

INTERIM REPORT **2011** OF BANK ZACHODNI WBK GROUP

2011



WBK

| Bank Zachodni WBK S.A.

FINANCIAL HIGHLIGHTS		PLN k		EUR k		
		for reporting period ended:	30.06.2011	30.06.2010	30.06.2011	30.06.2010
Interim consolidated financial statements						
I	Net interest income		997 103	862 779	251 330	215 469
II	Net fee and commission income		688 182	667 678	173 464	166 744
III	Operating profit		817 381	680 628	206 030	169 979
IV	Profit before tax		822 278	681 994	207 264	170 320
V	Net profit attributable to owners of BZ WBK S.A.		641 077	483 588	161 590	120 770
VI	Total net cash flow		1 681 073	(520 736)	423 732	(130 047)
VII	Total assets		55 579 845	53 583 819	13 941 666	12 924 844
VIII	Deposits from banks and central bank		5 972 202	4 006 892	1 498 069	966 494
IX	Deposits from customers		40 769 594	41 298 498	10 226 658	9 961 527
X	Total liabilities		48 730 398	47 336 464	12 223 548	11 417 932
XI	Total equity		6 849 447	6 247 355	1 718 117	1 506 912
XII	Non-controlling interests in equity		114 445	116 825	28 707	28 179
XIII	Profit of the period attributable to non-controlling interests		30 403	33 412	7 663	8 344
XIV	Number of shares		73 076 013	73 076 013		
XV	Net book value per share in PLN/EUR		93,73	85,49	23,51	20,62
XVI	Solvency ratio		15,76%	13,67%		
XVII	Profit per share in PLN/EUR		8,77	6,62	2,21	1,65
XVIII	Diluted earnings per share in PLN/EUR		8,76	6,60	2,21	1,65
XIX	Declared or paid dividend per share in PLN/EUR		8,00	4,00	2,01	0,96
Interim stand alone financial statements						
I	Net interest income		926 209	785 530	233 461	196 177
II	Net fee and commission income		532 075	501 297	134 115	125 193
III	Operating profit		796 724	632 979	200 823	158 079
IV	Profit before tax		796 724	632 979	200 823	158 079
V	Profit for the period		673 134	494 282	169 671	123 441
VI	Total net cash flow		1 683 762	(518 928)	424 410	(129 596)
VII	Total assets		54 774 944	51 578 315	13 739 764	12 441 101
VIII	Deposits from banks and central bank		5 737 887	2 636 333	1 439 293	635 905
IX	Deposits from customers		41 083 656	41 445 100	10 305 437	9 996 888
X	Total liabilities		48 522 829	45 891 330	12 171 482	11 069 355
XI	Total equity		6 252 115	5 686 985	1 568 282	1 371 746
XII	Number of shares		73 076 013	73 076 013		
XIII	Net book value per share in PLN/EUR		85,56	77,82	21,46	18,77
XIV	Solvency ratio		15,26%	13,16%		
XV	Profit per share in PLN/EUR		9,21	6,76	2,32	1,69
XVI	Diluted earnings per share in PLN/EUR		9,20	6,75	2,32	1,69
XVII	Declared or paid dividend per share in PLN/EUR		8,00	4,00	2,01	0,96

FINANCIAL HIGHLIGHTS for the period ended 31.12.2010	Consolidated statement of financial position		Statement of financial position	
	PLN k	EUR k	PLN k	EUR k
I Total assets	53 153 871	13 421 678	52 034 756	13 139 095
II Deposits from banks and central bank	2 526 082	637 851	2 144 007	541 375
III Deposits from customers	41 970 454	10 597 797	42 099 210	10 630 308
IV Total liabilities	46 380 296	11 711 309	45 926 983	11 596 844
V Total equity	6 773 575	1 710 369	6 107 773	1 542 250
VI Non-controlling interests in equity	150 519	38 007	-	-

The following rates were applied to determine the key EUR amounts for selected financials:

- for balance sheet items – 3.9866 PLN rate to EUR as at 30.06.2011 stated by National Bank of Poland (NBP), 4.1458 PLN rate to EUR as at 30.06.2010 and 3.9603 PLN rate to EUR as at 31.12.2010
- for profit and loss items – as at 30.06.2011: 3.9673 (an average PLN mid-rate to EUR in NBP on the last day of each month in 1H 2011), 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 30.06.2011, 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.

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS OF
BANK ZACHODNI WBK GROUP
FOR THE 6-MONTH PERIOD
ENDED 30 JUNE 2011**

2011



WBK

| Bank Zachodni WBK S.A.

Table of Contents

Consolidated income statement	5
Consolidated statement of comprehensive income.....	5
Consolidated statement of financial position	6
Movements on consolidated equity	7
Consolidated statement of cash flows	8
Additional notes to consolidated financial statements	9
1. General information about issuer	9
2. Basis of preparation of interim consolidated financial statements	10
3. Segment reporting	12
4. Risk management	16
5. Capital management	24
6. Net interest income	24
7. Net fee and commission income	25
8. Net trading income and revaluation	25
9. Gains (losses) from other financial securities	26
10. Impairment losses on loans and advances	26
11. Employee costs	26
12. General and administrative expenses	27
13. Corporate income tax	27
14. Cash and balances with central banks	28
15. Loans and advances to banks	28
16. Financial assets and liabilities held for trading	28
17. Loans and advances to customers	29
18. Investment securities available for sale	30
19. Financial assets held to maturity	31
20. Investments in associates and joint ventures	31
21. Deposits from central bank	31
22. Deposits from banks	31
23. Deposits from customers	32
24. Contingent liabilities	32
25. Basis of FX conversion	33
26. Shareholders with min. 5% voting power	33
27. Related party disclosures	33
28. Acquisitions and disposals of investments in subsidiaries and associates	36
29. 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	36
30. Any loan default or breach of a loan agreement that has not been remedied on or before the end of the reporting period	36
31. Transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments	36
32. Changes in the classification of financial assets as a result of a change in the purpose or use of those assets	37
33. Comments concerning the seasonal or cyclical character of the annual activity	37
34. Character and amounts of items which are extraordinary due to their nature, volume or occurrence	37
35. Issues, repurchases and repayments of debt and equity securities	37
36. Events which occurred subsequently to the end of the interim period	38
37. Share based payments	38
38. Dividend per share	39
39. Change of majority shareholder	39

Consolidated income statement

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		826 526	1 620 913	781 882	1 570 335
Interest expense		(323 999)	(623 810)	(343 572)	(707 556)
Net interest income	Note 6	502 527	997 103	438 310	862 779
Fee and commission income		397 881	784 115	399 929	785 953
Fee and commission expense		(48 938)	(95 933)	(64 189)	(118 275)
Net fee and commission income	Note 7	348 943	688 182	335 740	667 678
Dividend income		67 459	67 469	53 268	53 622
Net trading income and revaluation	Note 8	71 073	109 920	70 265	137 663
Gains (losses) from other financial securities	Note 9	5 455	5 285	108	8 872
Other operating income		15 721	33 582	11 619	19 412
Impairment losses on loans and advances	Note 10	(78 750)	(173 604)	(146 447)	(216 809)
Operating expenses incl.:		(465 341)	(910 556)	(431 105)	(852 589)
<i>Bank's staff, operating expenses and management costs</i>	Notes 11,12	(420 227)	(823 904)	(391 673)	(773 957)
<i>Depreciation/amortisation</i>		(35 716)	(71 616)	(31 838)	(63 676)
<i>Other operating expenses</i>		(9 398)	(15 036)	(7 594)	(14 956)
Operating profit		467 087	817 381	331 758	680 628
Share in net profits (loss) of entities accounted for by the equity method		1 726	4 897	1 577	1 366
Profit before tax		468 813	822 278	333 335	681 994
Corporate income tax	Note 13	(82 262)	(150 798)	(65 991)	(164 994)
Profit for the period		386 551	671 480	267 344	517 000
of which:					
<i>attributable to owners of BZ WBK S.A.</i>		370 861	641 077	250 109	483 588
<i>attributable to non-controlling interests</i>		15 690	30 403	17 235	33 412
Net earnings per share (PLN/share)					
Basic earnings per share		5,08	8,77	3,42	6,62
Diluted earnings per share		5,07	8,76	3,42	6,60

Consolidated statement of comprehensive income

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
Profit for the period		386 551	671 480	267 344	517 000
Other comprehensive income:					
Available-for sale financial assets valuation		66 177	39 813	(32 934)	8 868
Cash flow hedges valuation		22 023	8 871	8 952	2 321
Other comprehensive income for the period, net of income tax		88 200	48 684	(23 982)	11 189
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		474 751	720 164	243 362	528 189
Attributable to:					
<i>owners of BZ WBK S.A.</i>		459 176	689 911	226 233	494 702
<i>non-controlling interests</i>		15 575	30 253	17 129	33 487



Consolidated statement of financial position

as at:		30.06.2011	31.12.2010	30.06.2010
ASSETS				
Cash and balances with central banks	Note 14	2 186 580	2 534 463	1 477 897
Loans and advances to banks	Note 15	798 441	619 655	1 026 364
Financial assets held for trading	Note 16	3 672 170	2 238 966	1 609 404
Hedging derivatives		36 272	14 768	16 247
Loans and advances to customers	Note 17	34 694 969	32 838 385	34 333 567
Investment securities	Notes 18, 19	12 625 033	13 395 355	13 406 056
Investments in associates and joint ventures	Note 20	93 327	87 360	81 916
Intangible assets		175 531	172 561	170 861
Property, plant and equipment		518 247	547 536	560 200
Net deferred tax assets		301 571	309 164	312 293
Other assets		477 704	395 658	589 014
Total assets		55 579 845	53 153 871	53 583 819
LIABILITIES				
Deposits from central bank	Note 21	-	-	224 323
Deposits from banks	Note 22	5 972 202	2 526 082	3 782 569
Hedging derivatives		11 103	16 441	48 178
Financial liabilities held for trading	Note 16	642 774	578 611	852 633
Deposits from customers	Note 23	40 769 594	41 970 454	41 298 498
Subordinated liabilities	Note 35	398 015	395 230	-
Current income tax liabilities		27 975	82 858	92 105
Other liabilities		908 735	810 620	1 038 158
Total liabilities		48 730 398	46 380 296	47 336 464
Equity				
Equity attributable to owners of BZ WBK S.A.		6 735 002	6 623 056	6 130 530
Share capital		730 760	730 760	730 760
Other reserve funds		4 678 606	4 344 640	4 342 765
Revaluation reserve		481 968	433 134	433 119
Retained earnings		202 591	140 299	140 298
Profit of the current period		641 077	974 223	483 588
Non-controlling interests in equity		114 445	150 519	116 825
Total equity		6 849 447	6 773 575	6 247 355
Total equity and liabilities		55 579 845	53 153 871	53 583 819

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 31.12.2010	730 760	4 344 640	433 134	1 114 522	150 519	6 773 575
Total comprehensive income	-	-	48 834	641 077	30 253	720 164
Transfer to other capital	-	327 323	-	(327 323)	-	-
Dividend relating to 2010	-	-	-	(584 608)	(66 327)	(650 935)
Share scheme charge	-	6 778	-	-	-	6 778
Other	-	(135)	-	-	-	(135)
As at 30.06.2011	730 760	4 678 606	481 968	843 668	114 445	6 849 447

As at the end of the period revaluation reserve in the amount of PLN 481 968 k comprises of debt securities and equity shares classified as available for sale of PLN 39 921 k and PLN 431 163 k respectively and additionally cash flow hedge activities of PLN 10 884 k. The revaluation reserve relates to the securities designated as available-for-sale.

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	-	-	11 129	974 223	67 181	1 052 533
Transfer to other capital	-	775 765	-	(775 765)	-	-
Dividend relating to 2009	-	-	-	(292 304)	(25 000)	(317 304)
Other	-	1 876	-	-	-	1 876
As at 31.12.2010	730 760	4 344 640	433 134	1 114 522	150 519	6 773 575

As at the end of the period revaluation reserve in the amount of PLN 433 134 k comprises of debt securities and equity shares classified as available for sale of PLN 19 839 k and PLN 411 280 k respectively and additionally cash flow hedge activities of PLN 2 015 k. The revaluation reserve relates to the securities designated as available-for-sale.

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. The revaluation reserve relates to the securities designated as available-for-sale.



Consolidated statement of cash flows

	for reporting period:	01.01.2011 - 30.06.2011	01.01.2010 - 30.06.2010
Profit before tax		822 278	681 994
Total adjustments:		1 029 789	(638 368)
Share in net profits (losses) of entities accounted for by the equity method		(4 897)	(1 366)
Depreciation/amortisation		71 616	63 676
Impairment losses		(113)	(184)
Gains (losses) on exchange differences		(4 888)	631
Interests and similar charges		102 784	59 513
Dividend received		(65 777)	(53 622)
(Profit) loss from investing activities		(3 875)	(8 754)
Change in provisions		(66 091)	(44 639)
Change in trading portfolio financial instruments		457 891	148 516
Change in loans and advances to banks		(530)	(332)
Change in loans and advances to customers		(1 856 673)	225 583
Change in deposits from banks		3 650 027	(1 160 942)
Change in deposits from customers		(1 146 219)	83 506
Change in other assets and liabilities		105 787	115 947
Paid income tax		(209 377)	(66 212)
Other adjustments		124	311
Net cash flow from operating activities		1 852 067	43 626
Inflows		1 772 253	2 338 965
Sale/maturity of investment securities		1 705 822	2 284 169
Sale of intangible assets and property, plant and equipment		649	1 169
Dividend received		65 777	53 622
Proceeds from other investments		5	5
Outflows		(989 753)	(2 383 033)
Purchase of subsidiaries, associates and joint ventures		(18)	-
Purchase of investment securities		(948 228)	(2 365 675)
Purchase of intangible assets and property, plant and equipment		(41 490)	(17 334)
Other investments		(17)	(24)
Net cash flow from investing activities		782 500	(44 068)
Inflows		4 300	18 130
Drawing of long-term loans		4 300	18 130
Outflows		(957 794)	(538 424)
Repayment of long-term loans		(260 946)	(184 952)
Dividends and other payments to shareholders		(650 935)	(317 304)
Other financing outflows		(45 913)	(36 168)
Net cash flow from financing activities		(953 494)	(520 294)
Total net cash flow		1 681 073	(520 736)
Cash at the beginning of the accounting period		4 343 025	3 715 244
Cash at the end of the accounting period		6 024 098	3 194 508

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.

The 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 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 Group 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.

Group of Bank Zachodni WBK consists of the following entities:

Subsidiaries:

Subsidiaries	Registered office	% of votes on AGM 30.06.2011	% of votes on AGM 30.06.2010
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 Asset Management S.A.*	Poznań	50	50
9. BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A.	Poznań	100% of AGM votes is held by BZ WBK Asset Management S.A.	100% of AGM votes is held by BZ WBK Asset Management S.A.



* In case of BZ WBK Asset Management S.A., the Bank is a co-owner of the company together with Banco Santander, S.A.. Both owners of BZ WBK Asset Management S.A. 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 Towarzystwo Funduszy Inwestycyjnych S.A., because through it Banco Santander pursues its policy in Poland. Therefore the company is treated as a subsidiary undertaking.

Associates:

Associates	Registered office	% of votes on AGM 30.06.2011	% of votes on AGM 30.06.2010
1. POLFUND - Fundusz Poręczeń Kredytowych S.A.	Szczecin	50	50
2. Metrohouse & Partnerzy S.A.*	Warszawa	21.23	35.38
3. Krynicki Recykling S.A.*	Warszawa	24.54	30.37
4. Holicon Group S.A.*	Poznań	47.09	-

*these 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 30.06.2011	% of votes on AGM 30.06.2010
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

Joint ventures are accounted for using the equity method.

2. Basis of preparation of interim consolidated 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 2010.

The consolidated financial statements of the Group for the year 2010 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 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 three months ended 30 June 2011 which is deemed to be the current interim financial reporting period.

Accounting policies

The condensed interim consolidated financial statements are presented in PLN, rounded to the nearest thousand. The accounting policies have been applied consistently by Group entities.

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 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 2010.

Comparability with results of previous periods

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

a) the consolidated 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	2 239 055	(89)	2 238 966
Loans and advances to customers	32 838 296	89	32 838 385

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	1 477 897	1 477 897	2 660 658	2 660 658
Deposits in other banks, current account	1 014 678	1 016 679	653 748	654 858
Debt securities held for trading	820 740	699 932	449 354	399 728
Debt securities available for sale	393 986	-	1 793 330	-
Total	3 707 301	3 194 508	5 557 090	3 715 244

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

- Change in loans and advances to banks,
- Change in trading portfolio financial instruments,
- 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 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 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).

New standards and interpretations or changes to existing standards or interpretations which can be applicable to BZ WBK Group and are not yet effective or have neither been implemented earlier

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 to IFRS 9
IFRS 7 Financial instruments: disclosures	The change requires disclosure of information so that the readers of the financial statements may: understand the relation between the transferred financial asset which has not been fully excluded from the financial statements and the underlying financial obligations as well as assess the nature of the asset, associated risks and exposure towards the excluded asset. The change includes definition of "continuous engagement" to ensure compliance with disclosure requirements.	1 July 2011	Amendments to IFRS 7 will not have material impact over financial statement



IFRS 10 Consolidated Financial Statements	New standard supersedes the previous version of IAS 27 (2008) Consolidated and Separate Financial Statements together with the related interpretation SIC 12 Consolidation-Special Purpose Entities. Establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.	1 January 2013	The Group has not completed its analysis of changes
IFRS 11 Joint Arrangements	Supersedes SIC –13 Jointly Controlled Entities – Non-Monetary Contributions by Ventures	1 January 2013	The Group has not completed its analysis of changes
IFRS 12 Disclosures of Interests in Other Entities	New standard requires the disclosure of information that enables users of financial statements to evaluate: - the nature of, and risks associated with, its interests in other entities; - the effects of those interests on its financial position, financial performance and cash flows	1 January 2013	The Group has not completed its analysis of changes
IFRS 13 Fair Value Measurement	IFRS establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs.	1 January 2013	The Group has not completed its analysis of changes
IAS 27 Separate Financial Statements	IAS 27 has the objective of setting standards to be applied in accounting for investments in subsidiaries, jointly ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.	1 January 2013	The Group has not completed its analysis of changes
IAS 28 Investments in Associates and Joint Ventures	The change prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	1 January 2013	The Group has not completed its analysis of changes

3. Segment 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 the operational activity and may be assigned to the segment directly or on a reasonable basis.

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.

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 provides, among others, lending and deposit taking services, cash management services, leasing, factoring, letters of credit and guarantees. Retail Banking Segment also renders services for retail customers of third party financial institutions (in-sourcing services).

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 and private portfolios, management of strategic investments of the bank (dividends).

Treasury

Treasury is responsible for the management of the bank's liquidity, interest rate risk and foreign exchange rate risks. It also provides interest rate and fx risk management products to the bank's customer base. Through its presence in the wholesale markets, it also generates revenues from interest rate and fx risk positioning activity.

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.



Consolidated income statement (by business segments)

30.06.2011	Retail Banking	Business Banking	Investment Banking	Treasury	Centre	Total
Net interest income	672 697	319 280	11 574	(23 360)	16 912	997 103
incl. internal transactions	-	(47 970)	23 048	-	24 922	-
Other income	451 989	59 492	161 125	153 356	11 007	836 969
incl. internal transactions	66 250	24 645	(43 823)	(46 631)	(441)	-
Dividend income	-	-	67 469	-	-	67 469
Operating costs	(626 662)	(108 313)	(72 509)	(20 609)	(10 847)	(838 940)
incl. internal transactions	1 257	(17 539)	(3 237)	12 036	7 483	-
Depreciation/amortisation	(57 670)	(7 103)	(4 966)	(1 728)	(149)	(71 616)
Impairment losses on loans and advances	(128 626)	(48 301)	-	-	3 323	(173 604)
Share in net profits (loss) of entities accounted for by the equity method	4 007	-	890	-	-	4 897
Profit before tax	315 735	215 055	163 583	107 659	20 246	822 278
Corporate income tax						(150 798)
Non-controlling interests						(30 403)
Profit for the period						641 077

Consolidated statement of financial position (by business segment)

30.06.2011	Retail Banking	Business Banking	Investment Banking	Treasury	Centre	Total
Loans and advances to customers	16 831 718	17 780 788	64 760	9 791	7 912	34 694 969
Investments in associates and joint ventures	32 969	-	60 358	-	-	93 327
Other assets	6 617 381	4 462 513	1 160 044	7 845 151	706 460	20 791 549
Total assets	23 482 068	22 243 301	1 285 162	7 854 942	714 372	55 579 845
Deposits from customers	32 066 742	7 714 849	839 217	148 786	-	40 769 594
Other liabilities and equity	2 426 824	4 461 018	443 481	6 124 291	1 354 637	14 810 251
Total equity and liabilities	34 493 566	12 175 867	1 282 698	6 273 077	1 354 637	55 579 845

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)
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	114 810	24 399	34 333 567
Investments in associates and joint ventures	31 113	-	50 803	-	-	81 916
Other assets	6 446 746	4 342 903	1 110 872	6 587 367	680 448	19 168 336
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

4. Risk management

During the first six months of 2011 BZ WBK Group carried out risk management activities based on the same policies and rules as described in Consolidated Financial Statements for 2010. 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.

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:

- on-going improvement of risk assessment tools and credit policies aimed at ensuring the balanced growth of high quality credit book, and
- tight control and monitoring of individual credit portfolios.

Good quality of the credit portfolio confirms the effectiveness of taken actions. The risk profile of the Group's credit portfolios has remained stable with an improvement trend with regard to some retail portfolios.

The Group's credit risk management depends among others 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).

30.06.2011	Provision cover	Loans and advances to customers	Loans and advances to banks	Investment securities	Financial assets held for trading*
Individually impaired					
	up to 50%	691 236	-	-	-
	50% - 70%	113 159	-	-	-
	70% - 85%	76 878	-	-	-
	over 85%	173 654	-	-	-
Gross amount		1 054 927	-	-	-
Charge due to impairment losses		(427 818)	-	-	-
Net amount		627 109	-	-	-
Collectively impaired					
	up to 50%	468 493	-	-	-
	50% - 70%	233 312	-	-	-
	70% - 85%	452 473	-	-	-
	over 85%	209 468	-	-	-
Gross amount		1 363 746	-	-	-
Charge due to impairment losses		(785 830)	-	-	-
Net amount		577 916	-	-	-
IBNR portfolio					
	up to 0,10%	13 629 553	798 441	12 625 033	3 672 170
	0,10% - 0,30%	5 892 012	-	-	-
	0,30% - 0,65%	4 565 301	-	-	-
	over 0,65%	9 666 089	-	-	-
Gross amount		33 752 955	798 441	12 625 033	3 672 170
IBNR		(336 703)	-	-	-
Net amount		33 416 252	798 441	12 625 033	3 672 170
Other receivables		73 692	-	-	-
Off-balance sheet exposures					
Financing granted		6 501 324	-	-	-
Guarantees		1 227 923	-	-	-
Nominal value of derivatives - purchased		-	-	-	66 685 119
Allowance for impairment		(17 462)	-	-	-
Off-balance sheet exposures - total		7 711 785	-	-	66 685 119

*the value of financial assets held for trading includes adjustment of the fair value as described in Note 16

31.12.2010	Provision cover	Loans and advances to customers	Loans and advances to banks	Investment securities	Financial assets held for trading*
Individually impaired					
	up to 50%	740 716	-	-	-
	50% - 70%	122 328	-	-	-
	70% - 85%	67 486	-	-	-
	over 85%	111 363	-	-	-
Gross amount		1 041 893	-	-	-
Charge due to impairment losses		(393 383)	-	-	-
Net amount		648 510	-	-	-
Collectively impaired					
	up to 50%	566 455	-	-	-
	50% - 70%	243 799	-	-	-
	70% - 85%	413 125	-	-	-
	over 85%	108 458	-	-	-
Gross amount		1 331 837	-	-	-
		(676 262)	-	-	-
Net amount		655 575	-	-	-
IBNR portfolio					
	up to 0,10%	12 519 938	619 655	13 395 355	2 238 966
	0,10% - 0,30%	6 173 343	-	-	-
	0,30% - 0,65%	3 623 313	-	-	-
	over 0,65%	9 472 201	-	-	-
Gross amount		31 788 795	619 655	13 395 355	2 238 966
IBNR		(337 976)	-	-	-
Net amount		31 450 819	619 655	13 395 355	2 238 966
Other receivables		83 481	-	-	-
Off-balance sheet exposures					
Financing granted		5 639 854	-	-	-
Guarantees		1 186 607	-	-	-
Nominal value of derivatives - purchased		-	-	-	42 291 542
Allowance for impairment		(17 217)	-	-	-
Off-balance sheet exposures - total		6 809 244	-	-	42 291 542

*the value of financial assets held for trading includes adjustment of the fair value as described in Note 16

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%	146 626	-	-	-
Gross amount		1 053 471	-	-	-
Charge due to impairment losses		(409 197)	-	-	-
Net amount		644 274	-	-	-
Collectively impaired					
	up to 50%	658 234	-	-	-
	50% - 70%	214 118	-	-	-
	70% - 85%	238 285	-	-	-
	over 85%	159 113	-	-	-
Gross amount		1 269 750	-	-	-
Charge due to impairment losses		(602 215)	-	-	-
Net amount		667 535	-	-	-
IBNR portfolio					
	up to 0,10%	8 919 883	1 026 364	13 406 056	1 609 404
	0,10% - 0,30%	9 164 871	-	-	-
	0,30% - 0,65%	4 976 066	-	-	-
	over 0,65%	10 137 001	-	-	-
Gross amount		33 197 821	1 026 364	13 406 056	1 609 404
IBNR		(370 336)	-	-	-
Net amount		32 827 485	1 026 364	13 406 056	1 609 404
Other receivables		194 273	-	-	-
Off-balance sheet exposures					
Financing granted		5 353 603	-	-	-
Guarantees		1 173 770	-	-	-
Nominal value of derivatives - purchased		-	-	-	39 632 280
Allowance for impairment		(10 571)	-	-	-
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 16

IBNR portfolio

	Loans and advances to customers		
	30.06.2011	31.12.2010	30.06.2010
Non-past due	32 440 761	30 590 223	31 764 724
Past-due	1 312 194	1 198 571	1 433 097
1-30 days	1 072 673	875 444	1 085 639
31-60 days	163 142	252 541	212 046
61-90 days	70 084	65 678	129 410
> 90 days	6 295	4 908	6 002
Gross amount	33 752 955	31 788 794	33 197 821



WBK

Bank Zachodni WBK S.A.

Allowances for impairment by classes

Provision cover		Loans and advances to customers			Loans and advances to banks		
		30.06.2011	31.12.2010	30.06.2010	30.06.2011	31.12.2010	30.06.2010
Individual allowance for impairment							
	up to 50%	(129 303)	(160 538)	(133 114)	-	-	-
	50% - 70%	(66 788)	(69 707)	(69 932)	-	-	-
	70% - 85%	(60 232)	(52 562)	(60 119)	-	-	-
	over 85%	(171 495)	(110 576)	(146 032)	-	-	-
Total individual allowance for impairment		(427 818)	(393 383)	(409 197)	-	-	-
Collective allowance for impairment							
	up to 50%	(90 459)	(102 986)	(139 782)	-	-	-
	50% - 70%	(141 109)	(147 244)	(128 199)	-	-	-
	70% - 85%	(350 510)	(318 422)	(182 842)	-	-	-
	over 85%	(203 752)	(107 610)	(151 392)	-	-	-
Total collective allowances for impairment		(785 830)	(676 262)	(602 215)	-	-	-
IBNR							
	up to 0,10%	(6 437)	(5 959)	(6 248)	-	-	-
	0,10%-0,30%	(10 925)	(12 084)	(16 505)	-	-	-
	0,30%-0,65%	(19 784)	(16 035)	(23 551)	-	-	-
	over 0,65%	(299 557)	(303 898)	(324 032)	-	-	-
Total IBNR		(336 703)	(337 976)	(370 336)	-	-	-
Total allowance for impairment		(1 550 351)	(1 407 621)	(1 381 748)	-	-	-

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:

- The unit responsible for ongoing risk measurement, control, monitoring and reporting was moved from the Treasury Division to the Risk Management Division.
- Market Risk Monitoring Team, responsible for independent risk monitoring as well as measurement policy and methodology, was merged with the foregoing unit.

Interest rate risk

The table below presents risk levels in 1H 2011, 1H 2010 and as at end 2010. (both measures assume 1 month holding time horizon):

Interest rate risk	VaR			Stress scenario		
	30.06.2011	31.12.2010	30.06.2010	30.06.2011	31.12.2010	30.06.2010
1 month holding period						
Average	32 672	31 098	32 337	149 678	145 635	138 172
High	38 405	40 360	40 360	182 172	188 689	176 491
Low	25 249	23 066	23 066	123 831	96 026	96 026
as at end of the period	30 806	27 777	36 803	130 840	144 413	163 100

The Treasury Division operates within an operational VaR risk limit, which amounted to PLN 59 799 k (EUR 15 000 k) at the end of June 2011.

The tables below present the sensitivity of trading and banking portfolios at the end of June 2011 and comparable periods:

Interest Rate Risk (PLN k)	Sensitivity 30-06-2011		
parallel increase of yield curves by 1 bp	Trading book	Banking book	Total
0-3m	(13)	(28)	(41)
3m-1Y	(95)	46	(49)
1Y-5Y	22	(438)	(416)
over 5Y	4	(30)	(26)
Total	(82)	(450)	(532)

Interest Rate Risk (PLN k)	Sensitivity 31-12-2010		
parallel increase of yield curves by 1 bp	Trading book	Banking book	Total
0-3m	11	(80)	(69)
3m-1Y	(71)	82	11
1Y-5Y	(3)	(363)	(366)
over 5Y	(6)	(33)	(39)
Total	(69)	(394)	(463)

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)

The following tables present interest rate sensitivities of each NIRIL portfolios at the end of June 2011 and 2010 and December 2010:

Interest Rate Risk (PLN k)	Sensitivity 30-06-2011		
parallel increase of yield curves by 1 bp	Business portfolio	Capital portfolio	Total
0-3m	25	(1)	24
3m-1Y	(90)	(60)	(150)
1Y-5Y	(1 097)	(774)	(1 871)
over 5Y	(323)	(1 079)	(1 402)
Total	(1 485)	(1 914)	(3 399)

Interest Rate Risk (PLN k)	Sensitivity 31-12-2010		
parallel increase of yield curves by 1 bp	Business portfolio	Capital portfolio	Total
0-3m	14	-	14
3m-1Y	(48)	(43)	(91)
1Y-5Y	(873)	(821)	(1 694)
over 5Y	(120)	(805)	(925)
Total	(1 027)	(1 669)	(2 696)

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)

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 2011 and 2010 and December 2010 (data for both measures are scaled to 1 month holding period to make it comparable):

FX risk	VaR			Stress scenario		
1 month holding period	30.06.2011	31.12.2010	30.06.2010	30.06.2011	31.12.2010	30.06.2010
Average	2 023	1 807	1 831	14 061	12 936	13 779
High	4 106	5 076	3 552	23 278	23 409	23 409
Low	227	426	426	2 750	2 938	2 938
as at end of the period	1 110	1 842	2 381	8 913	15 048	21 258

The Treasury Division operates within an VaR risk limit, which amounted to PLN 4 226 k (EUR 1 060 k).

The tables below present currency breakdown of selected items of consolidated statement of financial position as at 30.06.2011, 31.12.2010 and 30.06.2010.

30.06.2011	PLN	EUR	CHF	Other	Total
ASSETS					
Cash and balances with central banks	2 017 306	106 571	4 783	57 920	2 186 580
Loans and advances to banks	331 751	367 895	2 857	95 938	798 441
Loans and advances to customers	23 134 295	8 404 139	2 324 301	832 234	34 694 969
Investment securities	12 215 525	285 841	-	123 667	12 625 033
Selected assets	37 698 877	9 164 446	2 331 941	1 109 759	50 305 023
LIABILITIES					
Deposits from banks	5 628 523	229 409	43 732	70 538	5 972 202
Deposits from customers	35 980 117	3 628 915	33 529	1 127 033	40 769 594
Subordinated liabilities	-	398 015	-	-	398 015
Selected liabilities	41 608 640	4 256 339	77 261	1 197 571	47 139 811

31.12.2010	PLN	EUR	CHF	Other	Total
ASSETS					
Cash and balances with central banks	2 383 892	87 140	5 222	58 209	2 534 463
Loans and advances to banks	62 685	471 401	22 125	63 444	619 655
Loans and advances to customers	21 749 561	8 144 237	2 346 853	597 734	32 838 385
Investment securities	12 825 870	417 693	-	151 792	13 395 355
Selected assets	37 022 008	9 120 471	2 374 200	871 179	49 387 858
LIABILITIES					
Deposits from banks	1 989 506	377 202	48 495	110 879	2 526 082
Deposits from customers	37 187 256	3 689 682	30 330	1 063 186	41 970 454
Subordinated liabilities	-	395 230	-	-	395 230
Selected liabilities	39 176 762	4 462 114	78 825	1 174 065	44 891 766

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	161 997	822 586	13 282	28 499	1 026 364
Loans and advances to customers	22 682 685	8 518 511	2 448 813	683 558	34 333 567
Investment securities	12 792 770	437 103	-	176 183	13 406 056
Selected assets	36 901 843	9 890 739	2 468 109	983 193	50 243 884
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

Equity investment risk

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 2011 and comparable periods:

Equity risk 1 day holding period	VaR			Stress scenario		
	30.06.2011	31.12.2010	30.06.2010	30.06.2011	31.12.2010	30.06.2010
Average	741	508	226	1 262	794	327
High	3 033	2 614	1 071	4 289	4 459	1 543
Low	57	31	31	121	50	51
as at end of the period	82	556	754	141	850	1 094

Brokerage House operates within an operational limit PLN 6 000 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.

Liquidity Policy Report- Modified Liquidity Gap:

Liquidity risk 30-06-2011	<1W	<1M	>1M
Qualifying Liquid Assets	12 463 065	487 370	1 500 000
Treasury inflows	1 487 278	1 211 743	9 296 262
Other inflows	402 659	323 848	37 102 180
Treasury outflows	(4 757 148)	(1 662 307)	(11 112 348)
Other outflows	(3 558 549)	(333 201)	(42 850 852)
GAP	6 037 305	27 453	(6 064 758)
Cumulative GAP	6 037 305	6 064 758	-

Liquidity risk 31-12-2010	<1W	<1M	>1M
Qualifying Liquid Assets	12 958 174	998 000	271 281
Treasury inflows	1 094 198	1 162 154	9 770 282
Other inflows	1 789 452	276 636	32 802 281
Treasury outflows	(1 417 403)	(2 122 502)	(10 205 075)
Other outflows	(3 802 040)	(271 089)	(43 304 349)
GAP	10 622 381	43 199	(10 665 580)
Cumulative GAP	10 622 381	10 665 580	-

Liquidity risk 30-06-2010	<1W	<1M	>1M
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	-

The Treasury Division reported a growth in payments vis a vis YE 2010, mainly in connection with maturing short-term repo deals. Nevertheless, the Group still keeps the current assets at a safe level which ensures satisfactory liquidity. All key regulatory ratios for the Bank were kept at the required level in the current reporting period and in comparable periods.

In 1H 2011 and in comparable periods all the regulatory measures have been kept at the required levels.



WBK

Bank Zachodni WBK S.A.

Operating Risk

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

Legal & compliance risk

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

5. Capital management

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

6. 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
Interest income				
Loans and advances to enterprises	299 008	588 045	290 398	590 084
Loans and advances to individuals, of which:	256 706	502 418	237 232	475 780
<i>Home mortgage loans</i>	86 377	167 086	73 606	144 470
Debt securities incl.:	197 030	391 121	191 716	382 033
<i>Investment portfolio available for sale</i>	91 179	175 863	71 488	142 114
<i>Investment portfolio held to maturity</i>	74 641	155 698	89 872	183 197
<i>Trading portfolio</i>	31 210	59 560	30 356	56 722
Leasing agreements	43 580	85 526	44 450	87 280
Loans and advances to banks	19 210	34 884	15 467	29 148
Other from public sector	5 074	9 362	3 908	8 064
Reverse repo transactions	1 542	2 275	1 548	5 270
Interest recorded on hedging IRS	4 376	7 282	(2 837)	(7 324)
Total	826 526	1 620 913	781 882	1 570 335
Interest expense				
Deposits from individuals	(171 939)	(342 926)	(204 218)	(420 694)
Deposits from enterprises	(85 942)	(165 531)	(88 872)	(181 853)
Repo transactions	(38 503)	(65 338)	(23 397)	(46 635)
Public sector	(14 975)	(26 656)	(14 505)	(33 068)
Deposits from banks	(7 550)	(13 309)	(12 580)	(25 306)
Subordinated liabilities	(5 090)	(10 050)	-	-
Total	(323 999)	(623 810)	(343 572)	(707 556)
Net interest income	502 527	997 103	438 310	862 779

7. Net fee and commission income

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
eBusiness & payments	97 413	187 295	95 012	181 786
Asset management fees	75 269	154 588	85 762	170 387
Current accounts and money transfer	62 507	123 059	62 662	124 933
Foreign exchange commissions	52 104	104 432	52 167	97 949
Brokerage commissions	33 612	70 841	33 043	66 113
Credit commissions (including factoring)	27 251	52 451	25 151	52 610
Credit cards	15 133	30 243	15 959	31 735
Insurance commissions	20 861	35 127	19 464	38 650
Distribution fees	2 542	7 436	2 750	7 783
Off-balance sheet guarantee commissions	3 488	6 396	2 717	5 447
Issue arrangement	6 067	8 015	3 015	4 800
Finance lease commissions	957	1 946	1 038	1 928
Other commissions	677	2 286	1 189	1 832
Total	397 881	784 115	399 929	785 953
Fee and commission expense	01.04.2011 - 30.06.2011	01.01.2011 - 30.06.2011	01.04.2010 - 30.06.2010	01.01.2010 - 30.06.2010
eBusiness & payments	(20 601)	(34 505)	(28 498)	(48 704)
Distribution fees	(10 277)	(20 365)	(11 288)	(22 477)
Brokerage commissions	(5 181)	(14 177)	(6 637)	(13 084)
Commissions paid to credit agents	(2 913)	(5 963)	(6 813)	(12 063)
Asset management fees and other costs	(2 249)	(4 582)	(2 086)	(6 330)
Finance lease commissions	(1 943)	(3 601)	(1 553)	(3 115)
Credit cards	(1 755)	(3 403)	(1 598)	(3 371)
Other	(4 019)	(9 337)	(5 716)	(9 131)
Total	(48 938)	(95 933)	(64 189)	(118 275)
Net fee and commission income	348 943	688 182	335 740	667 678

8. Net trading income and revaluation

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
Profit on interbank FX transactions	19 551	41 284	29 659	62 486
Other FX related income	6 714	14 432	6 358	12 227
Profit/(loss) on derivative instruments	42 430	50 091	32 807	58 142
Profit on market maker activity	1 466	3 038	1 651	4 191
Profit on debt instruments	912	1 075	(210)	617
Total	71 073	109 920	70 265	137 663

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.



WBK

Bank Zachodni WBK S.A.

9. 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
Gains (losses) from other financial securities				
Profit on sale of equity shares	(166)	101	(41)	3 015
Profit on sale of debt securities	5 089	5 278	-	5 657
Total profit (losses) on financial instruments	4 923	5 379	(41)	8 672
Change in fair value of hedging instruments	(941)	2 166	23	(4 356)
Change in fair value of underlying hedged positions	1 473	(2 260)	126	4 556
Total profit (losses) on hedging and hedged instruments	532	(94)	149	200
Total	5 455	5 285	108	8 872

10. 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
Impairment losses on loans and advances				
Collective and individual impairment charge	(83 480)	(178 550)	(133 130)	(240 455)
Incurred but not reported losses charge	2 267	1 512	(24 887)	4 098
Recoveries of loans previously written off	2 677	3 679	8 194	14 541
Off balance sheet credit related facilities	(214)	(245)	3 376	5 007
Total	(78 750)	(173 604)	(146 447)	(216 809)

11. 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
Employee costs				
Salaries and bonuses	(198 175)	(395 396)	(178 912)	(372 352)
Salary related costs	(30 528)	(64 000)	(28 262)	(60 973)
Staff benefits costs	(4 999)	(9 610)	(4 736)	(9 300)
Professional trainings	(4 816)	(8 912)	(3 779)	(5 832)
Retirement fund, holiday provisions and other employee costs	(928)	(2 141)	(1 380)	(2 956)
Total	(239 446)	(480 059)	(217 069)	(451 413)

12. 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
General and administrative expenses				
Maintenance and rentals of premises	(53 187)	(106 739)	(52 066)	(104 085)
IT systems costs	(21 006)	(43 397)	(21 695)	(41 112)
Marketing and representation	(30 665)	(45 262)	(32 536)	(48 004)
Postal and telecommunication costs	(10 947)	(25 415)	(13 149)	(26 309)
Bank Guarantee Fund, Polish Financial Supervision Authority and National Depository for Securities	(12 164)	(24 389)	(7 543)	(14 967)
Other external services	(8 242)	(17 325)	(8 868)	(16 399)
Car, transport expenses, carriage of cash	(8 756)	(16 150)	(7 970)	(14 787)
Consulting fees	(10 589)	(16 440)	(6 319)	(11 275)
Sundry taxes	(5 089)	(9 664)	(3 995)	(8 034)
Stationery, cards, cheques etc.	(4 443)	(8 667)	(4 744)	(8 006)
Data transmission	(3 876)	(7 824)	(4 018)	(7 827)
Security costs	(3 863)	(7 320)	(3 709)	(6 552)
KIR, SWIFT settlements	(2 960)	(6 231)	(2 979)	(5 968)
Costs of repairs	(1 403)	(2 425)	(1 534)	(2 875)
Other	(3 591)	(6 597)	(3 479)	(6 344)
Total	(180 781)	(343 845)	(174 604)	(322 544)

13. 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
Corporate income tax				
Current tax charge	(89 944)	(154 495)	(74 701)	(201 682)
Deferred tax	7 682	3 697	8 710	36 688
Total	(82 262)	(150 798)	(65 991)	(164 994)

	01.04.2011 - 30.06.2011	01.01.2011 - 30.06.2011	01.04.2010 - 30.06.2010	01.01.2010 - 30.06.2010
Corporate total tax charge information				
Profit before tax	468 813	822 278	333 335	681 994
Tax rate	19%	19%	19%	19%
Tax calculated at the tax rate	(89 075)	(156 233)	(63 334)	(129 579)
Non-deductible expenses	(2 285)	(3 030)	(3 110)	(4 889)
Sale of receivables	(1 678)	(1 678)	10 671	(17 173)
Non-taxable income (dividends)	12 560	12 558	9 992	10 011
Non-tax deductible bad debt provisions	(1 861)	(2 173)	(5 194)	(5 447)
Adjustment of deferred tax asset on interest on debt securities	-	-	(13 779)	(16 897)
Other	77	(242)	(1 237)	(1 020)
Total income tax expense	(82 262)	(150 798)	(65 991)	(164 994)

	30.06.2011	31.12.2010	30.06.2010
Deferred tax recognised directly in equity			
The amount of deferred tax recognised directly in equity totaled:			
Relating to equity securities available-for-sale	(100 920)	(96 292)	(96 041)
Relating to debt securities available-for-sale	(9 364)	(4 653)	(4 201)
Relating to cash flow hedging activity	(2 553)	(473)	(994)
Total	(112 837)	(101 418)	(101 236)



14. Cash and balances with central banks

Cash and balances with central banks	30.06.2011	31.12.2010	30.06.2010
Cash	842 897	821 556	878 368
Current accounts in central banks	1 343 683	1 712 907	599 529
Total	2 186 580	2 534 463	1 477 897

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.

15. Loans and advances to banks

Loans and advances to banks	30.06.2011	31.12.2010	30.06.2010
Loans and advances	175 199	304 313	580 316
Current accounts, other	623 242	315 342	446 048
Total	798 441	619 655	1 026 364

16. 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
Trading derivatives	372 941	627 495	464 442	568 153	494 523	832 366
Interest rate operations	185 489	203 205	238 659	236 968	256 628	278 267
Options	50	50	68	68	40	40
IRS	181 114	199 608	236 209	235 422	253 780	276 321
FRA	4 325	3 547	2 382	1 478	2 808	1 906
FX operations	187 452	424 290	225 242	331 185	237 895	554 099
CIRS	67 288	271 319	65 543	171 730	66 774	269 955
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
Other	-	-	541	-	-	-
Stock options	-	-	541	-	-	-
Debt and equity securities	3 299 229	-	1 774 524	-	1 114 881	-
Debt securities	3 286 898	-	1 728 184	-	1 061 922	-
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	-
Other securities:	2 933	-	1 895	-	1 344	-
- bonds	2 933	-	1 895	-	1 344	-
Equity securities:	12 331	-	46 340	-	52 959	-
- listed	12 331	-	46 340	-	52 959	-
Short sale	-	15 279	-	10 458	-	20 267
Total financial assets/liabilities	3 672 170	642 774	2 238 966	578 611	1 609 404	852 633

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		30.06.2011	31.12.2010	30.06.2010
1. Term derivatives (hedging)		2 683 880	1 669 876	2 252 916
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
2. Term derivatives (trading)		80 396 658	55 583 100	54 487 043
a) Interest rate operations		51 021 559	28 179 598	24 169 107
Single-currency interest rate swaps		32 655 094	22 753 982	20 442 173
FRA - purchased amounts		18 350 000	5 400 000	3 700 000
Options		16 465	25 616	26 934
b) FX operations		29 375 099	27 403 502	30 317 936
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		4 516 910	4 030 917	3 660 543
Cross-currency interest rate swaps – sold amounts		4 743 930	4 161 578	3 891 544
FX options -purchased		1 102 026	764 470	1 120 305
FX options -sold		1 102 026	764 470	1 120 305
3. Currency transactions- spot		2 193 707	935 449	927 221
spot-purchased		1 097 012	467 710	463 951
spot-sold		1 096 695	467 739	463 270
4. Transactions on equity instruments		6 542	993	52 075
Futures		6 542	993	52 075
Total		85 280 787	58 189 418	57 719 255

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

17. Loans and advances to customers

Loans and advances to customers	30.06.2011	31.12.2010	30.06.2010
Loans and advances to enterprises	21 728 293	20 251 489	21 708 998
Loans and advances to individuals, of which:	12 023 232	11 437 508	11 253 931
Home mortgage loans	7 182 545	6 926 647	6 658 547
Finance lease receivables	2 327 439	2 435 755	2 541 113
Loans and advances to public sector	158 576	101 089	186 912
Buy-sell-back transaction	3 477	10 118	147
Other	4 303	10 047	24 214
Gross receivables	36 245 320	34 246 006	35 715 315
Impairment write down	(1 550 351)	(1 407 621)	(1 381 748)
Total	34 694 969	32 838 385	34 333 567
Movements on impairment losses on loans and advances to customers	30.06.2011	31.12.2010	30.06.2010
Individual and collective impairment			
As at the beginning of the period	(1 069 646)	(766 110)	(766 110)
Charge/write back of current period	(178 550)	(474 770)	(240 455)
Write off/Sale of receivables	24 055	206 912	81 050
Transfer	10 885	(38 958)	(85 292)
F/X differences	(393)	3 280	(605)
Balance at the end of the period	(1 213 649)	(1 069 646)	(1 011 412)
IBNR			
As at the beginning of the period	(337 975)	(373 566)	(373 566)
Charge/write back of current period	1 512	35 317	4 098
Transfer	27	10	-
F/X differences	(266)	264	(868)
Balance at the end of the period	(336 702)	(337 975)	(370 336)
Impairment write down	(1 550 351)	(1 407 621)	(1 381 748)



18. Investment securities available for sale

Investment securities available for sale	30.06.2011	31.12.2010	30.06.2010
Available for sale investments - measured at fair value			
Debt securities	7 328 351	6 965 866	6 399 888
Government securities:	7 248 243	6 885 095	6 316 944
- bills	-	-	120 885
- bonds	7 248 243	6 885 095	6 196 059
Commercial securities:	80 108	80 771	82 944
- bonds	80 108	80 771	82 944
Equity securities	652 410	623 456	614 994
- listed	26 546	20 688	22 426
- unlisted	625 864	602 768	592 568
Investment certificates	53 247	56 625	50 213
Total	8 034 008	7 645 947	7 065 095

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 - 199 999 k).

Movements on investment securities available for sale	Debt securities	Financial instruments representing equity rights	Total
As at 1 January 2011	6 965 866	680 081	7 645 947
Additions	940 203	8 995	949 198
Transfers	-	(754)	(754)
Disposals (sale and maturity)	(606 591)	(7 025)	(613 616)
Fair value adjustment (AFS)	18 444	24 651	43 095
Movements on interest accrued	19 169	-	19 169
F/X differences	(8 740)	(291)	(9 031)
As at 30 June 2011	7 328 351	705 657	8 034 008

Movements on investment securities available for sale	Debt securities	Financial instruments representing equity rights	Total
As at 1 January 2010	5 957 601	665 416	6 623 017
Additions	3 477 634	26 560	3 504 194
Disposals (sale and maturity)	(2 527 512)	(9 814)	(2 537 326)
Fair value adjustment (AFS)	8 876	(1 558)	7 318
Movements on interest accrued	58 777	-	58 777
Provision for impairment	-	(48)	(48)
F/X differences	(9 510)	(475)	(9 985)
As at 31 December 2010	6 965 866	680 081	7 645 947

Movements on investment securities available for sale	Debt securities	Financial instruments representing equity rights	Total
As at 1 January 2010	5 957 601	665 416	6 623 017
Additions	2 358 021	7 654	2 365 675
Disposals (sale and maturity)	(1 952 440)	(2 778)	(1 955 218)
Fair value adjustment (AFS)	15 771	(5 932)	9 839
Movements on interest accrued	(8 534)	-	(8 534)
Provision for impairment	-	(48)	(48)
F/X differences	29 469	895	30 364
As at 30 June 2010	6 399 888	665 207	7 065 095

19. Financial assets held to maturity

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

Movements on financial assets held to maturity	30.06.2011	31.12.2010	30.06.2010
Balance at 1 January	5 749 408	6 669 555	6 669 555
Maturity	(1 086 828)	(955 378)	(320 232)
Fair value amortisation	4 471	12 190	6 431
Movements on interest accrued	(76 026)	23 041	(14 793)
Balance at the end of the period	4 591 025	5 749 408	6 340 961

20. Investments in associates and joint ventures

Movements on investments in associates and joint ventures	30.06.2011	31.12.2010	30.06.2010
Balance at 1 January	87 360	81 887	81 887
Share of profits/(losses)	4 897	4 452	1 366
Sale/acquisition	18	41	-
Transfer	4 050	-	-
Other/dividend	(2 998)	980	(1 337)
Balance at the end of the period	93 327	87 360	81 916

Details of sales/acquisitions of associates and joint ventures are disclosed in note 28.

Balance sheet value of associates and joint ventures	30.06.2011	31.12.2010	30.06.2010
Polfund - Fundusz Poręczeń Kredytowych S.A.	37 978	36 786	36 323
BZ WBK - Aviva Towarzystwo Ubezpieczeń Ogólnych S.A.	19 937	20 101	17 410
BZ WBK - Aviva Towarzystwo Ubezpieczeń na Życie S.A.	13 032	12 395	13 703
Metrohouse & Partnerzy S.A.	4 106	4 305	4 211
Krynicky Recykling S.A.	14 224	13 773	10 269
Holicon Group S.A.	4 050	-	-
Total	93 327	87 360	81 916

21. Deposits from central bank

Deposits from central bank	30.06.2011	31.12.2010	30.06.2010
Repo transactions	-	-	224 323
Total	-	-	224 323

22. 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
Loans from other banks	234 246	380 791	1 370 143
Current accounts	168 806	98 260	47 244
Total	5 972 202	2 526 082	3 782 569



23. Deposits from customers

Deposits from customers	30.06.2011	31.12.2010	30.06.2010
Deposits from individuals	25 482 085	25 230 799	25 817 456
Term deposits	13 140 785	12 745 658	13 657 068
Current accounts	12 307 318	12 449 476	12 123 258
Other	33 982	35 665	37 130
Deposits from enterprises	13 052 151	14 605 812	13 301 865
Term deposits	7 826 151	8 757 801	8 560 329
Current accounts	4 375 420	4 958 514	4 051 715
Credits	550 248	600 805	346 302
Other	300 332	288 692	343 519
Deposits from public sector	2 235 358	2 133 843	2 179 177
Term deposits	1 132 613	1 015 651	756 914
Current accounts	1 101 063	1 117 309	1 382 095
Other	1 682	883	40 168
Total	40 769 594	41 970 454	41 298 498

24. 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 or its subsidiaries amounting to a minimum of 10% of the Group's equity.

The value of all litigation amounts to PLN 242 232 k, which is ca 3.54 % of Group's equity. This amount includes PLN 99 318 k claimed by the Group, PLN 131 031 k in claims against the Group and PLN 11 883 k are Group's receivables due to bankruptcy or arrangement cases.

In 1H 2011 the amount of court proceedings which have been completed amounted to PLN 7 923 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 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.

In 1H 2010 the amount of court proceedings which have been completed amounted to PLN 23 276 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
Liabilities sanctioned			
- financial	6 484 546	5 623 703	5 343 132
- credit lines	5 518 994	4 745 222	4 510 878
- credit cards debits	871 084	818 961	792 702
- import letters of credit	89 684	55 105	39 552
- term deposits with future commencement term	4 784	4 415	-
- guarantees	1 227 239	1 185 541	1 173 670
Total	7 711 785	6 809 244	6 516 802

25. 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.

26. 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 condensed interim consolidated 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%
Total	73 076 013	73 076 013	100%	100%	73 076 013	73 076 013	100%	100%

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%.

27. 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 with associates and joint ventures	30.06.2011	31.12.2010	30.06.2010
ASSETS	3 260	514	912
Loans and advances to customers	3 260	514	912
LIABILITIES	363 041	361 038	95 215
Deposits from customers	363 041	361 038	95 215
INCOME	32 100	61 013	32 398
Interest income	3 013	1 037	23
Fee and commission income	28 798	59 714	32 327
Gains (losses) from other financial securities	77	-	-
Other operating income	212	262	48
EXPENSES	9 551	24 235	2 955
Interest expense	8 358	21 921	2 001
Fee and commission expense	365	604	141
Operating expenses incl.:	828	1 710	813
General and administrative expenses	828	1 710	813



WBK

Bank Zachodni WBK S.A.

Transactions with:	Santander Group	AIB Group	
	30.06.2011	31.12.2010	30.06.2010
ASSETS	14 672	130 969	270 084
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	-	602	990
LIABILITIES	233 426	463 030	1 849 281
Deposits from banks incl.:	165 769	326 117	1 547 908
<i>loans granted to BZ WBK subsidiaries</i>	-	-	829 286
<i>repo transactions</i>	161 520	289 270	302 572
<i>deposits</i>	4 249	36 847	416 050
Hedging derivatives	-	887	1 470
Financial liabilities held for trading	1 325	124 466	261 825
Other liabilities	66 332	11 560	38 078
INCOME	(116)	(41 125)	(55 288)
Interest income	332	1 957	92
Fee and commission income	44	2 183	983
Other operating income	-	1 917	571
Net trading income and revaluation	(492)	(46 009)	(55 450)
Gains (losses) from other financial securities	-	(1 173)	(1 484)
EXPENSES	297	42 897	25 532
Interest expense	297	16 528	8 634
Operating expenses incl.:	-	26 369	16 898
<i>Bank's staff, operating expenses and management costs</i>	-	26 369	16 898
CONTINGENT LIABILITIES	906	-	-
Sanctioned:	906	-	-
<i>- guarantees</i>	906	-	-
DERIVATIVES' NOMINAL VALUES	172 140	4 611 239	7 896 255
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.

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 2011 amounted to PLN 0 k

The value of the liability resulting from the scheme as at 31 December 2010 amounted to PLN 5 309 k and the amount recognized as the scheme related expense in the profit and loss account for the period was PLN 5 312 k.

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.



28. Acquisitions and disposals of investments in subsidiaries and associates

Acquisitions of subsidiaries and associates in 1H 2011

Krynicki Recycling SA

On 17 March 2011, Krynicki Recykling S.A. announced disposal of ordinary bearer shares in Krynicki Recykling S.A. by Adam Krynicki, the President of the Management Board, and Anna Barska, the Chairman of the Supervisory Board. The shares were disposed of via an OTC transaction - so called package deals dd. 15 March 2011 for 87 898 shares at the price corresponding to the nominal value of the shares - each. The agreement for sale of the abovementioned package of the Issuer's shares was entered into on behalf of BZ WBK Inwestycje sp. z o. o. via Dom Maklerski BZ WBK S.A.

As of 31 March 2011, BZ WBK Inwestycje Sp. z o.o. held 3 652 648 shares, which represented 24.54% of the share capital of Krynicki Recykling S.A. and entitled to 3 652 648 voting rights, i.e. 24.54% of the total voting rights, at the company's AGM.

Krynicki Recykling S.A., with its registered office in Olsztyn, is a company in the environmental protection industry, listed on NewConnect.

Holicon Group S.A.

On 16 April 2010, BZ WBK Inwestycje bought 753 853 shares of Holicon Group S.A. at PLN 1 per share. At the same time, an investment agreement was signed, whereby BZ WBK Inwestycje acquired 3 296 147 convertible bonds at PLN 1. Following the conversion of bonds into shares in April 2011, BZ WBK holds 4 050 000 shares at the nominal price of PLN 1, i.e. 47.09% of the total voting rights at AGM.

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

29. 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.

30. 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.

31. 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.

32. 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.

33. Comments concerning the seasonal or cyclical character of the annual activity

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

34. 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.

35. Issues, repurchases and repayments of debt and equity securities

Subordinated liabilities

BZ WBK Group 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
As at 30 June 2011				398 015

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



WBK

Bank Zachodni WBK S.A.

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

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

37. Share based payments

Third edition expired as at 31 March 2011. The scheme did not vest as the condition were not met.

In 2011 4th edition of the BZWBK incentive scheme has been granted to no more than 500 individuals.

Vesting condition will be considered from two perspectives, separately for every year of operation of the scheme and on a cumulative basis after 3 years.

In every single year annual award not exceeding one third on total award will be considered. Shares will vest on a linear pattern between 25% and 100% contingent on profit before tax (PBT) growth. The range of the scale requires PBT growth between 8% and 15% in first year and between 15% and 22% in second and third year of duration of scheme.

Shares vested in any singly year will be allocated to individual after maturity of the edition.

Additionally, after 3 years cumulative award will be considered. Shares will vest on a linear pattern between 25% and 100% contingent on PBT compound annual growth rate in 3 years' time between 12.6% and 19.6%. If number of shares resulting from cumulative assessment will be higher than sum of annual awards vested to date, additional shares will be allocated to individuals up to the amount resulting from cumulative assessment.

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 2011:

Number of share based payments	312 755
Share price (PLN)	227,90
Exercise price (PLN)	10
Vesting period	3 years
Expected volatility	9,98%
Award life	3 years
Risk free rate	5,19%
Fair value per award	PLN 195,08
Dividend yield	3,51%

The following table summarizes the share based payments activity:

	6 months of 2011	6 months of 2010
	Number of share based payments	Number of share based payments
Outstanding at 1 January	268 020	341 701
Granted	312 755	-
Exercised	-	-
Forfeited	(3 617)	(4 901)
Expired	(264 403)	(65 491)
Outstanding at 30 June	312 755	271 309
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 2011 and as at 30 June 2010 the average remaining contractual life is approximately 2.5 year and 0.8 year respectively.

The total expense recognized with corresponding increase in equity (other reserve capital) for 6 months of 2011 and 2010 amounts to PLN 6 778 k and PLN 0 k , respectively.

38. 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 net 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 net profit for 2009, which meant that the proposed dividend was PLN 4 per share.

39. 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	