

**CONDENSED INTERIM UNCONSOLIDATED  
FINANCIAL STATEMENTS OF  
BANK ZACHODNI WBK S.A.  
FOR THE 6-MONTH PERIOD  
ENDED 30 JUNE 2011**

2011



**WBK**

| Bank Zachodni WBK S.A.

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

for reporting period:		01.04.2011 - 30.06.2011	01.01.2011 - 30.06.2011	01.04.2010 - 30.06.2010	01.01.2010 - 30.06.2010
Interest income		795 530	1 559 301	741 537	1 489 602
Interest expense		( 329 790)	( 633 092)	( 342 133)	( 704 072)
<b>Net interest income</b>	Note 5	<b>465 740</b>	<b>926 209</b>	<b>399 404</b>	<b>785 530</b>
Fee and commission income		301 165	583 785	294 500	572 522
Fee and commission expense		( 28 661)	( 51 710)	( 41 546)	( 71 225)
<b>Net fee and commission income</b>	Note 6	<b>272 504</b>	<b>532 075</b>	<b>252 954</b>	<b>501 297</b>
Dividend income		135 266	182 395	78 949	131 358
Net trading income and revaluation	Note 7	70 259	108 949	70 745	141 040
Gains (losses) from other financial securities	Note 8	5 535	5 130	166	8 904
Other operating income		16 011	32 637	11 702	19 691
Impairment losses on loans and advances	Note 9	( 75 651)	( 163 908)	( 128 099)	( 187 894)
Operating expenses incl.:		( 425 687)	( 826 763)	( 388 012)	( 766 947)
<i>Bank's staff, operating expenses and management costs</i>	Notes 10,11	( 384 821)	( 748 989)	( 353 414)	( 697 430)
<i>Depreciation/amortisation</i>		( 32 547)	( 65 534)	( 28 880)	( 57 807)
<i>Other operating expenses</i>		( 8 319)	( 12 240)	( 5 718)	( 11 710)
<b>Operating profit</b>		<b>463 977</b>	<b>796 724</b>	<b>297 809</b>	<b>632 979</b>
<b>Profit before tax</b>		<b>463 977</b>	<b>796 724</b>	<b>297 809</b>	<b>632 979</b>
Corporate income tax	Note 12	( 68 098)	( 123 590)	( 53 744)	( 138 697)
<b>Profit for the period</b>		<b>395 879</b>	<b>673 134</b>	<b>244 065</b>	<b>494 282</b>
<b>Net earnings per share (PLN/share)</b>					
Basic earnings per share		5,42	9,21	3,34	6,76
Diluted earnings per share		5,41	9,20	3,33	6,75

**Statement of comprehensive income of Bank Zachodni WBK S.A.**

for reporting period:		01.04.2011 - 30.06.2011	01.01.2011 - 30.06.2011	01.04.2010 - 30.06.2010	01.01.2010 - 30.06.2010
<b>Profit for the period</b>		<b>395 879</b>	<b>673 134</b>	<b>244 065</b>	<b>494 282</b>
<b>Other comprehensive income:</b>					
Available-for sale financial assets valuation		64 995	40 167	(32 312)	8 230
Cash flow hedges valuation		22 023	8 871	8 952	2 321
<b>Other comprehensive income for the period, net of income tax</b>		<b>87 018</b>	<b>49 038</b>	<b>(23 360)</b>	<b>10 551</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>482 897</b>	<b>722 172</b>	<b>220 705</b>	<b>504 833</b>



**Statement of financial position of Bank Zachodni WBK S.A.**

	as at:	30.06.2011	31.12.2010	30.06.2010
<b>ASSETS</b>				
Cash and balances with central banks	Note 13	2 186 575	2 534 458	1 477 890
Loans and advances to banks	Note 14	782 591	601 637	1 012 370
Financial assets held for trading	Note 15	3 664 579	2 200 930	1 558 807
Hedging derivatives		36 272	14 768	15 445
Loans and advances to customers	Note 16	34 015 373	31 952 688	32 560 584
Investment securities	Notes 17, 18	12 588 098	13 355 858	13 370 954
Investments in subsidiaries, associates and joint ventures	Note 19	259 599	248 999	238 349
Intangible assets		157 772	155 055	154 511
Property, plant and equipment		504 060	533 443	547 019
Net deferred tax assets		228 600	242 949	251 594
Other assets		351 425	193 971	390 792
<b>Total assets</b>		<b>54 774 944</b>	<b>52 034 756</b>	<b>51 578 315</b>
<b>LIABILITIES</b>				
Deposits from central bank	Note 20	-	-	224 323
Deposits from banks	Note 21	5 737 887	2 144 007	2 412 010
Hedging derivatives		11 004	16 441	48 178
Financial liabilities held for trading	Note 15	642 774	578 611	938 980
Deposits from customers	Note 22	41 083 656	42 099 210	41 445 100
Subordinated liabilities	Note 34	398 015	395 230	-
Current income tax liabilities		19 056	74 197	77 978
Other liabilities		630 437	619 287	744 761
<b>Total liabilities</b>		<b>48 522 829</b>	<b>45 926 983</b>	<b>45 891 330</b>
<b>Equity</b>				
Share capital		730 760	730 760	730 760
Other reserve funds		4 368 155	4 048 213	4 048 213
Revaluation reserve		480 066	431 028	432 813
Retained earnings		-	(19 083)	(19 083)
Profit of the current period		673 134	916 855	494 282
<b>Total equity</b>		<b>6 252 115</b>	<b>6 107 773</b>	<b>5 686 985</b>
<b>Total equity and liabilities</b>		<b>54 774 944</b>	<b>52 034 756</b>	<b>51 578 315</b>

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

Movements on equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Total
<b>Opening balance as at 31.12.2010</b>	<b>730 760</b>	<b>4 048 213</b>	<b>431 028</b>	<b>897 772</b>	<b>6 107 773</b>
Total comprehensive income	-	-	49 038	673 134	722 172
Transfer to other capital	-	313 164	-	( 313 164)	-
Dividend relating to 2010	-	-	-	( 584 608)	( 584 608)
Share scheme charge	-	6 778	-	-	6 778
<b>As at 30.06.2011</b>	<b>730 760</b>	<b>4 368 155</b>	<b>480 066</b>	<b>673 134</b>	<b>6 252 115</b>

As at the end of the period revaluation reserve in the amount of PLN 480 066 k comprises mainly of debt securities and equity shares classified as available for sale of PLN 39 930 k and PLN 429 252 k, respectively. Additionally, it includes cash flow hedge activities of PLN 10 884 k. The revaluation reserve relates to the securities designated as available-for-sale.

Movements on equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Total
<b>Opening balance as at 31.12.2009</b>	<b>730 760</b>	<b>3 354 289</b>	<b>422 262</b>	<b>967 145</b>	<b>5 474 456</b>
Total comprehensive income	-	-	8 766	916 855	925 621
Transfer to other capital	-	693 924	-	( 693 924)	-
Dividend relating to 2009	-	-	-	( 292 304)	( 292 304)
<b>As at 31.12.2010</b>	<b>730 760</b>	<b>4 048 213</b>	<b>431 028</b>	<b>897 772</b>	<b>6 107 773</b>

As at the end of the period revaluation reserve in the amount of PLN 431 028 k comprises mainly of debt securities and equity shares classified as available for sale of PLN 19 843 k and PLN 409 170 k, respectively. Additionally, it includes cash flow hedge activities of PLN 2 015 k. The revaluation reserve relates to the securities designated as available-for-sale.

Movements on equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Total
<b>Opening balance as at 31.12.2009</b>	<b>730 760</b>	<b>3 354 289</b>	<b>422 262</b>	<b>967 145</b>	<b>5 474 456</b>
Total comprehensive income	-	-	10 551	494 282	504 833
Transfer to other capital	-	693 924	-	( 693 924)	-
Dividend relating to 2009	-	-	-	( 292 304)	( 292 304)
<b>As at 30.06.2010</b>	<b>730 760</b>	<b>4 048 213</b>	<b>432 813</b>	<b>475 199</b>	<b>5 686 985</b>

As at the end of the period revaluation reserve in the amount of PLN 432 813 k comprises mainly of debt securities and equity shares classified as available for sale of PLN 17 918 k and PLN 410 657 k, respectively. Additionally, it includes cash flow hedge activities of PLN 4 238 k. The revaluation reserve relates to the securities designated as available-for-sale.

**Statement of cash flows of Bank Zachodni WBK S.A.**

	for reporting period:	01.01.2011 - 30.06.2011	01.01.2010 - 30.06.2010
<b>Profit before tax</b>		<b>796 724</b>	<b>632 979</b>
<b>Total adjustments:</b>		<b>686 003</b>	<b>( 883 998)</b>
Depreciation/amortisation		65 534	57 807
Impairment losses		-	26
Interests and similar charges		93 027	37 551
Dividend received		( 111 544)	( 131 358)
(Profit) loss from investing activities		( 3 616)	( 8 852)
Change in provisions		( 47 145)	( 28 319)
Change in trading portfolio financial instruments		424 361	178 854
Change in loans and advances to banks		( 8)	-
Change in loans and advances to customers		(2 062 774)	64 687
Change in deposits from banks		3 593 880	(1 184 367)
Change in deposits from customers		(1 015 554)	182 926
Change in other assets and liabilities		( 74 395)	( 22 443)
Paid income tax		( 175 886)	( 30 772)
Other adjustments		123	262
<b>Net cash flow from operating activities</b>		<b>1 482 727</b>	<b>( 251 019)</b>
<b>Inflows</b>		<b>1 807 566</b>	<b>2 416 604</b>
Sale/maturity of investment securities		1 695 752	2 284 150
Sale of intangible assets and property, plant and equipment		265	1 091
Dividend received		111 544	131 358
Proceeds from other investments		5	5
<b>Outflows</b>		<b>( 985 839)</b>	<b>(2 378 080)</b>
Sale of shares or interests in subsidiaries, associates and joint ventures		( 10 600)	( 4 000)
Purchase of investment securities		( 939 667)	(2 358 212)
Purchase of intangible assets and property, plant and equipment		( 35 572)	( 15 868)
<b>Net cash flow from investing activities</b>		<b>821 727</b>	<b>38 524</b>
<b>Inflows</b>		<b>-</b>	<b>-</b>
<b>Outflows</b>		<b>( 620 692)</b>	<b>( 306 433)</b>
Dividends and other payments to shareholders		( 584 608)	( 292 304)
Other financing outflows		( 36 084)	( 14 129)
<b>Net cash flow from financing activities</b>		<b>( 620 692)</b>	<b>( 306 433)</b>
<b>Total net cash flow</b>		<b>1 683 762</b>	<b>( 518 928)</b>
<b>Cash at the beginning of the accounting period</b>		<b>4 335 396</b>	<b>3 709 121</b>
<b>Cash at the end of the accounting period</b>		<b>6 019 158</b>	<b>3 190 193</b>

# Additional notes to 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.

The direct parent of Bank Zachodni WBK SA is Banco Santander, S.A. seated in Santander, Spain.

On 10 September 2010, the Board of Allied Irish Banks plc resolved to sell its entire stake in Bank Zachodni WBK and 50% of shares in BZ WBK AIB Asset Management S.A. to Banco Santander.

On 18 February 2011, the Polish Financial Supervision Authority (KNF) issued a decision stating that there were no grounds to object to the intended direct acquisition by Banco Santander of Bank Zachodni WBK shares representing more than 50% of voting rights at the General Meeting of Shareholders.

On 1 April 2011, Banco Santander finalised the purchase of 95.67% stake in the Bank. Consequently, Bank Zachodni WBK joined Santander Group.

As a consequence of Banco Santander's exceeding a 90% share in the total voting power at the General Meeting of Shareholders of Bank Zachodni WBK, the non-controlling shareholders became entitled to demand that their shares be acquired by the majority shareholder. Based on the requests from the shareholders, Banco Santander acquired additional 421 859 shares of Bank Zachodni WBK, thus increasing its share in the share capital and voting power at the General Meeting of Shareholders to 96.25%.

BZ WBK offers a wide range of banking services for individual and business customers and operates in domestic and interbank foreign markets. Additionally, it offers also the following services:

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

## 2. Basis of preparation of condensed interim unconsolidated 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 for the year 2010 and with the condensed interim consolidated financial statements of BZ WBK Group for the six-month period ended 30 June 2011.

### Statement of compliance

Condensed interim financial statements of Bank Zachodni WBK for the period from 1 January 2011 to 30 June 2011 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 2011 which is deemed to be the current interim financial reporting period.

### Accounting policies

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



Taking into account the exceptions below, as described in the 'Comparability with profit or loss for previous accounting periods' section the accounting policies applied by the Bank in these condensed interim financial statements are the same as those applied by the Bank in its financial statements as at and for the year ended 31 December 2010.

## Comparability with results of previous periods

For the purpose of comparability of data, the following material presentation changes were made:

a) in the statement of financial position: settlements on account of matured and unpaid derivative instruments with bank customers have been moved from "Financial assets held for trading" to "Loans and advances to customers", as presented below.

31.12.2010	Prior adjustment	Adjustment	After adjustment
Financial assets held for trading	2 201 019	(89)	2 200 930
Loans and advances to customers	31 952 599	89	31 952 688

b) statement of cash flows: as a result of changes in the interpretation of IAS 7, the definition of cash components was revised and applied. Since 2009 cash components have included other liquid financial assets with original maturity up to 3 months. The details of reclassification are presented in the table below.

	30.06.2010		31.12.2009	
Cash components:	Before revision	After revision	Before revision	After revision
Cash and current accounts in central bank	1 477 890	1 477 890	2 660 649	2 660 649
Deposits in other banks, current account	1 010 308	1 012 370	647 559	648 744
Debt securities held for trading	820 739	699 933	449 354	399 728
Debt securities available for sale	393 986	-	1 793 330	-
<b>Total</b>	<b>3 702 923</b>	<b>3 190 193</b>	<b>5 550 892</b>	<b>3 709 121</b>

The changes were made to appropriate items of the statement of cash flows, i.e.:

- 1) Change in loans and advances to banks,
- 2) Change in trading portfolio financial instruments,
- 3) Purchase/sale of investment securities.

## Changes in judgments and estimates

The significant judgment and the key sources of estimation uncertainty were the same as those that applied to the Annual Report of Bank Zachodni WBK for 2010, except for those outlined below.

As of the publication date of the financial statements, the legislative process related to changes in the pension system had already been completed. Among others, premiums allocated to open pension schemes have been reduced. This change has an adverse impact on the value of PTE Aviva shares. The value of shares was assessed as of 30 June 2011, based on laws and systems applicable at that time. Their carrying value, measured as a reasonably estimated fair value, was PLN 164 800 k (as of 31 December 2010 - PLN 199 999 k.).

## 3. Risk management

Information on risk management included in Condensed Interim Consolidated Financial Statements of BZ WBK Group fully stand in for notes to these condensed interim unconsolidated financial statements.

## 4. Capital management

Information on capital management included in Condensed Interim Consolidated Financial Statements of BZ WBK Group fully stand in for notes to these condensed interim unconsolidated financial statements.



## 5. Net interest income

	01.04.2011 -30.06.2011	01.01.2011 -30.06.2011	01.04.2010 -30.06.2010	01.01.2010 -30.06.2010
<b>Interest income</b>				
Loans and advances to enterprises	312 300	613 511	295 269	598 038
Loans and advances to individuals, of which:	256 165	501 312	236 611	474 552
<i>Home mortgage loans</i>	86 377	167 086	73 606	144 470
Debt securities incl.:	196 983	391 030	191 665	381 932
<i>Investment portfolio held to maturity</i>	74 641	155 698	89 872	183 197
<i>Investment portfolio available for sale</i>	91 135	175 775	71 437	142 013
<i>Trading portfolio</i>	31 207	59 557	30 356	56 722
Loans and advances to banks	19 225	34 886	15 407	29 125
Other from public sector	5 062	9 339	3 874	8 009
Reverse repo transactions	1 419	1 941	1 548	5 270
Interest recorded on hedging IRS	4 376	7 282	(2 837)	(7 324)
<b>Total</b>	<b>795 530</b>	<b>1 559 301</b>	<b>741 537</b>	<b>1 489 602</b>
<b>Interest expense</b>				
Deposits from individuals	(170 292)	(339 894)	(202 520)	(417 184)
Deposits from enterprises	(96 315)	(184 149)	(98 344)	(200 903)
Repo transactions	(38 502)	(65 337)	(23 398)	(46 636)
Public sector	(14 974)	(26 655)	(14 504)	(33 067)
Deposits/loans from banks	(4 617)	(7 007)	(3 367)	(6 282)
Subordinated liabilities	(5 090)	(10 050)	-	-
<b>Total</b>	<b>(329 790)</b>	<b>(633 092)</b>	<b>(342 133)</b>	<b>(704 072)</b>
<b>Net interest income</b>	<b>465 740</b>	<b>926 209</b>	<b>399 404</b>	<b>785 530</b>

## 6. Net fee and commission income

	01.04.2011 -30.06.2011	01.01.2011 -30.06.2011	01.04.2010 -30.06.2010	01.01.2010 -30.06.2010
<b>Fee and commission income</b>				
eBusiness & payments	97 419	187 318	95 024	181 812
Current accounts and money transfer	62 737	123 405	62 880	125 283
Foreign exchange commissions	52 104	104 432	52 167	97 949
Credit commissions	24 561	46 923	22 707	47 629
Insurance commissions	18 450	30 486	16 909	33 379
Credit cards	15 133	30 243	15 959	31 735
Distribution fees	19 503	42 594	20 040	40 195
Off-balance sheet guarantee commissions	3 843	7 029	2 987	6 023
Issue arrangement	5 991	7 716	3 701	5 486
Other commissions	1 424	3 639	2 126	3 031
<b>Total</b>	<b>301 165</b>	<b>583 785</b>	<b>294 500</b>	<b>572 522</b>
<b>Fee and commission expense</b>				
eBusiness & payments	(20 601)	(34 505)	(28 498)	(48 704)
Commissions paid to credit agents	(2 889)	(5 858)	(6 779)	(11 952)
Credit cards	(1 755)	(3 403)	(1 598)	(3 371)
Other commissions incl.:	(3 416)	(7 944)	(4 671)	(7 198)
<i>paid to other banks</i>	(1 508)	(2 583)	(1 650)	(2 486)
<i>brokerage commissions</i>	(702)	(1 449)	(765)	(1 284)
<i>Other</i>	(1 206)	(3 912)	(2 256)	(3 428)
<b>Total</b>	<b>(28 661)</b>	<b>(51 710)</b>	<b>(41 546)</b>	<b>(71 225)</b>
<b>Net fee and commission income</b>	<b>272 504</b>	<b>532 075</b>	<b>252 954</b>	<b>501 297</b>



## 7. Net trading income and revaluation

	01.04.2011 -30.06.2011	01.01.2011 -30.06.2011	01.04.2010 -30.06.2010	01.01.2010 -30.06.2010
<b>Net trading income and revaluation</b>				
Profit on interbank FX transactions	19 551	41 283	29 658	62 486
Profit/(loss) on derivative instruments	43 714	53 108	35 290	66 381
Other FX related income	6 082	13 483	6 007	11 556
Profit on debt instruments	912	1 075	( 210)	617
<b>Total</b>	<b>70 259</b>	<b>108 949</b>	<b>70 745</b>	<b>141 040</b>

Net trading income and revaluation includes the write-back of adjustments of derivatives resulting from counterparty risk in the amount of PLN 11 286 k for 1H 2011, PLN 10 484 k for 2Q 2011 and 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.

## 8. Gains (losses) from other financial securities

	01.04.2011 -30.06.2011	01.01.2011 -30.06.2011	01.04.2010 -30.06.2010	01.01.2010 -30.06.2010
<b>Gains (losses) from other financial securities</b>				
Profit on sale of equity shares	( 34)	26	-	3 056
Profit on sale of debt securities	5 088	5 277	-	5 657
Charge due to impairment losses	-	-	( 48)	( 48)
<b>Total profit (losses) on financial instruments</b>	<b>5 054</b>	<b>5 303</b>	<b>( 48)</b>	<b>8 665</b>
Change in fair value of hedging instruments	( 287)	2 191	( 277)	( 5 881)
Change in fair value of underlying hedged positions	768	( 2 364)	491	6 120
<b>Total profit (losses) on hedging and hedged instruments</b>	<b>481</b>	<b>( 173)</b>	<b>214</b>	<b>239</b>
<b>Total</b>	<b>5 535</b>	<b>5 130</b>	<b>166</b>	<b>8 904</b>

## 9. Impairment losses on loans and advances

	01.04.2011 -30.06.2011	01.01.2011 -30.06.2011	01.04.2010 -30.06.2010	01.01.2010 -30.06.2010
<b>Impairment losses on loans and advances</b>				
Collective and individual impairment charge	( 79 955)	( 168 057)	( 114 680)	( 211 330)
Incurred but not reported losses charge	1 883	1 021	( 24 953)	3 924
Recoveries of loans previously written off	2 635	3 373	8 158	14 505
Off balance sheet credit related facilities	( 214)	( 245)	3 376	5 007
<b>Total</b>	<b>( 75 651)</b>	<b>( 163 908)</b>	<b>( 128 099)</b>	<b>( 187 894)</b>

## 10. Employee costs

	01.04.2011 -30.06.2011	01.01.2011 -30.06.2011	01.04.2010 -30.06.2010	01.01.2010 -30.06.2010
<b>Employee costs</b>				
Salaries and bonuses	( 178 413)	( 353 440)	( 156 596)	( 327 000)
Salary related costs	( 27 316)	( 57 145)	( 25 636)	( 55 391)
Staff benefits costs	( 4 697)	( 8 927)	( 4 391)	( 8 590)
Professional trainings	( 4 543)	( 8 342)	( 3 387)	( 5 129)
Retirement fund, holiday provisions and other employee costs	( 1 257)	( 2 514)	( 1 305)	( 2 610)
<b>Total</b>	<b>( 216 226)</b>	<b>( 430 368)</b>	<b>( 191 315)</b>	<b>( 398 720)</b>

## 11. General and administrative expenses

	01.04.2011 -30.06.2011	01.01.2011 -30.06.2011	01.04.2010 -30.06.2010	01.01.2010 -30.06.2010
<b>General and administrative expenses</b>				
Maintenance and rentals of premises	( 52 098)	( 104 142)	( 50 693)	( 101 628)
IT systems costs	( 18 347)	( 37 943)	( 19 579)	( 37 238)
Marketing and representation	( 29 210)	( 42 962)	( 29 812)	( 42 979)
Postal and telecommunication costs	( 10 148)	( 22 975)	( 11 501)	( 23 488)
Other external services	( 7 222)	( 15 321)	( 8 718)	( 15 392)
Car, transport expenses, carriage of cash	( 8 589)	( 15 767)	( 7 809)	( 14 508)
Bank Guarantee Fund, Polish Financial Supervision Authority	( 11 680)	( 23 422)	( 7 124)	( 14 129)
Consulting fees	( 8 100)	( 11 288)	( 4 422)	( 7 453)
Stationery, cards, cheques etc.	( 4 209)	( 8 215)	( 4 348)	( 7 390)
Data transmission	( 3 765)	( 7 574)	( 3 903)	( 7 575)
Sundry taxes	( 4 245)	( 8 136)	( 3 460)	( 6 844)
Security costs	( 3 849)	( 7 282)	( 3 697)	( 6 517)
KIR, SWIFT settlements	( 2 855)	( 6 012)	( 2 855)	( 5 699)
Costs of repairs	( 1 346)	( 2 231)	( 1 458)	( 2 772)
Other	( 2 932)	( 5 351)	( 2 720)	( 5 098)
<b>Total</b>	<b>( 168 595)</b>	<b>( 318 621)</b>	<b>( 162 099)</b>	<b>( 298 710)</b>

## 12. Corporate income tax

	01.04.2011 -30.06.2011	01.01.2011 -30.06.2011	01.04.2010 -30.06.2010	01.01.2010 -30.06.2010
<b>Corporate income tax</b>				
Current tax charge	( 72 411)	( 120 745)	( 54 333)	( 164 610)
Deferred tax	4 313	( 2 845)	589	25 913
<b>Total</b>	<b>( 68 098)</b>	<b>( 123 590)</b>	<b>( 53 744)</b>	<b>( 138 697)</b>

	01.04.2011 -30.06.2011	01.01.2011 -30.06.2011	01.04.2010 -30.06.2010	01.01.2010 -30.06.2010
<b>Corporate total tax charge information</b>				
Profit before tax	463 977	796 724	297 808	632 979
Tax rate	19%	19%	19%	19%
Tax calculated at the tax rate	( 88 155)	( 151 378)	( 56 584)	( 120 266)
Non-deductible expenses	( 2 182)	( 2 771)	( 2 983)	( 3 214)
Sale of receivables	( 1 678)	( 1 678)	10 671	( 17 173)
Non-taxable income (dividends)	25 700	34 651	14 995	24 953
Non-tax deductible bad debt provisions	( 1 862)	( 2 174)	( 5 194)	( 5 447)
Adjustment of deferred tax asset on interest on debt securities	-	-	( 13 779)	( 16 897)
Other	79	( 240)	( 870)	( 653)
<b>Total income tax expense</b>	<b>( 68 098)</b>	<b>( 123 590)</b>	<b>( 53 744)</b>	<b>( 138 697)</b>

	30.06.2011	31.12.2010	30.06.2010
<b>Deferred tax recognised directly in equity</b>			
The amount of deferred tax recognised directly in equity totaled:			
Relating to equity securities available-for-sale	( 100 689)	( 95 978)	( 96 327)
Relating to debt securities available-for-sale	( 9 366)	( 4 654)	( 4 203)
Relating to cash flow hedging activity	( 2 553)	( 473)	( 994)
<b>Total</b>	<b>( 112 608)</b>	<b>( 101 105)</b>	<b>( 101 524)</b>



### 13. Cash and balances with central bank

Cash and balances with central banks	30.06.2011	31.12.2010	30.06.2010
Current accounts in central banks	1 343 682	1 712 907	599 529
Cash	842 893	821 551	878 361
<b>Total</b>	<b>2 186 575</b>	<b>2 534 458</b>	<b>1 477 890</b>

BZ WBK holds an obligatory reserve on a current account in the National Bank of Poland. The figure is calculated as a fixed percentage of the monthly average balance of the customers' deposits. As at 30.06.2011 the rate was 3.5%, as at 31.12.2010 - 3.5%, as at 30.06.2010 - 3%. In accordance with the applicable regulations, the amount of the calculated provision is reduced by the equivalent of EUR 500 k.

### 14. Loans and advances to banks

Loans and advances to banks	30.06.2011	31.12.2010	30.06.2010
Loans and advances	164 220	293 919	570 631
Current accounts, other	618 371	307 718	441 739
<b>Total</b>	<b>782 591</b>	<b>601 637</b>	<b>1 012 370</b>

### 15. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading	30.06.2011		31.12.2010		30.06.2010	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
<b>Trading derivatives</b>	<b>380 614</b>	<b>627 495</b>	<b>474 641</b>	<b>568 153</b>	<b>498 229</b>	<b>918 713</b>
<b>Interest rate operations</b>	<b>185 539</b>	<b>203 205</b>	<b>238 727</b>	<b>236 968</b>	<b>256 761</b>	<b>278 267</b>
Options	50	50	68	68	40	40
IRS	181 164	199 608	236 277	235 422	253 913	276 321
FRA	4 325	3 547	2 382	1 478	2 808	1 906
<b>FX operations</b>	<b>195 075</b>	<b>424 290</b>	<b>235 914</b>	<b>331 185</b>	<b>241 468</b>	<b>640 446</b>
CIRS	74 911	271 319	76 215	171 730	70 347	356 302
Forward	22 267	15 449	25 765	9 937	43 894	11 517
FX Swap	35 692	75 633	90 104	105 658	89 208	228 800
Spot	2 014	1 698	1 363	1 393	1 282	602
Options	60 191	60 191	42 467	42 467	36 737	43 225
<b>Debt securities</b>	<b>3 283 965</b>	<b>-</b>	<b>1 726 289</b>	<b>-</b>	<b>1 060 578</b>	<b>-</b>
Government securities:	233 965	-	526 989	-	360 646	-
- bills	-	-	206 799	-	143 553	-
- bonds	233 965	-	320 190	-	217 093	-
Central Bank securities:	3 050 000	-	1 199 300	-	699 932	-
- bills	3 050 000	-	1 199 300	-	699 932	-
<b>Short sale</b>	<b>-</b>	<b>15 279</b>	<b>-</b>	<b>10 458</b>	<b>-</b>	<b>20 267</b>
<b>Total financial assets/liabilities</b>	<b>3 664 579</b>	<b>642 774</b>	<b>2 200 930</b>	<b>578 611</b>	<b>1 558 807</b>	<b>938 980</b>

Financial assets and liabilities held for trading - trading derivatives include value adjustments resulting from counterparty risk in the amount of PLN (1 617) k as at 30.06.2011, PLN (1 944) k as at 31.12.2010 and PLN (18 489) k as at 30.06.2010.

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

Derivatives' nominal values		30.06.2010	31.12.2010	30.06.2010
<b>1. Term derivatives (hedging)</b>		<b>2 683 880</b>	<b>1 669 876</b>	<b>2 252 916</b>
a) Single-currency interest rate swaps		451 321	975 320	745 040
b) Macro cash flow hedge		2 232 559	694 556	1 507 876
<b>2. Term derivatives (trading)</b>		<b>80 678 296</b>	<b>55 920 431</b>	<b>56 146 554</b>
a) Interest rate operations		51 058 199	28 191 317	24 189 756
Single-currency interest rate swaps		32 691 734	22 765 701	20 462 822
FRA - purchased amounts		18 350 000	5 400 000	3 700 000
Options		16 465	25 616	26 934
b) FX operations		29 620 097	27 729 114	31 956 798
FX swap – purchased amounts		7 431 384	7 840 597	9 170 959
FX swap – sold amounts		7 443 919	7 839 580	9 293 482
Forward- purchased amounts		1 516 228	1 008 250	1 047 415
Forward- sold amounts		1 518 676	993 640	1 013 383
Cross-currency interest rate swaps – purchased amounts		4 642 310	4 198 117	4 437 078
Cross-currency interest rate swaps – sold amounts		4 863 528	4 319 990	4 753 871
FX options -purchased		1 102 026	764 470	1 120 305
FX options -sold		1 102 026	764 470	1 120 305
<b>3. Currency transactions- spot</b>		<b>2 193 707</b>	<b>935 449</b>	<b>927 221</b>
spot-purchased		1 097 012	467 710	463 951
spot-sold		1 096 695	467 739	463 270
<b>Total</b>		<b>85 555 883</b>	<b>58 525 756</b>	<b>59 326 691</b>

In the case of single-currency transactions (IRS, FRA, forward, non-FX options) only purchased amounts are presented.

## 16. Loans and advances to customers

Loans and advances to customers	30.06.2011	31.12.2010	30.06.2010
Loans and advances to enterprises	23 302 120	21 740 817	22 424 762
Loans and advances to individuals, of which:	11 999 103	11 409 798	11 222 990
Home mortgage loans	7 182 545	6 926 647	6 658 547
Loans and advances to public sector	158 576	101 082	186 911
Sell buy-back transaction	100	147	147
Other	4 302	10 054	24 214
<b>Gross receivables</b>	<b>35 464 201</b>	<b>33 261 898</b>	<b>33 859 024</b>
Impairment write down	(1 448 828)	(1 309 210)	(1 298 440)
<b>Total</b>	<b>34 015 373</b>	<b>31 952 688</b>	<b>32 560 584</b>

Movements on impairment losses on loans and advances to customers	30.06.2011	31.12.2010	30.06.2010
<b>Individual and collective impairment</b>			
As at the beginning of the period	( 987 527)	( 710 450)	( 710 450)
Charge/write back of current period	( 168 057)	( 425 614)	( 211 330)
Write off/Sale of receivables	17 165	184 215	71 181
Transfer	10 885	( 38 958)	( 85 292)
F/X differences	( 393)	3 280	( 604)
<b>Balance at the end of the period</b>	<b>(1 127 927)</b>	<b>( 987 527)</b>	<b>( 936 495)</b>
<b>IBNR</b>			
As at the beginning of the period	( 321 683)	( 365 002)	( 365 002)
Charge/write back of current period	1 021	43 045	3 924
Transfer	27	10	-
F/X differences	( 266)	264	( 867)
<b>Balance at the end of the period</b>	<b>( 320 901)</b>	<b>( 321 683)</b>	<b>( 361 945)</b>
<b>Impairment write down</b>	<b>(1 448 828)</b>	<b>(1 309 210)</b>	<b>(1 298 440)</b>



## 17. Investment securities available for sale

Investment securities available for sale	30.06.2011	31.12.2010	30.06.2010
<b>Available for sale investments - measured at fair value</b>			
<b>Debt securities</b>	<b>7 324 032</b>	<b>6 958 333</b>	<b>6 392 261</b>
Government securities:	7 243 924	6 880 858	6 312 614
- bills	-	-	120 885
- bonds	7 243 924	6 880 858	6 191 729
Commercial securities:	80 108	77 475	79 647
- bonds	80 108	77 475	79 647
<b>Equity securities</b>	<b>629 001</b>	<b>605 732</b>	<b>599 889</b>
- listed	7 057	7 372	8 900
- unlisted	621 944	598 360	590 989
<b>Investment certificates</b>	<b>44 040</b>	<b>42 385</b>	<b>37 843</b>
<b>Total</b>	<b>7 997 073</b>	<b>7 606 450</b>	<b>7 029 993</b>

As of the publication date of the financial statements, the legislative process related to changes in the pension system had already been completed. Among others, premiums allocated to open pension schemes have been reduced. This change had an adverse impact on the value of PTE Aviva shares. The value of shares was assessed as of 30 June 2011, based on laws and systems applicable at that time. Their carrying value, measured as a reasonably estimated fair value, was PLN 164 800 k (as of 31 December 2010 - PLN 199 999 k).

Movements on investment securities available for sale	Debt securities	Financial instruments representing equity rights	Total
<b>As at 1 January 2011</b>	<b>6 958 333</b>	<b>648 117</b>	<b>7 606 450</b>
Additions	940 203	434	940 637
Disposals (sale and maturity)	( 603 295)	( 302)	( 603 597)
Fair value adjustment (AFS)	18 451	25 082	43 533
Movements on interest accrued	19 080	-	19 080
F/X differences	( 8 740)	( 290)	( 9 030)
<b>As at 30 June 2011</b>	<b>7 324 032</b>	<b>673 041</b>	<b>7 997 073</b>

Movements on investment securities available for sale	Debt securities	Financial instruments representing equity rights	Total
<b>As at 1 January 2010</b>	<b>5 953 370</b>	<b>642 880</b>	<b>6 596 250</b>
Additions	3 474 338	16 439	3 490 777
Disposals (sale and maturity)	(2 527 317)	( 2 765)	(2 530 082)
Fair value adjustment (AFS)	8 869	( 7 914)	955
Movements on interest accrued	58 583	-	58 583
Provision for Impairment	-	( 48)	( 48)
F/X differences	( 9 510)	( 475)	( 9 985)
<b>As at 31 December 2010</b>	<b>6 958 333</b>	<b>648 117</b>	<b>7 606 450</b>

Movements on investment securities available for sale	Debt securities	Financial instruments representing equity rights	Total
<b>As at 1 January 2010</b>	<b>5 953 370</b>	<b>642 880</b>	<b>6 596 250</b>
Additions	2 354 725	3 487	2 358 212
Disposals (sale and maturity)	(1 952 440)	( 2 765)	(1 955 205)
Fair value adjustment (AFS)	15 772	( 6 716)	9 056
Movements on interest accrued	( 8 634)	-	( 8 634)
Provision for Impairment	-	( 48)	( 48)
F/X differences	29 468	894	30 362
<b>As at 30 June 2010</b>	<b>6 392 261</b>	<b>637 732</b>	<b>7 029 993</b>

## 18. Financial assets held to maturity

Financial assets held to maturity	30.06.2011	31.12.2010	30.06.2010
<b>Government securities:</b>	<b>4 591 025</b>	<b>5 749 408</b>	<b>6 340 961</b>
- bonds	4 591 025	5 749 408	6 340 961
<b>Total</b>	<b>4 591 025</b>	<b>5 749 408</b>	<b>6 340 961</b>

Movements on financial assets held to maturity	30.06.2011	31.12.2010	30.06.2010
<b>Balance at 1 January</b>	<b>5 749 408</b>	<b>6 669 555</b>	<b>6 669 555</b>
Maturity	(1 086 827)	( 955 378)	( 320 232)
Fair value amortisation	4 471	12 190	6 431
Movements on interest accrued	( 76 027)	23 041	( 14 793)
<b>As at end of reporting period</b>	<b>4 591 025</b>	<b>5 749 408</b>	<b>6 340 961</b>

## 19. Investment in subsidiaries, associates and joint venture

Investments in subsidiaries, associates and joint ventures	30.06.2011	31.12.2010	30.06.2010
Subsidiaries	218 068	207 468	196 818
Associates	8 000	8 000	8 000
Joint ventures	33 531	33 531	33 531
<b>Total</b>	<b>259 599</b>	<b>248 999</b>	<b>238 349</b>

Details of sales/acquisitions of subsidiaries and associates are disclosed in note 27.

## 20. Deposits from central bank

Deposits from central bank	30.06.2011	31.12.2010	30.06.2010
Repo transactions	-	-	224 323
<b>Total</b>	<b>-</b>	<b>-</b>	<b>224 323</b>

## 21. Deposits from banks

Deposits from banks	30.06.2011	31.12.2010	30.06.2010
Repo transactions	5 443 497	1 927 368	1 225 421
Term deposits	125 653	119 663	1 139 761
Current accounts	168 737	96 976	46 828
<b>Total</b>	<b>5 737 887</b>	<b>2 144 007</b>	<b>2 412 010</b>

## 22. Deposits from customers

Deposits from customers	30.06.2011	31.12.2010	30.06.2010
<b>Deposits from individuals</b>	<b>24 826 502</b>	<b>24 617 755</b>	<b>25 289 301</b>
Term deposits	12 962 213	12 731 704	13 645 912
Current accounts	11 830 307	11 850 386	11 606 259
Other	33 982	35 665	37 130
<b>Deposits from enterprises</b>	<b>14 021 831</b>	<b>15 347 635</b>	<b>13 976 642</b>
Term deposits	8 675 233	9 552 614	9 314 901
Current accounts	4 647 255	5 109 883	4 193 698
Credits	398 936	396 284	124 432
Other	300 407	288 854	343 611
<b>Deposits from public sector</b>	<b>2 235 323</b>	<b>2 133 820</b>	<b>2 179 157</b>
Term deposits	1 132 613	1 015 651	756 914
Current accounts	1 101 028	1 117 286	1 382 074
Other	1 682	883	40 169
<b>Total</b>	<b>41 083 656</b>	<b>42 099 210</b>	<b>41 445 100</b>

## 23. Contingent liabilities

### Significant court proceedings

As at 30.06.2011 no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the Bank amounting to a minimum of 10% of the Bank's equity.

The value of all litigation amounts to PLN 172 832 k, which is ca 2.76 % of the Bank's equity. This amount includes PLN 38 105 k claimed by the Bank, PLN 129 306 k in claims against the Bank and PLN 5 421 k are Bank's receivables due to bankruptcy or arrangement cases.

In 1H 2011 the amount of court proceedings which have been completed amounted to PLN 3 266 k.

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 Bank amounting to a minimum of 10% of the Bank's equity.

The value of all litigation amounts to PLN 215 255 k, which is ca 3.79 % of the Bank's equity. This amount includes PLN 29 472 k claimed by the Bank, PLN 64 077 k in claims against the Bank and PLN 121 706 k are Bank's receivables due to bankruptcy or arrangement cases.

In 1H 2011 the amount of court proceedings which have been completed amounted to PLN 13 610 k.

### 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 towards third parties.

Contingent liabilities - sanctioned	30.06.2011	31.12.2010	30.06.2010
<b>Liabilities sanctioned</b>			
<b>- financial</b>	<b>6 911 423</b>	<b>6 267 607</b>	<b>6 064 899</b>
- credit lines	5 942 274	5 389 126	5 231 578
- credit cards debits	871 084	818 961	792 702
- import letters of credit	93 281	55 105	40 619
- term deposits with future commencement term	4 784	4 415	-
<b>- guarantees</b>	<b>1 534 800</b>	<b>1 431 759</b>	<b>1 430 815</b>
<b>Total</b>	<b>8 446 223</b>	<b>7 699 366</b>	<b>7 495 714</b>



## 24. Basis of FX conversion

As at 30.06.2011, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 125/A/NBP/2011 dd. 30.06.2011.

## 25. Shareholders with min. 5% voting power

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 interim report for H1 2011 /27.07.2011/ is Banco Santander.

Shareholder	Number of shares held		% in the share capital		Number of votes at AGM		Voting power at AGM	
	27.07.2011	02.03.2011	27.07.2011	02.03.2011	27.07.2011	02.03.2011	27.07.2011	02.03.2011
Banco Santander	70 334 512	-	96.25%	-	70 334 512	-	96.25%	-
AIB European Investments Ltd.	-	51 413 790	-	70.36%	-	51 413 790	-	70.36%
Other	2 741 501	21 662 223	3.75%	29.64%	2 741 501	21 662 223	3.75%	29.64%
<b>Total</b>	<b>73 076 013</b>	<b>73 076 013</b>	<b>100%</b>	<b>100%</b>	<b>73 076 013</b>	<b>73 076 013</b>	<b>100%</b>	<b>100%</b>

### **Sale of shares in Bank Zachodni WBK**

On 1 April 2011, Banco Santander finalised the purchase of Bank Zachodni WBK in the tender for the bank's shares. As a result, Banco Santander acquired a 95.67% stake in the bank. Consequently, Bank Zachodni WBK joined Santander Group. The acquisition price totalled EUR 3,989 m.

51,413,790 shares of Bank Zachodni WBK representing 70.36% of share capital and voting power were sold by AIB European Investments Limited in the tender. The transaction was settled on 1 April 2011. As a result, AIB European Investments Limited does not hold any shares of Bank Zachodni WBK or any voting rights attached to such shares.

As a consequence of Banco Santander's exceeding a 90% share in the total voting power at the General Meeting of Shareholders of Bank Zachodni WBK, the non-controlling shareholders became entitled to demand that their shares be acquired by the majority shareholder. Based on the requests from the shareholders, Banco Santander acquired additional 421 859 shares of Bank Zachodni WBK, thus increasing its share in the share capital and voting power at the General Meeting of Shareholders to 96.25%.

## 26. Related party disclosure

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 and leasing.

Transactions with subsidiaries	30.06.2011	31.12.2010	30.06.2010
<b>ASSETS</b>	<b>2 332 808</b>	<b>2 110 548</b>	<b>1 215 071</b>
Financial assets held for trading	7 674	10 741	3 706
Loans and advances to customers	2 252 024	2 093 090	1 179 688
Other assets	73 110	6 717	31 677
<b>LIABILITIES</b>	<b>1 315 993</b>	<b>1 125 137</b>	<b>1 158 099</b>
Financial liabilities held for trading	-	-	86 347
Deposits from customers	1 304 359	1 114 294	1 057 174
Other liabilities	11 634	10 843	14 578
<b>INCOME</b>	<b>99 006</b>	<b>167 703</b>	<b>79 571</b>
Interest income	46 684	49 479	21 652
Fee and commission income	44 723	90 458	43 306
Other operating income	5 165	9 681	4 555
Net trading income and revaluation	2 434	18 085	10 058
<b>EXPENSES</b>	<b>24 270</b>	<b>49 931</b>	<b>26 888</b>
Interest expense	23 445	46 449	24 147
Fee and commission expense	43	880	777
Operating expenses incl.:	782	2 602	1 964
<i>Bank's staff, operating expenses and management costs</i>	<i>683</i>	<i>2 583</i>	<i>1 957</i>
<i>Other</i>	<i>99</i>	<i>19</i>	<i>7</i>
<b>CONTINGENT LIABILITIES</b>	<b>1 130 668</b>	<b>1 177 664</b>	<b>1 285 791</b>
Sanctioned:	1 130 668	1 177 664	1 285 791
- <i>financing-related</i>	<i>823 107</i>	<i>931 446</i>	<i>1 028 646</i>
- <i>guarantees</i>	<i>307 561</i>	<i>246 218</i>	<i>257 145</i>
<b>DERIVATIVES' NOMINAL VALUES</b>	<b>281 638</b>	<b>337 331</b>	<b>1 659 511</b>
Cross-currency interest rate swaps – purchased amounts	125 400	167 200	776 536
Cross-currency interest rate swaps – sold amounts	119 598	158 412	862 326
Single-currency interest rate swaps	36 640	11 719	20 649

Transactions with associates and joint ventures	30.06.2011	31.12.2010	30.06.2010
<b>ASSETS</b>	<b>2 832</b>	-	<b>167</b>
Loans and advances to banks	2 832	-	167
<b>LIABILITIES</b>	<b>359 349</b>	<b>357 222</b>	<b>95 144</b>
Deposits from customers	359 349	357 222	95 144
<b>INCOME</b>	<b>31 973</b>	<b>60 776</b>	<b>32 195</b>
Interest income	3 000	1 000	-
Fee and commission income	28 684	59 516	32 147
Gains (losses) from other financial securities	77	-	-
Other operating income	212	260	48
<b>EXPENSES</b>	<b>9 158</b>	<b>23 796</b>	<b>2 820</b>
Interest expense	8 300	21 908	1 996
Fee and commission expense	30	183	11
Operating expenses incl.:	828	1 705	813
<i>General and administrative expenses</i>	<i>828</i>	<i>1 705</i>	<i>813</i>

Transactions with:	Santander Group 30.06.2011	AIB Group 31.12.2010	30.06.2010
<b>ASSETS</b>	<b>14 672</b>	<b>130 968</b>	<b>269 094</b>
Loans and advances to banks, incl:	13 160	93 399	241 173
<i>deposits</i>	13 075	-	241 142
<i>current accounts</i>	85	93 399	31
Financial assets held for trading	1 512	36 968	27 921
Other assets	-	601	-
<b>LIABILITIES</b>	<b>167 098</b>	<b>462 481</b>	<b>1 019 642</b>
Deposits from banks incl.:	165 769	325 764	718 269
<i>repo transactions</i>	161 520	289 270	302 572
<i>deposits</i>	4 249	36 494	415 697
Hedging derivatives	-	887	1 470
Financial liabilities held for trading	1 325	124 466	261 825
Other liabilities	4	11 364	38 078
<b>INCOME</b>	<b>( 154)</b>	<b>( 41 430)</b>	<b>( 54 773)</b>
Interest income	331	1 957	92
Fee and commission income	6	28	14
Other operating income	-	1 917	571
Net trading income and revaluation	( 491)	( 46 009)	( 55 450)
Gains (losses) from other financial securities	-	677	-
<b>EXPENSES</b>	<b>297</b>	<b>27 048</b>	<b>17 732</b>
Interest expense	297	1 818	980
Operating expenses incl.:	-	25 230	16 752
<i>Bank's staff, operating expenses and management costs</i>	-	25 230	16 752
<b>CONTINGENT LIABILITIES</b>	<b>906</b>	-	-
Sanctioned:	906	-	-
<i>- guarantees</i>	906	-	-
<b>DERIVATIVES' NOMINAL VALUES</b>	<b>172 140</b>	<b>4 611 239</b>	<b>7 896 255</b>
Cross-currency interest rate swaps – purchased amounts	-	372 205	726 230
Cross-currency interest rate swaps – sold amounts	-	362 070	793 610
Single-currency interest rate swaps	123 408	3 092 517	3 971 057
Options	-	25 616	26 934
FX swap – purchased amounts	-	186 807	853 780
FX swap – sold amounts	-	205 653	868 897
FX options -purchased	15 679	122 520	311 887
FX options -sold	18 455	127 976	334 418
spot-purchased	7 304	58 387	4 739
spot-sold	7 294	57 488	4 703

## Transactions with Members of Management and Supervisory Boards

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

In 1H 2011 the amount of remuneration paid to the Management Board Members of Bank Zachodni WBK S.A. totalled PLN 4 768 k whereas additional benefits totalled PLN 878 k. Based on 2010 performance, the amount of PLN 14 848 k bonus has been paid.

In 1H 2011 the total amount of remuneration paid to the Supervisory Board Members of Bank Zachodni WBK S.A. totalled PLN 592 k.

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

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

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

**30.06.2011**

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 9 889 k. These facilities have been sanctioned on regular terms and conditions.

As at 30.06.2011, the total finance lease receivable provided to members of the Management Board of BZ WBK S.A. by the subsidiaries and associates totalled nil.

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

**31.12.2010**

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 8 798 k. These facilities have been sanctioned on regular terms and conditions.

As at 31.12.2010, 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 6 k.

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

**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 at 30.06.2010, 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 14 k.

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

**27. Acquisitions and disposals of investments in subsidiaries and associates**

In H1 2010 and H1 2011, BZ WBK did not buy or sell any subsidiary or associate.

**28. Changes in the business or economic circumstances that affect the fair value of the entity's financial assets and financial liabilities, whether those assets or liabilities are recognized at fair value or amortised costs**

There were no such changes in the business or economic circumstances that affect the fair value of the entity's financial assets and financial liabilities, whether those assets or liabilities are recognised at fair value or amortised cost.

**29. Any loan default or breach of a loan agreement that has not been remedied on or before the end of the reporting period**

In 1H 2011 no such events took place.

**30. Transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments**

In 1H 2011 and in comparable period no transfers have been made.

**31. Changes in the classification of financial assets as a result of a change in the purpose or use of those assets**

In 1H 2011 and in comparable period no such changes have been made.

## 32. Comments concerning the seasonal or cyclical character of the annual activity

The business activity of Bank Zachodni WBK S.A. has no material seasonal character.

## 33. Character and amounts of items which are extraordinary due to their nature, volume or occurrence

### *Notification on the sale of shares by AIB European Investments Limited*

On 1 April 2011, AIB European Investments Limited sold its 51,413,790 shares of Bank Zachodni WBK S.A. to Banco Santander in the tender offer for BZ WBK shares. AIB European Investments Limited does not hold any BZ WBK shares or voting rights attached to such shares.

On 19 April 2011, an entry was made in the shareholder register of BZ WBK Asset Management S.A., namely AIB Capital Markets was deleted and Banco Santander S.A. was recorded as the shareholder. Banco Santander S.A., with its registered office in Santander (Spain) acquired 67,500 shares, gaining 50% of the voting rights at AGM.

## 34. Issues, repurchases and repayments of debt and equity securities

### *Subordinated liabilities*

BZ WBK issued subordinated debt to mitigate FX rate sensitivity and increase efficiency of own funding. In line with the KNF decision subordinated liabilities have been recognised as the supplementary capital and since Q4 2010 are included in the solvency ratio calculations.

Subordinated liabilities	Nominal value	Currency	Redemption date	As at the end of the period
Subordinated liabilities	100 000	EUR	05.08.2020	398 015
<b>As at 30 June 2011</b>				<b>398 015</b>

  

Movements in Subordinated Liabilities	30.06.2011	31.12.2010	30.06.2010
<b>As at the beginning of the period</b>	<b>395 230</b>	-	-
<b>Increase (due to):</b>	<b>12 757</b>	<b>403 965</b>	-
- subordinated loan raised	-	396 030	-
- interest on subordinated loan	10 050	7 935	-
- FX differences	2 707	-	-
<b>Decrease (due to):</b>	<b>( 9 972)</b>	<b>( 8 735)</b>	-
- capital repayment	-	-	-
- interest repayment	( 9 972)	( 4 756)	-
- FX differences	-	( 19)	-
- subscription price	-	( 3 960)	-
<b>Subordinated liabilities - as at the end of the period</b>	<b>398 015</b>	<b>395 230</b>	-
Short-term	3 342	3 160	-
Long-term (over 1 year)	394 673	392 070	-

## 35. Events which occurred subsequently to the end of the interim period

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

## 36. Dividend per share

On 20 April 2011, the Annual General Meeting of Bank Zachodni WBK adopted a Resolution allocating PLN 584 608 k to dividend for shareholders, from the profit for 2010, which meant that the proposed dividend was PLN 8 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, from the profit for 2009, which meant that the proposed dividend was PLN 4 per share.

## 37. Change of majority shareholder

On 10 September 2010, the Board of Allied Irish Banks decided to sell the Polish assets of AIB to Banco Santander for a total amount of approx. EUR 3.1 billion. The transaction included the sale of AIB's entire shareholding in Bank Zachodni WBK S.A., i.e. 51,413,790 shares representing 70.4% of the bank's share capital (for a price of ca. EUR 2,938 m) and 50% shareholding in BZ WBK AIB Asset Management S.A. (for a price of ca. EUR 150 m).

On 18 February 2011, the Polish Financial Supervision Authority (KNF) issued a decision stating that there were no grounds to object to the intended direct acquisition by Banco Santander of Bank Zachodni WBK shares representing more than 50% of voting rights at the General Meeting of Shareholders.

On 7 February 2011, Banco Santander announced that it had launched a tender offer for 100% of the share capital of Bank Zachodni WBK S.A. offering PLN 226.89 per share.

51,413,790 shares of Bank Zachodni WBK representing 70.36% of share capital and voting power were sold by AIB European Investments Limited in the tender. The transaction was settled on 1 April 2011. As a result, AIB European Investments Limited does not hold any shares of Bank Zachodni WBK or any voting rights attached to such shares and Banco Santander acquired a 95.67% stake in the Bank. Consequently, Bank Zachodni WBK joined Santander Group. The acquisition price totalled EUR 3,989 m.

As a consequence of Banco Santander's exceeding a 90% share in the total voting power at the General Meeting of Shareholders of Bank Zachodni WBK, the non-controlling shareholders became entitled to demand that their shares be acquired by the majority shareholder. Based on the requests from the shareholders, Banco Santander acquired additional 421 859 shares of Bank Zachodni WBK, thus increasing its share in the share capital and voting power at the General Meeting of Shareholders to 96.25%.

Signatures of Members of the Management Board			
Date	Name	Function	Signature
25.07.2011	Mateusz Morawiecki	President	
25.07.2011	Paul Barry	Member	
25.07.2011	Andrzej Burliga	Member	
25.07.2011	Justyn Konieczny	Member	
25.07.2011	Janusz Krawczyk	Member	
25.07.2011	Michael McCarthy	Member	
25.07.2011	Marcin Prell	Member	
25.07.2011	Mirosław Skiba	Member	
25.07.2011	Feliks Szyszkowiak	Member	
Signature of a person who is responsible for maintaining the book of account			
Date	Name	Function	Signature
25.07.2011	Wojciech Skalski	Financial Accounting Area Director	