 4 238 k.

MOVEMENTS ON CONSOLIDATED EQUITY	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Non-controlling interests in equity	Total
Opening balance as at 31.12.2008 (*)	729 603	2 716 687	335 507	1 172 622	239 872	5 194 291
Total comprehensive income	-	-	86 498	885 258	55 737	1 027 493
Share issue related to vesting the share incentive scheme	1 157	-	-	-	-	1 157
Share scheme charge	-	1 547	-	-	-	1 547
Dividend relating to 2008	-	-	-	-	(187 271)	(187 271)
Transfer to other capital	-	848 765	-	(848 765)	-	-
Other	-	-	-	(747)	-	(747)
As at 31.12.2009	730 760	3 566 999	422 005	1 208 368	108 338	6 036 470

As at the end of the period revaluation reserve in the amount of PLN 422 005 k comprises of debt securities and equity shares classified as available for sale of PLN 4 962 k and PLN 415 125 k respectively and additionally cash flow hedge activities of PLN 1 918 k.

MOVEMENTS ON CONSOLIDATED EQUITY	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Non-controlling interests in equity	Total
Opening balance as at 31.12.2008 (*)	729 603	2 716 687	335 507	1 172 622	239 872	5 194 291
Total comprehensive income	-	-	61 531	369 444	24 237	455 212
Share scheme charge	-	1 547	-	-	-	1 547
Dividend relating to 2008	-	-	-	-	(187 270)	(187 270)
Transfer to other capital	-	848 765	-	(848 765)	-	-
Other	-	-	-	(748)	-	(748)
As at 30.06.2009	729 603	3 566 999	397 038	692 553	76 839	5 463 032

As at the end of the period revaluation reserve in the amount of PLN 397 038 k comprises of debt securities and equity shares classified as available for sale of PLN (13 670) k and PLN 412 026 k respectively and additionally cash flow hedge activities of PLN (1 318) k.

(*) Data converted as described in the note 2 'Correction of prior periods'


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Consolidated statement of cash flows

	for reporting period:	01.01.2010- 30.06.2010	01.01.2009- 30.06.2009
Profit before tax		681 994	478 527
Total adjustments:		(582 815)	(792 341)
Share in net profits (losses) of entities accounted for by the equity method		(1 366)	3 348
Depreciation/amortisation		63 676	60 451
Impairment losses		(184)	(17)
Gains (losses) on exchange differences		631	(32 550)
Interests and similar charges		48 775	95 709
Dividend received		(53 622)	(75 990)
(Profit) loss from investing activities		(8 754)	(185)
Change in provisions		(44 639)	(29 373)
Change in trading portfolio financial instruments		219 698	(10 777)
Change in loans and advances to banks		(345)	99
Change in loans and advances to customers		224 705	(1 126 033)
Change in deposits from banks		(1 160 942)	1 056 690
Change in deposits from customers		83 506	(904 513)
Change in liabilities arising from debt securities in issue		-	(928)
Change in other assets and liabilities		111 947	311 528
Paid income tax		(66 212)	(140 297)
Other adjustments		311	497
Net cash flow from operating activities		99 179	(313 814)
Inflows		939 621	2 918 123
Sale/maturity of investment securities		884 825	2 840 124
Sale of intangible assets and property, plant and equipment		1 169	2 003
Dividend received		53 622	75 990
Proceeds from other investments		5	6
Outflows		(2 379 033)	(3 799 001)
Purchase of subsidiaries, associates and joint ventures		-	(10 000)
Purchase of investment securities		(2 361 675)	(3 756 252)
Purchase of intangible assets and property, plant and equipment		(17 334)	(32 748)
Other investments		(24)	(1)
Net cash flow from investing activities		(1 439 412)	(880 878)
Inflows		18 130	99 295
Drawing of long-term loans		18 130	99 295
Outflows		(527 686)	(493 771)
Repayment of long-term loans		(184 952)	(207 467)
Debt securities buy out		-	(77 509)
Dividends and other payments to shareholders		(317 304)	(147 353)
Other financing outflows		(25 430)	(61 442)
Net cash flow from financing activities		(509 556)	(394 476)
Total net cash flow		(1 849 789)	(1 589 168)
Cash at the beginning of the accounting period		5 557 090	5 324 313
Cash at the end of the accounting period		3 707 301	3 735 145

Additional notes to consolidated financial statements

1. General information about issuer

Bank Zachodni WBK S.A. is a bank seated in Poland, 50-950 Wrocław, Rynek 9/11, TIN 896-000-56-73, National Official Business Register number (REGON) 930041341, registered in the District Court for Wrocław-Fabryczna, VI Economic Unit of the National Court Registry under 0000008723 number.

Interim consolidated financial statements of Bank Zachodni WBK S.A. includes bank's stand alone financial information as well as information from its subsidiaries (all together called Group), share of net assets of associated entities and joint ventures.

The direct parent of Bank Zachodni WBK SA is AIB European Investments Ltd. from Dublin (a subsidiary of Allied Irish Banks plc). The bank's ultimate parent company is Allied Irish Banks plc.

Group of Bank Zachodni WBK consists of the following entities:

Subsidiaries:

Subsidiaries	Registered office	% of votes on AGM 30.06.2010	% of votes on AGM 30.06.2009
1. BZ WBK Finanse Sp. z o.o.	Poznań	100	100
2. BZ WBK Faktor Sp. z o.o.	Warszawa	100% of AGM votes is held by BZ WBK Finanse Sp. z o.o.	100% of AGM votes is held by BZ WBK Finanse Sp. z o.o.
3. BZ WBK Inwestycje Sp. z o.o.	Poznań	100	100
4. Dom Maklerski BZ WBK S.A.	Poznań	99,99	99,99
5. BZ WBK Finanse & Leasing S.A.	Poznań	99.99% of AGM votes is held by BZ WBK Finanse Sp. z o.o.	99.99% of AGM votes is held by BZ WBK Finanse Sp. z o.o.
6. BZ WBK Leasing S.A.	Poznań	99.99% of AGM votes is held by BZ WBK Finanse Sp. z o.o.	99.99% of AGM votes is held by BZ WBK Finanse Sp. z o.o.
7. BZ WBK Nieruchomości S.A.	Poznań	99,99	99,99
8. BZ WBK AIB Asset Management S.A.*	Poznań	50	50
9. BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A.	Poznań	100% of AGM votes is held by BZ WBK AIB Asset Management S.A.	100% of AGM votes is held by BZ WBK AIB Asset Management S.A.

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

Associates:

Associates	Registered office	% of votes on AGM 30.06.2010	% of votes on AGM 30.06.2009
1. POLFUND - Fundusz Poręczeń Kredytowych S.A.	Szczecin	50	50
2. Metrohouse S.A.*	Warszawa	35,38	35,38
3. Krynicki Recykling S.A.*	Warszawa	30,37	30,37

* Metrohouse S.A. and Krynicki Recykling S.A. are the associates of BZ WBK Inwestycje Sp. z o.o. - bank's subsidiary. They are accounted for using the equity method. Purchase of shares was a part of building a portfolio of pre-IPO type own investment.

Joint ventures:

Joint ventures	Registered office	% of votes on AGM 30.06.2010	% of votes on AGM 30.06.2009
1. BZ WBK-Aviva Towarzystwo Ubezpieczeń Ogólnych S.A.	Poznań	50	50
2. BZ WBK-Aviva Towarzystwo Ubezpieczeń na Życie S.A.	Poznań	50	50


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2. Basis of preparation of interim financial statements

In comparison with annual financial statements content of an interim financial report is condensed, therefore it should be read in conjunction with the financial statements of Bank Zachodni WBK Group for the year 2009.

The consolidated financial statements of the Group for the year 2009 are available at the Bank's official website - www.inwestor.bzwbk.pl.

Statement of compliance

Condensed interim consolidated financial statements of Bank Zachodni WBK Group for the period from 1 January 2010 to 30 June 2010 were prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union and other applicable regulations.

In accordance with Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259) as amended, the Bank is required to publish the financial results for the six months ended 30 June 2010.

Accounting policies

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

The accounting policies have been applied consistently by Group entities.

Except as described below, the accounting policies applied by the Group in these condensed interim consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2009.

Correction of prior periods

As at 30 June 2010 Group conducted analysis of a insurance premium recognition policy for income gained together with BZ WBK - AVIVA joint ventures entities. As a result of this analysis, the Group assured consistency of recognition of the income across the Group. Aiming accurate presentation of the insurance product proceeds disclosed in the prior years, the Group adjusted previously reported financial data in line with requirements of IAS 8. The table below presents reconciliation of adjustments applied to the consolidated statement of comprehensive income and consolidated statement of financial position:

		Fee and commission income	Profit before tax	Corporate income tax	Profit after tax	Deferred tax asset	Other liabilities	Equity
Q2 2009	prior adjustment	387 099	326 182	(56 142)	270 040	-	-	-
	adjustment	(4 703)	(4 703)	894	(3 809)	-	-	-
	after adjustment	382 396	321 479	(55 248)	266 231	-	-	-
H1 2009	prior adjustment	749 688	487 820	(87 549)	400 271	-	-	-
	adjustment	(9 293)	(9 293)	1 766	(7 527)	-	-	-
	after adjustment	740 395	478 527	(85 783)	392 744	-	-	-
30.06.2009	prior adjustment	-	-	-	-	231 213	1 007 054	5 411 870
	adjustment	-	-	-	-	6 023	31 700	(25 677)
	after adjustment	-	-	-	-	237 236	1 038 754	5 386 193
31.12.2009	prior adjustment	-	-	-	-	273 751	663 157	5 947 216
	adjustment	-	-	-	-	4 476	23 560	(19 084)
	after adjustment	-	-	-	-	278 227	686 717	5 928 132

Comparability with results of previous periods

To ensure comparability, the following substantial changes were made to the presentation of financial data:

a) since 30 July 2010 the Group has been presenting in the condensed income statement and statement of comprehensive income half-yearly and quarterly financial information for the reporting period ending on 30 July 2010. To ensure comparability requirements, the financial statements include also quarterly information for the period ending on 30 July 2009.

b) in consolidated statement of financial position:

- As at result of changes in the Group's policy concerning presentation of derivative instruments, as at 31.12.2009 the items 'Financial assets held for trading' and 'Financial liabilities held for trading' have been increased by the amount of PLN 2 189 k.

c) in segmental reporting, consolidated statement of financial position – comparative information:

- In 2010, the Group adjusted the method of presenting selected assets, liabilities and shareholders' equity. In the methodology, shareholders' equity and business-hedge derivatives are allocated towards relevant segments; they are no longer presented together within the 'Centre' segment.

New standards and interpretations or changes to existing standards or interpretations that are not yet effective and have not been early implemented

IFRS	Description of changes	Effective from	Impact on the Group
IFRS 9 Financial Instruments	Changes in classification and measurement - the existing categories of financial instruments to be replaced by two measurement categories, i.e. amortised cost and fair value.	1 January 2013	The Group has not completed its analysis of changes.
IAS 32 Financial Instruments: Presentation	The amendment pertains to the classification of rights issue.	1 January 2011	The Group has not completed its analysis of the amendment yet.
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are "consideration paid" in accordance with IAS 39.41. The above described equity instruments shall be measured at the fair value and the difference between the carrying amount of the financial liability extinguished and the initial measurement of the equity instruments issued should be recognized in profit or loss	1 January 2011	The Group has not completed its analysis of the amendment yet.

Judgments and estimates

As at 30 June 2010, Bank Zachodni WBK revised spreads applied in calculations of fair value of Cross Currency Swaps which are more reliably reflecting fair value of the derivative instruments. The total fair value adjustment to these derivatives was PLN (17 874) k in the reporting period. These instruments are a source of funding and it is the Bank's intention to hold them until maturity. Their mark-to-market valuation will revert to zero on a case-by-case basis over their remaining life. Other significant judgment and key sources of estimation uncertainty have not been changed.



3. Segmental reporting

Operational activity of the BZ WBK S.A. Group has been divided into five segments: Retail Banking, Business Banking, Investment Banking, Treasury and Centre. They were identified based on customers and product types.

Income and costs assigned to a given segment are generated on sale and service of products or services in the segment, according to description presented below. Such income and costs are recognized in the profit and loss account for the Group and may be assigned to a given segment either directly or based on reasonable assumptions. Settlements among business segments apply to payments for delivered services and include:

- sale and/or service of customers assigned to a given segment, via sale/service channels operated by another segment;
- sharing of income and costs on transactions in cases where a transaction is processed for a customer assigned to a different segment;
- sharing of income and cost of delivery of common projects.

Income and cost allocations are regulated by segments on a mutual basis, according to single rates for specific services or agreements concerning the breakdown of total income and/or cost.

Assets and liabilities of a given segment are used for its operational activity and may be assigned to the segment directly or based on reasonable premises.

Retail Banking

Retail Banking segment includes products and services targeted at individual customers as well as small and micro companies.

In the offer for customers of this segment there are a wide range of savings products, consumer and mortgage loans, credit and debit cards, insurance and investment products, clearing services, GSM phones top-ups, foreign payments and Western Union and private-banking services. For small and micro companies the segment additionally provides services such as cash management, leasing, factoring, trade finance and guarantees.

Business Banking

Business Banking segment covers products and activities targeted at business entities, local governments and the public sector. In addition to banking services covering lending and deposit activities, the segment provides services in the areas of cash management, leasing, factoring, trade financing and guarantees.

Investment Banking

Investment Banking segment includes such activities as underwriting financing via issue of securities, financial advisory services, brokerage services provided by Brokerage House and asset management services within investment funds.

Treasury

Treasury involves the management of interest rate, currency and liquidity risks. The income is generated on currency and inter-bank transactions, as well as derivative instruments and debt securities transactions.

Centre

The segment covers central operations, financing of other Groups' segments activity as well as other income and/or costs that cannot be reasonably assigned to one of the defined segments.

The principles of income and cost identification, as well as assets and liabilities for segmental reporting purposes are consistent with the accounting policy applied in Bank Zachodni WBK Group. Thereby there are no discrepancies between the valuation of segments' profit or loss, assets or liabilities, presented to the Management Board and the valuation of these components for the Group, included in the consolidated financial statement.

Consolidated income statement (by business segments)

30.06.2010	Retail Banking*	Business Banking	Investment Banking	Treasury	Centre	Total
Net interest income	569 545	314 130	11 822	(60 420)	27 702	862 779
incl. internal transactions	-	(30 928)	24 124	-	6 804	-
Other income	419 313	40 904	175 974	169 394	28 040	833 625
incl. internal transactions	59 624	11 494	(40 851)	(33 164)	2 897	-
Dividend income	-	-	53 622	-	-	53 622
Operating costs	(593 215)	(96 208)	(73 911)	(21 174)	(4 405)	(788 913)
incl. internal transactions	2 829	(20 690)	(2 314)	11 131	9 044	-
Depreciation/amortisation	(50 663)	(6 225)	(4 611)	(1 550)	(627)	(63 676)
Impairment losses on loans and advances	(232 539)	1 252	48	-	14 430	(216 809)
Share in net profits (loss) of entities accounted for by the equity method	1 173	-	193	-	-	1 366
Profit before tax	113 614	253 853	163 137	86 250	65 140	681 994
Corporate income tax						(164 994)
Profit of the period attributable to non-controlling interests						(33 412)
Profit for the period						483 588

Consolidated statement of financial position (by business segment)

30.06.2010	Retail Banking*	Business Banking	Investment Banking	Treasury	Centre	Total
Loans and advances to customers	15 938 509	18 194 894	60 955	114 531	26 461	34 335 350
Investments in associates and joint ventures	31 113	-	50 803	-	-	81 916
Other assets	6 446 746	4 342 903	1 110 872	6 587 646	678 386	19 166 553
Total assets	22 416 368	22 537 797	1 222 630	6 702 177	704 847	53 583 819
Deposits from customers	32 181 138	8 317 201	688 441	111 718	-	41 298 498
Other liabilities and equity	1 902 514	5 766 024	406 268	3 218 732	991 783	12 285 321
Total equity and liabilities	34 083 652	14 083 225	1 094 709	3 330 450	991 783	53 583 819

*includes individual customers and small & micro companies

Consolidated income statement (by business segments)

Data converted as described in the note 2 'Comparability with results of previous periods'

30.06.2009	Retail Banking*	Business Banking	Investment Banking	Treasury	Centre	Total
Net interest income	475 358	235 437	9 814	(18 876)	14 714	716 447
incl. internal transactions	-	(21 339)	22 219	-	(880)	-
Other income	414 120	42 040	135 011	164 649	34 363	790 183
incl. internal transactions	49 599	12 035	(29 188)	(32 883)	437	-
Dividend income	-	-	75 990	-	-	75 990
Operating costs	(558 154)	(99 364)	(67 161)	(19 660)	(12 569)	(756 908)
incl. internal transactions	9 681	(28 079)	(2 170)	11 990	8 578	-
Depreciation/amortisation	(48 416)	(5 594)	(4 738)	(1 393)	(310)	(60 451)
Impairment losses on loans and advances	(147 182)	(136 204)	-	-	-	(283 386)
Share in net profits (loss) of entities accounted for by the equity method	(3 519)	-	171	-	-	(3 348)
Profit before tax	132 207	36 315	149 087	124 720	36 198	478 527
Corporate income tax						(85 783)
Profit of the period attributable to non-controlling interests						(23 301)
Profit for the period						369 443

Consolidated statement of financial position (by business segment)

Data converted as described in the note 2 'Comparability with results of previous periods'

30.06.2009	Retail Banking*	Business Banking	Investment Banking	Treasury	Centre	Total
Loans and advances to customers	14 665 887	21 468 258	59 290	-	29 141	36 222 576
Investments in associates and joint ventures	28 595	-	50 278	-	-	78 873
Other assets	7 991 001	3 466 910	1 049 473	6 852 123	831 683	20 191 190
Total assets	22 685 483	24 935 168	1 159 041	6 852 123	860 824	56 492 639
Deposits from customers	33 163 313	7 829 643	598 778	320 567	-	41 912 301
Other liabilities and equity	1 715 169	5 478 177	302 013	5 723 754	1 361 225	14 580 338
Total equity and liabilities	34 878 482	13 307 820	900 791	6 044 321	1 361 225	56 492 639

*includes individual customers and small & micro companies

4. Risk management

During the first six months of 2010 BZ WBK Group carried out risk management activities based on the same policies and rules as described in Consolidated Financial Statements for 2009. As far as risk management is concerned, there are no significant changes in BZ WBK Capital Group during the reporting period except those listed below.

Operating risk

As far as operating risk management is concerned, there are no significant changes in BZ WBK Capital Group.

Credit risk

As far as credit risk management is concerned, there are no significant changes in BZ WBK Capital Group during the reporting period except those listed below.

Continued pro-active credit risk management is recognised as key to the Group's performance in the volatile market conditions. The Group carries it out by:

- verification and adjusting risk appraisal methods and credit policies to current market conditions;
- active management of property loan portfolio, orientated at strict monitoring of existing exposures and balancing the share of property loans in the total credit portfolio.

The high quality of the credit portfolio confirms that these actions have been effective. As a result of these actions the Group observes significant improvement in risk profile of new retail exposures.

During last six months the Group has taken the following actions:

- verification of credit procedures and implementing necessary changes in order to comply with requirements of Recommendation T;
- implementing of fraud preventing statistical models;
- implementing and developing statistical models that enhance monitoring process.

Credit risk management

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

The table below presents a breakdown of BZ WBK Group's financial instruments into classes which correspond to different levels of impairment. There are separate percentage levels for unimpaired portfolio (both for the past-due and non-past due) and for impaired portfolio (identical for individually and collectively impaired).

The Group's credit risk management depends on internal ratings that, for presentational purposes, are grouped by classes.

The tables below present Group's exposure to credit risk.

30.06.2010	Provision cover	Loans and advances to customers	Loans and advances to banks	Investment securities	Financial assets held for trading*
Individually impaired					
	up to 50%	711 174	-	-	-
	50% - 70%	115 927	-	-	-
	70% - 85%	79 744	-	-	-
	over 85%	58 122	-	-	-
Gross amount		964 967	-	-	-
Allowance for impairment		(320 972)	-	-	-
Net amount		643 995	-	-	-
Collectively impaired					
	up to 50%	658 234	-	-	-
	50% - 70%	214 118	-	-	-
	70% - 85%	238 285	-	-	-
	over 85%	159 113	-	-	-
Gross amount		1 269 750	-	-	-
Allowance for impairment		(602 215)	-	-	-
Net amount		667 535	-	-	-
Net impaired portfolio (past-due and non-past due)					
	up to 0,10%	8 921 945	1 024 302	13 406 056	1 609 683
	0,10% - 0,30%	9 164 871	-	-	-
	0,30% - 0,65%	4 976 066	-	-	-
	over 0,65%	10 137 001	-	-	-
Gross amount		33 199 883	1 024 302	13 406 056	1 609 683
Allowance for impairment		(370 336)	-	-	-
Net amount		32 829 547	1 024 302	13 406 056	1 609 683
Other receivables		194 273	-	-	-
Off-balance sheet exposures					
Financing granted		5 343 132	-	-	-
Guarantees		1 173 670	-	-	-
Nominal value of derivatives - purchased		-	-	-	39 632 280
Off-balance sheet exposures - total		6 516 802	-	-	39 632 280

*the value of financial assets held for trading includes adjustment of the fair value as described in Note 15.

31.12.2009	Provision cover	Loans and advances to customers	Loans and advances to banks	Investment securities	Financial assets held for trading*
Individually impaired					
	up to 50%	709 928	-	-	-
	50% - 70%	133 609	-	-	-
	70% - 85%	15 903	-	-	-
	over 85%	83 929	-	-	-
Gross amount		943 369	-	-	-
Charge due to impairment losses		(307 410)	-	-	-
Net amount		635 959	-	-	-
Collectively impaired					
	up to 50%	563 703	-	-	-
	50% - 70%	120 197	-	-	-
	70% - 85%	212 527	-	-	-
	over 85%	117 627	-	-	-
Gross amount		1 014 054	-	-	-
Charge due to impairment losses		(458 700)	-	-	-
Net amount		555 354	-	-	-
Net impaired portfolio (past-due and non-past due)					
	up to 0,10%	8 379 136	663 027	13 292 572	1 344 809
	0,10% - 0,30%	8 365 331	-	-	-
	0,30% - 0,65%	5 163 227	-	-	-
	over 0,65%	11 763 337	-	-	-
Gross amount		33 671 031	663 027	13 292 572	1 344 809
Charge due to impairment losses		(373 566)	-	-	-
Net amount		33 297 465	663 027	13 292 572	1 344 809
Other receivables		81 919	-	-	-
Off-balance sheet exposures					
Financing granted		6 345 103	-	-	-
Guarantees		876 197	-	-	-
Nominal value of derivatives - purchased		-	-	-	36 882 698
Off-balance sheet exposures - total		7 221 300	-	-	36 882 698

*the value of financial assets held for trading includes adjustment of the fair value as described in Note 15.



30.06.2009	Provision cover	Loans and advances to customers	Loans and advances to banks	Investment securities	Financial assets held for trading*
Individually impaired					
	up to 50%	649 053	-	-	-
	50% - 70%	115 087	-	-	-
	70% - 85%	14 179	-	-	-
	over 85%	93 297	5 969	-	-
Gross amount		871 616	5 969	-	-
Charge due to impairment losses		(303 390)	(5 969)	-	-
Net amount		568 226	-	-	-
Collectively impaired					
	up to 50%	433 226	-	-	-
	50% - 70%	104 090	-	-	-
	70% - 85%	129 873	-	-	-
	over 85%	135 362	-	-	-
Gross amount		802 551	-	-	-
Charge due to impairment losses		(377 339)	-	-	-
Net amount		425 212	-	-	-
Net impaired portfolio (past-due and non-past due)					
	up to 0,10%	8 360 840	1 036 165	13 491 880	1 798 805
	0,10% - 0,30%	9 626 368	-	-	-
	0,30% - 0,65%	5 718 424	-	-	-
	over 0,65%	11 790 348	-	-	-
Gross amount		35 495 980	1 036 165	13 491 880	1 798 805
Charge due to impairment losses		(357 423)	-	-	-
Net amount		35 138 557	1 036 165	13 491 880	1 798 805
Other receivables		90 581	-	-	-
Off-balance sheet exposures					
Financing granted		7 116 369	-	-	-
Guarantees		826 246	-	-	-
Nominal value of derivatives - purchased		-	-	-	60 859 197
Off-balance sheet exposures - total		7 942 615	-	-	60 859 197

*the value of financial assets held for trading includes adjustment of the fair value as described in Note 15.

IBNR portfolio

	Loans and advances to customers		
	30.06.2010	31.12.2009	30.06.2009
Non-past due	31 766 786	32 294 289	34 135 477
Past-due	1 433 097	1 376 742	1 360 503
1-30 days	1 085 639	1 048 180	1 056 262
31-60 days	212 046	243 283	204 508
61-90 days	129 410	81 813	90 505
> 90 days	6 002	3 466	9 228
Gross amount	33 199 883	33 671 031	35 495 980

Portfolio of loans with incurred but not reported losses (IBNR) included loans that in the past had renegotiated terms of agreements. For the current reporting period it was PLN 976 710 k , as at 31.12.2009 it was 568 055 k and PLN 101 110 k as at 30.06.2009.

Allowances for impairment by classes

Provision cover		Loans and advances to customers			Loans and advances to banks		
		30.06.2010	31.12.2009	30.06.2009	30.06.2010	31.12.2009	30.06.2009
Individual allowance for impairment							
	up to 50%	(133 114)	(132 917)	(129 737)	-	-	-
	50% - 70%	(69 932)	(79 295)	(70 497)	-	-	-
	70% - 85%	(60 119)	(12 692)	(11 335)	-	-	-
	over 85%	(57 807)	(82 506)	(91 821)	-	-	(5 969)
Total individual allowance for impairment		(320 972)	(307 410)	(303 390)	-	-	(5 969)
Collective allowance for impairment							
	up to 50%	(139 782)	(112 501)	(79 346)	-	-	-
	50% - 70%	(128 199)	(70 547)	(62 235)	-	-	-
	70% - 85%	(182 842)	(163 156)	(104 292)	-	-	-
	over 85%	(151 392)	(112 496)	(131 466)	-	-	-
Total collective allowances for impairment		(602 215)	(458 700)	(377 339)	-	-	-
IBNR							
	up to 0,10%	(6 248)	(5 643)	(4 348)	-	-	-
	0,10%-0,30%	(16 505)	(14 177)	(18 285)	-	-	-
	0,30%-0,65%	(23 551)	(22 274)	(26 352)	-	-	-
	over 0,65%	(324 032)	(331 472)	(308 438)	-	-	-
Total IBNR		(370 336)	(373 566)	(357 423)	-	-	-
Total allowance for impairment		(1 293 523)	(1 139 676)	(1 038 152)	-	-	(5 969)

Market risk

As far as market risk management is concerned, there are no significant changes in BZ WBK Capital Group during the reporting period except those listed below.

Interest rate risk

The table below presents risk levels in 1H 2010, 1H 2009 and as at end 2009. (both measures assume 1 month holding time horizon):

Interest rate risk	VaR			Stress scenario		
	30.06.2010	31.12.2009	30.06.2009	30.06.2010	31.12.2009	30.06.2009
1 month holding period						
Average	32 337	30 520	26 416	138 172	137 162	123 592
High	40 360	39 996	34 061	176 491	185 874	156 361
Low	23 066	17 563	17 563	96 026	82 710	82 710
as at	36 803	36 458	34 061	163 100	142 906	121 614

The Treasury Division operates within an operational VaR risk limit, which amounted to PLN 62 187 k (EUR 15 000 k) at the end of June 2010.

The tables below present the sensitivity of trading and banking portfolios at the end of June 2010 and comparable periods:

Interest Rate Risk (PLN k)	Sensitivity 30-06-2010		
parallel increase of yield curves by 1 bp	Trading book	Banking book	Total
0-3m	(2)	(37)	(39)
3m-1Y	(16)	32	16
1Y-5Y	(7)	(465)	(472)
over 5Y	(6)	(70)	(76)
Total	(31)	(540)	(571)

Interest Rate Risk (PLN k)	Sensitivity 31-12-2009		
parallel increase of yield curves by 1 bp	Trading book	Banking book	Total
0-3m	(10)	(53)	(63)
3m-1Y	(3)	77	74
1Y-5Y	(28)	(501)	(529)
over 5Y	5	(24)	(19)
Total	(36)	(501)	(537)

Interest Rate Risk (PLN k)	Sensitivity 30-06-2009		
parallel increase of yield curves by 1 bp	Trading book	Banking book	Total
0-3m	12	62	74
3m-1R	(44)	(54)	(98)
1R-5L	(27)	(446)	(473)
powyżej 5L	6	(8)	(2)
Total	(53)	(446)	(499)

The following tables present interest rate sensitivities of each NIRIL portfolios at the end of June 2010 and 2009 and December 2009:

Interest Rate Risk (PLN k)	Sensitivity 30-06-2010		
parallel increase of yield curves by 1 bp	Business portfolio	Capital portfolio	Total
0-3m	18	-	18
3m-1Y	(116)	(42)	(158)
1Y-5Y	(891)	(651)	(1 542)
over 5Y	(143)	(835)	(978)
Total	(1 132)	(1 528)	(2 660)

Interest Rate Risk (PLN k)	Sensitivity 31-12-2009		
parallel increase of yield curves by 1 bp	Business portfolio	Capital portfolio	Total
0-3m	(9)	(7)	(16)
3m-1Y	(42)	(29)	(71)
1Y-5Y	(911)	(557)	(1 468)
over 5Y	-	(871)	(871)
Total	(962)	(1 464)	(2 426)

Interest Rate Risk (PLN k)	Sensitivity 30-06-2009		
parallel increase of yield curves by 1 bp	Business portfolio	Capital portfolio	Total
0-3m	(4)	-	(4)
3m-1Y	(45)	(33)	(78)
1Y-5Y	(1 117)	(587)	(1 704)
over 5Y	-	(873)	(873)
Total	(1 166)	(1 493)	(2 659)

FX risk

As far as FX risk management is concerned, there are no significant changes in BZ WBK Capital Group during the reporting period except those listed below.

The table below presents risk levels in June 2010 and 2009 and December 2009 (data for both measures are scaled to 1 month holding period to make it comparable):

FX risk	VaR			Stress scenario		
	30.06.2010	31.12.2009	30.06.2009	30.06.2010	31.12.2009	30.06.2009
1 month holding period						
Average	1 831	2 030	1 599	13 779	13 186	10 732
High	3 552	4 440	4 287	23 409	27 182	21 906
Low	426	435	435	2 938	3 388	3 388
as at	2 381	2 163	3 025	21 258	14 725	21 906

The Treasury Division operates within an operational VaR risk limit, which amounted to PLN 6 219 k (EUR 1 500 k).

The tables below present currency breakdown of selected items of consolidated statement of financial position as at 30.06.2010, 31.12.2009 and 30.06.2009.

30.06.2010	PLN	EUR	CHF	Other	Total
ASSETS					
Cash and balances with central banks	1 264 391	112 539	6 014	94 953	1 477 897
Loans and advances to banks	159 935	822 586	13 282	28 499	1 024 302
Loans and advances to customers	22 684 468	8 518 511	2 448 813	683 558	34 335 350
Investment securities	12 792 770	437 103	-	176 183	13 406 056
Selected assets	36 901 564	9 890 739	2 468 109	983 193	50 243 605
LIABILITIES					
Deposits from central bank	224 323	-	-	-	224 323
Deposits from banks	1 650 524	1 821 978	11 068	298 999	3 782 569
Deposits from customers	36 992 941	3 200 538	33 067	1 071 952	41 298 498
Selected liabilities	38 867 788	5 022 516	44 135	1 370 951	45 305 390

31.12.2009	PLN	EUR	CHF	Other	Total
ASSETS					
Cash and balances with central banks	2 486 441	101 876	4 785	67 556	2 660 658
Loans and advances to banks	178 321	372 346	26 909	85 451	663 027
Loans and advances to customers	22 438 451	9 245 367	2 282 271	604 608	34 570 697
Investment securities	12 695 810	442 185	-	154 577	13 292 572
Selected assets	37 799 023	10 161 774	2 313 965	912 192	51 186 954
LIABILITIES					
Deposits from central bank	1 519 208	-	-	-	1 519 208
Deposits from banks	1 990 851	1 494 813	34 828	310 284	3 830 776
Deposits from customers	37 162 348	3 001 781	31 295	1 027 447	41 222 871
Selected liabilities	40 672 407	4 496 594	66 123	1 337 731	46 572 855



30.06.2009	PLN	EUR	CHF	Other	Total
ASSETS					
Cash and balances with central banks	2 100 680	124 382	4 115	75 343	2 304 520
Loans and advances to banks	419 104	421 542	4 186	191 333	1 036 165
Loans and advances to customers	22 748 571	10 211 414	2 556 146	706 445	36 222 576
Investment securities	12 563 940	701 262	-	226 678	13 491 880
Selected assets	37 832 295	11 458 600	2 564 447	1 199 799	53 055 141
LIABILITIES					
Deposits from central bank	1 381 739	-	-	-	1 381 739
Deposits from banks	2 712 088	1 671 130	35 404	406 913	4 825 535
Deposits from customers	37 768 021	2 905 944	32 377	1 205 959	41 912 301
Debt securities in issue	75 481	-	-	-	75 481
Selected liabilities	41 937 329	4 577 074	67 781	1 612 872	48 195 056

Price risk of equity instruments portfolio

As far as price risk of equity instruments portfolio management is concerned, there are no significant changes in BZ WBK Capital Group during the reporting period except those listed below.

The table below presents risk levels in half-year 2010 and comparable periods:

Equity risk	VaR			Stress scenario		
1 day holding period	30.06.2010	31.12.2009	30.06.2009	30.06.2010	31.12.2009	30.06.2009
Average	226	1 030	835	327	2 144	1 860
High	1 071	5 168	5 168	1 543	12 282	12 282
Low	31	49	49	51	63	63
as at	754	630	962	1 094	696	1 948

BH operates within an operational limit PLN 5 000 k. During the reporting period no excesses above the VaR limit were observed.

Liquidity risk

As far as liquidity risk management is concerned, there are no significant changes in BZ WBK Capital Group during the reporting period except those listed below.

Management report of the Treasury Division on anticipated inflows, outflows and possessed liquid / qualified liquid assets:

Liquidity risk	<1T	<1M	>1M
30-06-2010			
Qualifying Liquid Assets	11 808 666	-	535 394
Treasury inflows	3 702 478	1 800 116	8 810 740
Other inflows	143 501	269 202	34 905 708
Treasury outflows	(4 677 858)	(1 854 176)	(9 681 954)
Other outflows	(3 942 505)	(381 064)	(41 438 248)
GAP	7 034 282	(165 922)	(6 868 360)
Cumulative GAP	7 034 282	6 868 360	-

Liquidity risk	<1T	<1M	>1M
31-12-2009			
Qualifying Liquid Assets	11 023 232	-	1 931 412
Treasury inflows	2 098 604	3 797 865	7 163 425
Other inflows	1 451 558	593 711	33 840 436
Treasury outflows	(3 247 340)	(3 782 486)	(9 292 350)
Other outflows	(3 441 017)	(317 267)	(41 819 783)
GAP	7 885 037	291 823	(8 176 860)
Cumulative GAP	7 885 037	8 176 860	-

Liquidity risk	<1T	<1M	>1M
30-06-2009			
Qualifying Liquid Assets	10 294 606	759 648	1 500 000
Treasury inflows	2 015 804	3 914 804	11 731 208
Other inflows	384 126	448 537	37 320 993
Treasury outflows	(2 912 984)	(4 780 913)	(13 770 981)
Other outflows	(5 307 840)	(486 807)	(41 110 201)
GAP	4 473 712	(144 731)	(4 328 981)
Cumulative GAP	4 473 712	4 328 981	-

Capital Management

As far as capital management is concerned there are no significant changes in BZ WBK Capital Group.

Legal & compliance risk

As far as legal & compliance risk management is concerned there are no significant changes in BZ WBK Capital Group.



5. Net interest income

	01.04.2010 -30.06.2010	01.01.2010 -30.06.2010	01.04.2009 -30.06.2009	01.01.2009 -30.06.2009
Interest and similar income				
Loans and advances to enterprises	290 398	590 084	312 727	671 095
Loans and advances to individuals, of which:	237 232	475 780	219 394	442 956
<i>Mortgage loans</i>	70 299	137 942	66 366	146 123
Debt securities incl.:	191 716	382 033	184 477	367 107
<i>Investment portfolio held to maturity</i>	89 872	183 197	94 317	184 839
<i>Investment portfolio available for sale</i>	71 488	142 114	75 650	152 293
<i>Trading portfolio</i>	30 356	56 722	14 510	29 975
Leasing agreements	44 450	87 280	47 610	101 405
Loans and advances to banks	15 467	29 148	19 332	44 201
Other from public sector	3 908	8 064	4 474	10 061
Reverse repo transactions	1 548	5 270	2 337	10 823
Interest recorded on hedging IRS	(2 837)	(7 324)	(4 540)	(6 360)
Total	781 882	1 570 335	785 811	1 641 288

	01.04.2010 -30.06.2010	01.01.2010 -30.06.2010	01.04.2009 -30.06.2009	01.01.2009 -30.06.2009
Interest expense and similar charges				
Deposits from individuals	(204 218)	(420 694)	(247 336)	(538 858)
Deposits from enterprises	(88 872)	(181 853)	(90 299)	(196 264)
Repo transactions	(23 397)	(46 635)	(43 452)	(81 294)
Public sector	(14 505)	(33 068)	(27 198)	(54 446)
Deposits from banks	(12 580)	(25 306)	(21 617)	(51 537)
Debt securities in issue	-	-	(970)	(2 442)
Total	(343 572)	(707 556)	(430 872)	(924 841)
Net interest income	438 310	862 779	354 939	716 447

6. Net fee and commission income

	01.04.2010 -30.06.2010	01.01.2010 -30.06.2010	01.04.2009 -30.06.2009	01.01.2009 -30.06.2009
Fee and commission income				
eBusiness & payments	95 012	181 786	91 812	178 991
Asset management fees	85 762	170 387	63 002	116 867
Current accounts and money transfer	62 662	124 933	62 193	120 255
Foreign exchange commissions	52 167	97 949	56 923	118 247
Brokerage commissions	33 043	66 113	31 881	56 602
Credit commissions (including factoring)	25 151	52 610	24 678	48 749
Insurance commissions	19 464	38 650	23 438	45 583
Credit cards	15 959	31 735	17 451	33 224
Issue arrangement	3 015	4 800	2 160	3 714
Distribution fees	2 750	7 783	4 527	9 725
Off-balance sheet guarantee commissions	2 717	5 447	2 996	6 196
Finance lease commissions	1 038	1 928	983	1 690
Other commissions	1 189	1 832	352	552
Total	399 929	785 953	382 396	740 395
Fee and commission expense				
eBusiness & payments	(28 498)	(48 704)	(23 613)	(45 152)
Distribution fees	(11 288)	(22 477)	(7 405)	(13 807)
Commissions paid to credit agents	(6 813)	(12 063)	(3 357)	(6 724)
Brokerage commissions	(6 637)	(13 084)	(6 304)	(11 008)
Asset management fees and other costs	(2 086)	(6 330)	(3 724)	(8 105)
Credit cards	(1 598)	(3 371)	(2 023)	(3 781)
Finance lease commissions	(1 553)	(3 115)	(1 741)	(3 547)
Other	(5 716)	(9 131)	(4 058)	(8 214)
Total	(64 189)	(118 275)	(52 225)	(100 338)
Net fee and commission income	335 740	667 678	330 171	640 057

7. Net trading income and revaluation

	01.04.2010 -30.06.2010	01.01.2010 -30.06.2010	01.04.2009 -30.06.2009	01.01.2009 -30.06.2009
Net trading income and revaluation				
Profit/(loss) on derivative instruments	32 807	58 142	35 646	27 514
Profit on interbank FX transactions	29 659	62 486	36 909	79 379
Other FX related income	6 358	12 227	9 202	14 615
Profit on market maker activity	1 651	4 191	2 757	3 705
Profit on debt instruments	(210)	617	514	3 841
Total	70 265	137 663	85 028	129 054

Net trading income and revaluation includes value adjustments of derivatives resulting from counterparty risk in the amount of: PLN (7 466) k for 1H 2010, PLN (7 965) k for 2Q 2010, PLN (29 507) k for 1H 2009 and PLN (5 166) k for 2Q 2009.

As at 30 June 2010, Bank Zachodni WBK revised spreads applied in calculations of fair value of Cross Currency Swaps which are more reliably reflecting fair value of the derivative instruments. The total fair value adjustment to these derivatives was PLN (17 874) k in the reporting period. These instruments are a source of funding and it is the Bank's intention to hold them until maturity. Their mark-to-market valuation will revert to zero on a case-by-case basis over their remaining life. Other significant judgment and key sources of estimation uncertainty have not been changed.



8. Gains (losses) from other financial securities

	01.04.2010 -30.06.2010	01.01.2010 -30.06.2010	01.04.2009 -30.06.2009	01.01.2009 -30.06.2009
Gains (losses) from other financial securities				
Profit on equity shares	(41)	3 015	1 698	2 017
Profit on debt securities	-	5 657	(7 584)	(1 602)
Total profit (losses) on financial instruments	(41)	8 672	(5 886)	415
Change in fair value of hedging instruments	23	(4 356)	(3 412)	12 450
Change in fair value of underlying hedged positions	126	4 556	2 167	(14 616)
Total profit (losses) on hedging and hedged instruments	149	200	(1 245)	(2 166)
Total	108	8 872	(7 131)	(1 751)

9. Impairment losses on loans and advances

	01.04.2010 -30.06.2010	01.01.2010 -30.06.2010	01.04.2009 -30.06.2009	01.01.2009 -30.06.2009
Impairment losses on loans and advances				
Collective and individual impairment charge	(133 130)	(240 455)	(122 246)	(246 164)
Incurred but not reported losses charge	(24 887)	4 098	(4 647)	(38 312)
Recoveries of loans previously written off	8 194	14 541	2 864	4 556
Off balance sheet credit related items	3 376	5 007	1 355	(3 466)
Total	(146 447)	(216 809)	(122 674)	(283 386)

10. Employee costs

	01.04.2010 -30.06.2010	01.01.2010 -30.06.2010	01.04.2009 -30.06.2009	01.01.2009 -30.06.2009
Employee costs				
Salaries and bonuses	(178 912)	(372 352)	(171 268)	(358 968)
Salary related costs	(28 262)	(60 973)	(27 397)	(59 870)
Staff benefits costs	(4 736)	(9 300)	(5 616)	(10 252)
Professional trainings	(3 779)	(5 832)	(3 166)	(5 660)
Retirement fund, holiday provisions and other employee-related costs	(1 380)	(2 956)	(714)	(1 906)
Total	(217 069)	(451 413)	(208 161)	(436 656)

11. General and administrative expenses

	01.04.2010 -30.06.2010	01.01.2010 -30.06.2010	01.04.2009 -30.06.2009	01.01.2009 -30.06.2009
General and administrative expenses				
Maintenance and rentals of premises	(52 066)	(104 085)	(50 231)	(99 354)
Marketing and representation	(32 536)	(48 004)	(25 121)	(36 025)
IT systems costs	(21 695)	(41 112)	(22 053)	(44 617)
Postal and telecommunication costs	(13 149)	(26 309)	(15 180)	(29 353)
Other external services	(8 868)	(16 399)	(5 590)	(12 284)
Car, transport expenses, carriage of cash	(7 970)	(14 787)	(7 960)	(15 707)
Bank Guarantee Fund, Polish Financial Supervision Authority and National Depository for Securities	(7 543)	(14 967)	(7 969)	(15 841)
Consulting fees	(6 319)	(11 275)	(4 421)	(9 470)
Stationery, cards, cheques etc.	(4 744)	(8 006)	(4 168)	(7 492)
Data transmission	(4 018)	(7 827)	(4 156)	(8 971)
Sundry taxes	(3 995)	(8 034)	(4 109)	(8 192)
Security costs	(3 709)	(6 552)	(2 727)	(6 020)
KIR, SWIFT settlements	(2 979)	(5 968)	(3 326)	(6 376)
Costs of repairs	(1 534)	(2 875)	(1 397)	(3 494)
Other	(3 479)	(6 344)	(2 232)	(5 779)
Total	(174 604)	(322 544)	(160 640)	(308 975)

12. Corporate income tax

	01.04.2010 -30.06.2010	01.01.2010 -30.06.2010	01.04.2009 -30.06.2009	01.01.2009 -30.06.2009
Corporate income tax				
Current tax charge	(73 949)	(201 682)	(45 583)	(124 650)
Deferred tax	7 958	36 688	(9 665)	38 867
Total	(65 991)	(164 994)	(55 248)	(85 783)

	01.04.2010 -30.06.2010	01.01.2010 -30.06.2010	01.04.2009 -30.06.2009	01.01.2009 -30.06.2009
Corporate total tax charge information				
Profit before tax	333 335	681 994	321 479	478 527
Tax rate	19%	19%	19%	19%
Tax calculated at the tax rate	(63 334)	(129 579)	(61 081)	(90 920)
Non tax-deductible expenses	(3 751)	(4 889)	(2 909)	(3 033)
Loss on sale of receivables	(11 728)	(17 173)	(5 050)	(5 050)
Non-taxable income (dividends)	9 992	10 011	14 007	14 007
Other:				
- non-tax deductible debt	17 205	(5 447)	(177)	(298)
- other	(14 375)	(17 917)	(38)	(489)
Total income tax expense	(65 991)	(164 994)	(55 248)	(85 783)

	30.06.2010	31.12.2009	30.06.2009
Deferred tax recognised directly in equity			
The amount of deferred tax recognised directly in equity totaled:			
Relating to equity securities available-for-sale	(96 041)	(96 995)	(96 074)
Relating to debt securities available-for-sale	(4 201)	(1 166)	3 206
Relating to cash flow hedging activity	(994)	(450)	309
Total	(101 236)	(98 611)	(92 559)



13. Cash and balances with central banks

Cash and balances with central banks	30.06.2010	31.12.2009	30.06.2009
Current accounts in central banks	599 529	1 697 190	1 487 811
Cash	878 368	963 465	816 706
Equivalents of cash	-	3	3
Total	1 477 897	2 660 658	2 304 520

Parent entity of BZWBK Group holds an obligatory reserve on a current account in the National Bank of Poland. The figure is calculated as 3% of the monthly average balance of the customer deposits reduced by the equivalent of EUR 500 k

14. Loans and advances to banks

Loans and advances to banks	30.06.2010	31.12.2009	30.06.2009
Loans and advances	978 817	596 793	900 764
Reverse-repo transactions	-	-	109 593
Current accounts	45 485	66 234	31 777
Gross receivables	1 024 302	663 027	1 042 134
Impairment write down	-	-	(5 969)
Total	1 024 302	663 027	1 036 165

15. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading	30.06.2010		31.12.2009		30.06.2009	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Trading derivatives	494 802	832 366	709 984	736 050	1 316 181	1 747 485
Interest rate operations	256 628	278 267	291 686	306 888	504 668	472 903
Options	40	40	-	-	1	1
IRS	253 780	276 321	283 294	297 410	444 205	411 270
FRA	2 808	1 906	8 392	9 478	60 462	61 632
FX operations	238 174	554 099	418 298	429 162	811 513	1 274 582
CIRS	66 774	269 955	128 700	289 168	71 412	585 678
Forward	43 894	11 517	58 527	29 198	232 629	121 441
FX Swap	89 487	228 800	165 554	46 239	319 185	379 725
Spot	1 282	602	1 003	1 325	1 841	2 034
Options	36 737	43 225	64 514	63 232	186 446	185 704
Debt and equity securities	1 114 881	-	634 825	-	482 624	-
Debt securities	1 060 578	-	587 097	-	444 650	-
Government securities:	360 646	-	187 369	-	444 627	-
- bills	143 553	-	71 808	-	346 495	-
- bonds	217 093	-	115 561	-	98 132	-
Central Bank securities:	699 932	-	399 728	-	-	-
- bills	699 932	-	399 728	-	-	-
Other securities:	-	-	-	-	23	-
- bonds	-	-	-	-	23	-
Equity securities:	54 303	-	47 728	-	37 974	-
- listed	54 303	-	47 728	-	37 974	-
Reverse-repo transactions	-	20 267	-	-	-	-
Short sale	-	20 267	-	-	-	-
Total financial assets/liabilities	1 609 683	852 633	1 344 809	736 050	1 798 805	1 747 485

Financial assets and liabilities held for trading - trading derivatives include value adjustments resulting from counterparty risk in the amount of PLN (106 713) k as at 30.06.2010, PLN (95 916) k as at 31.12.2009 and PLN (106 846) k as at 30.06.2009.

16. Loans and advances to customers

Loans and advances to customers	30.06.2010	31.12.2009	30.06.2009
Loans and advances to enterprises	21 620 494	22 265 448	24 231 501
Loans and advances to individuals, of which:	11 253 931	10 632 415	9 975 803
<i>Home mortgage loans</i>	6 658 547	6 062 546	5 671 470
Finance lease receivables	2 541 113	2 706 516	2 919 774
Loans and advances to public sector	186 912	83 106	104 532
Reverse-repo transactions	147	10 083	9 763
Other	26 276	12 805	19 355
Gross receivables	35 628 873	35 710 373	37 260 728
Impairment write down	(1 293 523)	(1 139 676)	(1 038 152)
Total	34 335 350	34 570 697	36 222 576

Movements on impairment losses on loans and advances to customers	30.06.2010	31.12.2009	30.06.2009
Individual and collective impairment			
As at the beginning of the period	(766 110)	(571 113)	(571 113)
Charge/write back of current period	(240 455)	(438 698)	(246 164)
Write off/sale of receivables	81 050	250 992	143 389
Transfer	2 933	(10 866)	(3 659)
F/X differences	(605)	3 575	(3 182)
Balance at the end of the period	(923 187)	(766 110)	(680 729)
IBNR			
As at the beginning of the period	(373 566)	(318 170)	(318 170)
Charge/write back of current period	4 098	(56 297)	(38 312)
F/X differences	(868)	901	(941)
Balance at the end of the period	(370 336)	(373 566)	(357 423)
Impairment write down	(1 293 523)	(1 139 676)	(1 038 152)

17. Investment securities

Investment securities available for sale	30.06.2010	31.12.2009	30.06.2009
Available for sale investments - measured at fair value	7 065 095	6 623 017	6 812 353
Debt securities	6 399 888	5 957 601	6 153 442
Government securities:	6 316 944	5 873 630	6 103 101
- bills	120 885	1 105 854	1 351 489
- bonds	6 196 059	4 767 776	4 751 612
Commercial securities:	82 944	83 971	50 341
- bonds	82 944	83 971	50 341
Equity securities	614 994	613 011	609 275
- listed	22 426	24 151	22 692
- unlisted	592 568	588 860	586 583
Investment certificates	50 213	52 405	49 636
Total	7 065 095	6 623 017	6 812 353

18. Financial assets held to maturity

Financial assets held to maturity	30.06.2010	31.12.2009	30.06.2009
Government securities:	6 340 961	6 669 555	6 679 527
- bonds	6 340 961	6 669 555	6 679 527
Total	6 340 961	6 669 555	6 679 527



19. Investments in associates and joint ventures

Movements on investments in associates and joint ventures	30.06.2010	31.12.2009	30.06.2009
Balance at 1 January	81 887	72 221	72 221
Share of profits/(losses)	1 366	(334)	(3 348)
Sale/acquisition	-	10 000	10 000
Other/dividend	(1 337)	-	-
Balance at the end of the period	81 916	81 887	78 873

Details of sale/aquisitions of associates and joint ventures are disclosed in note 25.

Balance sheet value of associates and joint ventures	30.06.2010	31.12.2009	30.06.2009
Polfund - Fundusz Poręczeń Kredytowych S.A.	36 323	36 373	36 285
BZ WBK - Aviva Towarzystwo Ubezpieczeń Ogólnych S.A.	17 410	18 405	16 091
BZ WBK - Aviva Towarzystwo Ubezpieczeń na Życie S.A.	13 703	12 872	12 503
Metrohouse S.A.	4 211	4 084	3 975
Krynicky Recykling S.A.	10 269	10 153	10 019
Total	81 916	81 887	78 873

20. Deposits from central bank

Deposits from central bank	30.06.2010	31.12.2009	30.06.2009
Repo transactions	224 323	1 519 208	1 381 739
Total	224 323	1 519 208	1 381 739

21. Deposits from banks

Deposits from banks	30.06.2010	31.12.2009	30.06.2009
Loans from other banks	1 370 143	1 518 901	2 076 766
Repo transactions	1 225 421	1 531 795	2 129 754
Term deposits	1 139 761	745 682	557 532
Current accounts	47 244	34 398	61 483
Total	3 782 569	3 830 776	4 825 535

22. Deposits from customers

Deposits from customers	30.06.2010	31.12.2009	30.06.2009
Deposits from individuals	25 817 456	25 613 714	25 452 667
<i>Term deposits</i>	13 657 068	14 166 157	14 155 306
<i>Current accounts</i>	12 123 258	11 414 712	11 255 590
<i>Other</i>	37 130	32 845	41 771
Deposits from enterprises	13 301 865	13 284 728	13 288 038
<i>Term deposits</i>	8 560 329	8 319 717	9 035 373
<i>Current accounts</i>	4 051 715	4 484 720	3 906 245
<i>Credits</i>	346 302	227 614	33 829
<i>Other</i>	343 519	252 677	312 591
Deposits from public sector	2 179 177	2 324 429	3 171 596
<i>Term deposits</i>	756 914	781 613	1 697 258
<i>Current accounts</i>	1 382 095	1 542 259	1 443 178
<i>Other</i>	40 168	557	31 160
Total	41 298 498	41 222 871	41 912 301

23. Contingent liabilities

Significant court proceedings

As at 30.06.2010 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 litigation amounts to PLN 240 900 k, which is ca 3.86 % of Group's equity. This amount includes PLN 51 249 k claimed by the Group, PLN 66 006 k in claims against the Group and PLN 123 645 k are Group's receivables due to bankruptcy or arrangement cases.

Off balance sheet liabilities

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	30.06.2010	31.12.2009	30.06.2009
Liabilities sanctioned			
- financial	5 343 132	6 345 103	7 116 369
- credit lines	4 510 878	5 442 474	6 195 544
- credit cards debits	792 702	845 493	889 050
- term deposits with future commencement term	-	27 933	-
- import letters of credit	39 552	29 203	31 775
- guarantees	1 173 670	876 197	826 246
Total	6 516 802	7 221 300	7 942 615



WBK

Bank Zachodni WBK S.A.

24. Related party disclosures

The tables below present intercompany transactions. They are effected between subsidiaries, associates, joint ventures and parent entity. Most of the transactions are banking transactions made as part of ordinary business activities and mainly include loans, deposits and guarantees.

Intercompany transactions effected by the bank and its subsidiaries have been eliminated during the consolidation process.

Transactions between entities of BZWBK Group	30.06.2010	31.12.2009	30.06.2009
ASSETS	2 375 390	2 269 450	1 958 016
Loans and advances to banks	1 070 686	1 050 201	845 226
Financial assets held for trading	3 706	6 145	672
Hedging derivatives	82 774	73 059	135 900
Loans and advances to customers	1 182 179	1 124 842	953 250
Other assets	36 045	15 203	22 968
LIABILITIES	2 375 389	2 269 450	1 958 016
Deposits from banks	1 179 683	1 121 781	949 136
Hedging derivatives	133	183	167
Financial liabilities held for trading	86 347	79 021	136 266
Deposits from customers	1 057 201	1 033 001	823 662
Debt securities in issue	-	-	139
Other liabilities	52 025	35 464	48 646
The difference on transactions between subsidiaries as at 30.06.2010 in the amount of PLN 1 k results from prepaid expenses which are recognised in profit and loss account.			
INCOME	124 796	214 210	95 170
Interest and similar income	46 570	88 534	41 827
Fee and commission income	63 600	102 280	44 581
Other operating income	4 568	8 994	4 041
Net trading income and revaluation	10 058	14 402	4 721
EXPENSES	124 795	214 210	95 170
Interest expense and similar charges	55 857	100 867	45 375
Fee and commission expense	62 580	102 300	44 619
Operating expenses incl.:	6 358	11 043	5 176
<i>Bank's staff, operating expenses and management costs</i>	6 351	11 009	5 146
<i>Other</i>	7	34	30
CONTINGENT LIABILITIES	2 571 582	3 222 998	2 658 028
Sanctioned:	1 285 791	1 611 499	1 329 014
- <i>financing-related</i>	1 028 646	1 356 686	1 275 243
- <i>guarantees</i>	257 145	254 813	53 771
Received:	1 285 791	1 611 499	1 329 014
- <i>financing-related</i>	1 028 646	1 356 686	1 275 243
- <i>guarantees</i>	257 145	254 813	53 771

Transactions with associates and joint ventures	30.06.2010	31.12.2009	30.06.2009
ASSETS	912	842	5
Loans and advances to customers	912	842	5
LIABILITIES	89 886	90 352	144 775
Deposits from customers	89 886	90 352	144 775
INCOME	855	5 882	5 708
Interest and similar income	23	62	-
Fee and commission income	784	5 663	5 592
Other operating income	48	157	116
EXPENSES	2 955	8 340	4 583
Interest expense and similar charges	2 001	6 199	3 438
Fee and commission expense	141	-	-
Operating expenses incl.:	813	2 141	1 145
<i>General and administrative expenses</i>	<i>813</i>	<i>2 141</i>	<i>1 145</i>

Transactions with AIB Group	30.06.2010	31.12.2009	30.06.2009
ASSETS	270 084	495 282	538 400
Loans and advances to banks, incl:	241 173	376 170	329 456
<i>deposits</i>	<i>241 142</i>	<i>376 075</i>	<i>329 419</i>
<i>current accounts</i>	<i>31</i>	<i>95</i>	<i>37</i>
Financial assets held for trading	27 921	117 274	207 762
Other assets	990	1 838	1 182
LIABILITIES	1 849 281	1 918 015	2 296 117
Deposits from banks incl.:	1 547 908	1 631 612	1 765 656
<i>loans granted to BZ WBK subsidiaries</i>	<i>829 286</i>	<i>819 759</i>	<i>889 791</i>
<i>repo transactions</i>	<i>302 572</i>	<i>305 653</i>	<i>558 208</i>
<i>deposits</i>	<i>416 050</i>	<i>506 200</i>	<i>317 657</i>
Hedging derivatives	1 470	1 564	2 140
Financial liabilities held for trading	261 825	272 417	519 254
Other liabilities	38 078	12 422	9 067
INCOME	(55 288)	76 120	20 801
Interest and similar income	92	4 375	4 603
Fee and commission income	983	1 042	253
Other operating income	571	2 951	1 402
Net trading income and revaluation	(55 450)	60 686	5 895
Gains (losses) from other financial securities	(1 484)	7 066	8 648
EXPENSES	25 532	62 822	33 936
Interest expense and similar charges	8 634	30 405	19 573
Fee and commission expense	-	-	86
Operating expenses incl.:	16 898	32 417	14 277
<i>Bank's staff, operating expenses and management costs</i>	<i>16 898</i>	<i>32 417</i>	<i>14 277</i>
CONTINGENT LIABILITIES	-	44 319	53 184
Sanctioned:	-	7 419	-
<i>- financing-related</i>	<i>-</i>	<i>7 419</i>	<i>-</i>
Received:	-	36 900	53 184
<i>- financing-related</i>	<i>-</i>	<i>36 900</i>	<i>53 184</i>



Transactions with Members of Management and Supervisory Boards

Remuneration of Bank Zachodni WBK S.A. Management and Supervisory Board Members

In 1H 2010 the amount of remuneration paid to the Management Board Members of Bank Zachodni WBK S.A. totalled PLN 4 874 k whereas additional benefits totalled PLN 1 136 k. Based on 2009 performance, the amount of PLN 8 885 k bonus has been paid.

In 1H 2009 the amount of remuneration paid to the Management Board Members of Bank Zachodni WBK S.A. totalled PLN 4 886 k whereas additional benefits totalled PLN 1 468 k. No bonus has been paid in 2009 based on 2008 performance.

In 1H 2010 the total amount of remuneration paid to the Supervisory Board Members of Bank Zachodni WBK S.A. totalled PLN 463 k.

In 1H 2009 the total amount of remuneration paid to the Supervisory Board Members of Bank Zachodni WBK S.A. totalled PLN 493 k.

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

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

30.06.2010

Loans and advances made by the Bank to the Members of the Management Board of BZ WBK S.A. and to their relatives totalled PLN 9 142 k. These facilities have been sanctioned on regular terms and conditions.

As of 30.06.2010, the total of loans, advances and guarantees provided to members of the Management Board of BZ WBK S.A. by the subsidiaries and associates amounted to PLN 14 k.

Social Fund loans and advances provided to the Members of the Management Board totalled nil.

31.12.2009

Loans and advances made by the Bank to the Members of the Management Board of BZ WBK S.A. and to their relatives were PLN 9 193 k. These facilities have been sanctioned on regular terms and conditions.

As of 31.12.2009, the total finance lease receivable provided to members of the Management Board of BZ WBK S.A. by the subsidiaries and associates amounted to PLN 23 k.

Social Fund loans and advances provided to the Members of the Management Board totalled nil.

30.06.2009

Loans and advances made by the Bank to the Members of the Management Board of BZ WBK S.A. and to their relatives totalled PLN 9 571 k. These facilities have been sanctioned on regular terms and conditions.

As of 30.06.2009, the total of loans, advances and guarantees provided to members of the Management Board of BZ WBK S.A. by the subsidiaries and associates amounted to PLN 24 k.

Social Fund loans and advances provided to the Members of the Management Board totalled nil.

Profit sharing scheme

In 2006 selected subsidiaries of BZWBK Group introduced a motivation scheme for their key management in a form of a long term profit sharing scheme classified as other long-term benefits in accordance with IAS 19. The formal framework of the scheme is based on an issue of shares that are purchased by entitled individuals.

Considering underlying characteristics of the scheme it has been classified as a long term profit sharing scheme and recognized as a liability in the consolidated financial statements.

Shares issued under the scheme are deprived of voting rights, have significant limitations on disposal and are subject to conditional obligation to dispose shares at a price different from the fair value of shares.

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

The value of the liability resulting from the scheme as at 30 June 2010 amounted to PLN 3 062 k and the amount recognized as the scheme related expense in the profit and loss account for the period was PLN 3 064 k.

The value of the liability resulting from the scheme as at 31 December 2009 amounted to PLN 14 344 k and the amount recognized as the scheme related expense in the profit and loss account for the period was PLN 12 304 k.

The value of the liability resulting from the scheme as at 30 June 2009 amounted to PLN 6 286 k and the amount recognized as the scheme related expense in the profit and loss account for the period was PLN 5 395 k.

25. Acquisitions and disposals of investments in subsidiaries and associates

In 1H 2010 Bank Zachodni WBK Group did not purchase or sell any investment in subsidiary or associate.

Acquisitions of subsidiaries and associates in 1H 2009

Purchase of shares and registration of the Bank's new subsidiary

On 14 January 2009 a new company BZ WBK Finanse Sp. z o.o. was registered.

The Bank acquired in BZ WBK Finanse Sp. z o.o. 1 000 shares with the nominal value of PLN 50 each which accounts for 100% of the share capital and 100% of votes at the General Meeting. The Bank acquired the shares for the total of PLN 50 k. The core business of the Company will be operating financial holdings.

The Bank's purchase of the shares in BZ WBK Finanse Sp. z o.o. is a long-term investment and has been financed with the Bank's own funds.

Additionally, an agreement was entered into by and between the Bank and the registered subsidiary on transferring the ownership title to shares of the Bank's selected Pursuant to the Agreement, the Bank transferred onto BZ WBK Finanse the ownership title to:

- 1,216,919 shares of BZ WBK Leasing S.A. with a total nominal value of PLN 121 691 900.00 representing 99.99 % of the share capital and votes at the company's AGM, with the total value equalling the carrying value in the Bank's books of PLN 61,257,096.09. The value of shares in the BZ WBK Finanse books will total PLN 61,257,096.09;
- 100 shares of BZ WBK Faktor Sp. z o.o. with a total nominal value of PLN 50 000.00 representing 100% of the share capital and votes at the company's AGM, with the total value equalling the carrying value in the Bank's books of PLN 6,200,073.20. The value of shares in the BZ WBK Finanse books will total PLN 6,200,073.20.
- 504,999 shares of BZ WBK Finanse i Leasing S.A., with a total nominal value of PLN 50,499,900.00. representing 99.99% of the share capital and votes at the company's AGM, with the total value equalling the carrying value in the Bank's books of PLN 50 512 484.00. The value of shares in the BZ WBK Finanse books will total PLN 50,512,484.00;

The above shares represent the Bank's non-cash contribution to the BZWBK Finanse capital with a total value of PLN 117,969,653.29.

Purchase of shares of a new associate Krynicki Recykling S.A.

BZ WBK Inwestycje Sp. z o.o. (the Bank's subsidiary) acquired in Krynicki Recykling S.A. 3,076,852 shares of its new issue (representing 30.37 % of the share capital) with the nominal value of PLN 3.25 each. The company acquired the shares for the total of PLN 9,999,769.00. The agreement was signed on 19th of December 2008, the registration of the share capital increase – on 2nd of February 2009.

Krynicki Recykling S.A, seated in Olsztyn, is quoted on the NewConnect market. It operates in an environmental protection industry sector. Purchase of shares was a part of building a portfolio of pre-IPO type own investment.

26. Events which occurred subsequently to the end of the interim period

There were no major events subsequent to the end of the interim period.

27. Share based incentive scheme

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

First edition vested in Q2 2009. All outstanding awards have been subscribed and fully paid in May-June 2009.

Second edition expired as at 31 March 2010. The scheme did not vest as the conditions were not met.

In 2008 third edition has been granted to no more than 600 individuals and is still in operation.

Shares will vest on a linear pattern between 25% and 100% contingent on EPS growth adjusted by Consumer Price Index (CPI). The range of the scale requires EPS growth adjusted for CPI between 8% and 16% for 2008 edition.

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

Share based payments granted in 2008:

	2008
Number of share based payments	288 112
Share price	149,00
Exercise price	10
Vesting period	3 years
Expected volatility	40,82%
Award life	3 years
Risk free rate	6,87%
Fair value per award	133,01 PLN
Dividend yield	2,01%

Taking up the Bank's shares by the employees Incentive Scheme

The following table summarizes the share based payments activity:

	6 months of 2010 Number of share based payments	6 months of 2009 Number of share based payments
Outstanding at 1 January	341 701	476 929
Granted	-	-
Exercised	-	(115 729)
Forfeited	(4 901)	(11 002)
Expired	(65 491)	-
Outstanding at 30 June	271 309	350 198
Exercisable at 30 June	-	-

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

For the share based payments outstanding as at 30 June 2010 and as at 30 June 2009 the average remaining contractual life is approximately 0,8 year and 1,5 years respectively.

The total expense recognized with corresponding increase in equity (other reserve capital) for 6 months of 2010 and 2009 amounts to PLN 0 k and PLN 1 547 k respectively.

28. Dividend per share

On 21 April 2010, the Annual General Meeting of Bank Zachodni WBK adopted a Resolution allocating PLN 292 304 k to dividend for shareholders, i.e. the proposed dividend was PLN 4 per share.

The in-dividend day was 7 May 2010, and the dividend payment date was 21 May 2010.

On 21st April 2009 the Annual General Meeting of BZ WBK Shareholders allocated the net profit of 2008 to the reserve capital and to the general risk fund. Therefore, Bank Zachodni WBK S.A. didn't pay a dividend out of its income generated in 2008.

29. Divestment plans of the majority shareholder of Bank Zachodni WBK

On 30 March 2010, AIB Bank announced its intention to sell its entire stake in Bank Zachodni WBK. AIB is going to dispose of its Polish, UK and US assets to meet the capital requirements of the market regulators. AIB Corporate Finance, in co-operation with the investment bank Morgan Stanley, has embarked on the task of implementing the action plan aimed at selling Bank Zachodni WBK.

Signatures of Members of the Management Board			
Date	Name	Function	Signature
27-07-2010	Mateusz Morawiecki	President	
27-07-2010	Paul Barry	Member	
27-07-2010	Andrzej Burliga	Member	
27-07-2010	Declan Flynn	Member	
27-07-2010	Justyn Konieczny	Member	
27-07-2010	Janusz Krawczyk	Member	
27-07-2010	Jacek Marcinowski	Member	
27-07-2010	Michael McCarthy	Member	
27-07-2010	Marcin Prell	Member	
27-07-2010	Mirosław Skiba	Member	
27-07-2010	Feliks Szyszkowiak	Member	

Signature of a person who is responsible for maintaining the book of account			
Date	Name	Function	Signature
27-07-2010	Wojciech Skalski	Financial Accounting Area Director	