

# **INTERIM REPORT 2012** **OF BANK ZACHODNI WBK GROUP**

2012

FINANCIAL HIGHLIGHTS		PLN k		EUR k		
		for reporting period ended:	30.06.2012	30.06.2011	30.06.2012	30.06.2011
Consolidated financial statements						
I	Net interest income		1 128 766	997 103	267 189	251 330
II	Net fee and commission income		671 434	687 382	158 934	173 262
III	Operating profit		882 500	817 381	208 896	206 030
IV	Profit before tax		888 736	822 278	210 372	207 264
V	Net profit attributable to owners of BZ WBK S.A.		694 590	641 077	164 416	161 590
VI	Total net cash flow		(686 390)	1 681 073	(162 475)	423 732
VII	Total assets		59 336 115	55 474 803	13 924 416	13 915 317
VIII	Deposits from banks		2 760 278	5 872 233	647 755	1 472 993
IX	Deposits from customers		46 209 895	40 769 594	10 844 084	10 226 658
X	Total liabilities		51 647 856	48 625 356	12 120 211	12 197 200
XI	Total equity		7 688 259	6 849 447	1 804 205	1 718 117
XII	Non-controlling interests in equity		80 351	114 445	18 856	28 707
XIII	Profit of the period attributable to non-controlling interests		15 517	30 403	3 673	7 663
XIV	Number of shares		73 076 013	73 076 013		
XV	Net book value per share in PLN/EUR		105,21	93,73	24,69	23,51
XVI	Solvency ratio		15,12%	15,76%		
XVII	Profit per share in PLN/EUR		9,51	8,77	2,25	2,21
XVIII	Diluted earnings per share in PLN/EUR		9,49	8,76	2,25	2,21
XIX	Declared or paid dividend per share in PLN/EUR		8,00	8,00	1,88	2,01
Stand alone financial statements						
I	Net interest income		1 055 712	926 209	249 896	233 461
II	Net fee and commission income		575 988	532 075	136 341	134 115
III	Operating profit		850 085	796 724	201 223	200 823
IV	Profit before tax		850 085	796 724	201 223	200 823
V	Profit for the period		691 442	673 134	163 670	169 671
VI	Total net cash flow		(686 167)	1 683 762	(162 422)	424 410
VII	Total assets		58 620 703	54 669 902	13 756 530	13 713 415
VIII	Deposits from banks		2 676 061	5 637 918	627 992	1 414 217
IX	Deposits from customers		46 425 947	41 083 656	10 894 785	10 305 437
X	Total liabilities		51 550 874	48 417 787	12 097 452	12 145 133
XI	Total equity		7 069 829	6 252 115	1 659 078	1 568 282
XII	Number of shares		73 076 013	73 076 013		
XIII	Net book value per share in PLN/EUR		96,75	85,56	22,70	21,46
XIV	Solvency ratio		14,75%	15,26%		
XV	Profit per share in PLN/EUR		9,46	9,21	2,24	2,32
XVI	Diluted earnings per share in PLN/EUR		9,44	9,20	2,23	2,32
XVII	Declared or paid dividend per share in PLN/EUR		8,00	8,00	1,88	2,01

FINANCIAL HIGHLIGHTS for the period ended 31.12.2011	Consolidated statement of financial position		Statement of financial position	
	PLN k	EUR k	PLN k	EUR k
I Total assets	59 796 643	13 538 454	59 016 847	13 361 902
II Deposits from banks	2 505 070	567 169	2 361 433	534 648
III Deposits from customers	46 829 482	10 602 582	46 992 079	10 639 395
IV Total liabilities	52 313 683	11 844 250	52 192 791	11 816 879
V Total equity	7 482 960	1 694 204	6 824 056	1 545 023
VI Non-controlling interests in equity	127 385	28 841	-	-

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

- for balance sheet items – 4.2613 PLN rate to EUR as at 29.06.2012 stated by National Bank of Poland (NBP), 3.9866 PLN rate to EUR as at 30.06.2011 and 4.4168 PLN rate to EUR as at 30.12.2011
- for profit and loss items – as at 30.06.2012: 4.2246 (an average PLN mid-rate to EUR in NBP on the last day of each month in 1H 2012), 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 30.06.2012, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 125/A/NBP/ 2012 dd. 29.06.2012.

**CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS OF  
BANK ZACHODNI WBK GROUP  
FOR THE 6-MONTH PERIOD  
ENDED 30 JUNE 2012**

2012



**WBK** | Bank Zachodni WBK S.A.

# Table of Contents

<b>Consolidated income statement .....</b>	<b>5</b>
<b>Consolidated statement of comprehensive income .....</b>	<b>5</b>
<b>Consolidated statement of financial position .....</b>	<b>6</b>
<b>Movements on consolidated equity .....</b>	<b>7</b>
<b>Consolidated statement of cash flows .....</b>	<b>8</b>
<b>Additional notes to consolidated financial statements .....</b>	<b>9</b>
1. General information about issuer .....	9
2. Basis of preparation of interim consolidated financial statements .....	10
3. Segment reporting .....	13
4. Risk management .....	19
5. Capital management .....	27
6. Net interest income .....	28
7. Net fee and commission income .....	29
8. Net trading income and revaluation .....	29
9. Gains (losses) from other financial securities .....	30
10. Impairment losses on loans and advances .....	30
11. Employee costs .....	30
12. General and administrative expenses .....	31
13. Corporate income tax .....	31
14. Cash and balances with central banks .....	32
15. Loans and advances to banks .....	32
16. Financial assets and liabilities held for trading .....	32
17. Loans and advances to customers .....	33
18. Investment securities available for sale .....	34
19. Financial assets held to maturity .....	35
20. Investments in associates and joint ventures .....	35
21. Assets classified as held for sale .....	36
22. Deposits from banks .....	36
23. Deposits from customers .....	36
24. Subordinated liabilities .....	36
25. Contingent liabilities .....	37
26. Basis of FX conversion .....	38
27. Shareholders with min. 5% voting power .....	38
28. Related party disclosures .....	39
29. Acquisitions and disposals of investments in subsidiaries and associates .....	42
30. 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 .....	42
31. Any loan default or breach of a loan agreement that has not been remedied on or before the end of the reporting period .....	42
32. Transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments .....	42
33. Changes in the classification of financial assets as a result of a change in the purpose or use of those assets .....	43
34. Comments concerning the seasonal or cyclical character of the annual activity .....	43
35. Character and amounts of items which are extraordinary due to their nature, volume or occurrence .....	43
36. Issues, repurchases and repayments of debt and equity securities .....	43
37. Events which occurred subsequently to the end of the interim period .....	44
38. Share based payments .....	44
39. Dividend per share .....	45
40. Significant agreement for Bank Zachodni WBK S.A. ....	46

## Consolidated income statement

for reporting period:		01.04.2012- 30.06.2012	01.01.2012- 30.06.2012	01.04.2011- 30.06.2011	01.01.2011- 30.06.2011
Interest income		946 170	1 890 031	826 526	1 620 913
Interest expense		( 374 328)	( 761 265)	( 323 999)	( 623 810)
<b>Net interest income</b>	Note 6	<b>571 842</b>	<b>1 128 766</b>	<b>502 527</b>	<b>997 103</b>
Fee and commission income		391 954	773 013	397 919	784 249
Fee and commission expense		( 50 639)	( 101 579)	( 49 248)	( 96 867)
<b>Net fee and commission income</b>	Note 7	<b>341 315</b>	<b>671 434</b>	<b>348 671</b>	<b>687 382</b>
Dividend income		53 718	53 719	67 459	67 469
Net trading income and revaluation	Note 8	54 071	94 105	71 073	109 920
Gains (losses) from other financial securities	Note 9	24 382	27 034	5 455	5 285
Other operating income		16 396	32 763	15 360	32 847
Impairment losses on loans and advances	Note 10	( 140 026)	( 220 832)	( 78 750)	( 173 604)
Operating expenses incl.:		( 446 747)	( 904 489)	( 464 708)	( 909 021)
<i>Bank's staff, operating expenses and management costs</i>	Notes 11, 12	( 406 640)	( 823 744)	( 420 227)	( 823 904)
<i>Depreciation/amortisation</i>		( 33 417)	( 70 282)	( 35 716)	( 71 616)
<i>Other operating expenses</i>		( 6 690)	( 10 463)	( 8 765)	( 13 501)
<b>Operating profit</b>		<b>474 951</b>	<b>882 500</b>	<b>467 087</b>	<b>817 381</b>
Share in net profits (loss) of entities accounted for by the equity method		3 075	6 236	1 726	4 897
<b>Profit before tax</b>		<b>478 026</b>	<b>888 736</b>	<b>468 813</b>	<b>822 278</b>
Corporate income tax	Note 13	( 89 822)	( 178 629)	( 82 262)	( 150 798)
<b>Profit for the period</b>		<b>388 204</b>	<b>710 107</b>	<b>386 551</b>	<b>671 480</b>
of which:					
<i>attributable to owners of BZ WBK S.A.</i>		380 440	694 590	370 861	641 077
<i>attributable to non-controlling interests</i>		7 764	15 517	15 690	30 403
<b>Net earnings per share (PLN/share)</b>					
Basic earnings per share		5,21	9,51	5,08	8,77
Diluted earnings per share		5,20	9,49	5,07	8,76

## Consolidated statement of comprehensive income

for reporting period:		01.04.2012- 30.06.2012	01.01.2012- 30.06.2012	01.04.2011- 30.06.2011	01.01.2011- 30.06.2011
<b>Profit for the period</b>		<b>388 204</b>	<b>710 107</b>	<b>386 551</b>	<b>671 480</b>
<b>Other comprehensive income:</b>					
Available-for sale financial assets valuation		61 667	130 570	66 177	39 813
Cash flow hedges valuation		22 956	1 869	22 023	8 871
<b>Other comprehensive income for the period, net of income tax</b>		<b>84 623</b>	<b>132 439</b>	<b>88 200</b>	<b>48 684</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>472 827</b>	<b>842 546</b>	<b>474 751</b>	<b>720 164</b>
Attributable to:					
<i>owners of BZ WBK S.A.</i>		464 988	826 747	459 176	689 911
<i>non-controlling interests</i>		7 839	15 799	15 575	30 253

**Consolidated statement of financial position**

as at:		30.06.2012	31.12.2011	30.06.2011
<b>ASSETS</b>				
Cash and balances with central banks	Note 14	1 570 287	1 425 541	2 186 580
Loans and advances to banks	Note 15	2 192 018	1 204 172	612 799
Financial assets held for trading	Note 16	3 789 834	5 836 043	3 601 959
Hedging derivatives		120 176	141 636	36 272
Loans and advances to customers	Note 17	38 991 459	38 017 173	34 694 969
Investment securities	Notes 18, 19	11 190 793	11 652 195	12 775 844
Investments in associates and joint ventures	Note 20	110 748	104 512	93 327
Intangible assets		133 767	151 166	175 531
Property, plant and equipment		472 565	499 793	518 247
Current income tax assets		-	20 687	-
Net deferred tax assets		222 889	245 019	301 571
Assets classified as held for sale	Note 21	82 628	82 604	47 851
Other assets		458 951	416 102	429 853
<b>Total assets</b>		<b>59 336 115</b>	<b>59 796 643</b>	<b>55 474 803</b>
<b>LIABILITIES</b>				
Deposits from banks	Note 22	2 760 278	2 505 070	5 872 233
Hedging derivatives		426 792	523 725	11 103
Financial liabilities held for trading	Note 16	812 175	931 717	637 701
Deposits from customers	Note 23	46 209 895	46 829 482	40 769 594
Subordinated liabilities	Note 24	425 929	441 234	398 015
Current income tax liabilities		47 819	-	27 975
Other liabilities		964 968	1 082 455	908 735
<b>Total liabilities</b>		<b>51 647 856</b>	<b>52 313 683</b>	<b>48 625 356</b>
<b>Equity</b>				
<b>Equity attributable to owners of BZ WBK S.A.</b>		<b>7 607 908</b>	<b>7 355 575</b>	<b>6 735 002</b>
Share capital		730 760	730 760	730 760
Other reserve funds		5 378 019	4 698 884	4 678 606
Revaluation reserve		677 475	545 318	481 968
Retained earnings		127 064	196 266	202 591
Profit of the current period		694 590	1 184 347	641 077
<b>Non-controlling interests in equity</b>		<b>80 351</b>	<b>127 385</b>	<b>114 445</b>
<b>Total equity</b>		<b>7 688 259</b>	<b>7 482 960</b>	<b>6 849 447</b>
<b>Total equity and liabilities</b>		<b>59 336 115</b>	<b>59 796 643</b>	<b>55 474 803</b>

## 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
<b>Opening balance as at 31.12.2011</b>	<b>730 760</b>	<b>4 698 884</b>	<b>545 318</b>	<b>1 380 613</b>	<b>127 385</b>	<b>7 482 960</b>
Total comprehensive income	-	-	132 157	694 590	15 799	842 546
Transfer to other capital	-	668 941	-	( 668 941)	-	-
Dividend relating to 2011	-	-	-	( 584 608)	( 62 833)	( 647 441)
Share scheme charge	-	10 194	-	-	-	10 194
<b>As at 30.06.2012</b>	<b>730 760</b>	<b>5 378 019</b>	<b>677 475</b>	<b>821 654</b>	<b>80 351</b>	<b>7 688 259</b>

As at the end of the period revaluation reserve in the amount of PLN 677 475 k comprises of debt securities and equity shares classified as available for sale of PLN 216 652 k and PLN 407 018 k respectively and additionally cash flow hedge activities of PLN 53 805 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
<b>Opening balance as at 31.12.2010</b>	<b>730 760</b>	<b>4 344 640</b>	<b>433 134</b>	<b>1 114 522</b>	<b>150 519</b>	<b>6 773 575</b>
Total comprehensive income	-	-	112 184	1 184 347	43 193	1 339 724
Transfer to other capital	-	333 648	-	( 333 648)	-	-
Dividend relating to 2010	-	-	-	( 584 608)	( 66 327)	( 650 935)
Share scheme charge	-	20 748	-	-	-	20 748
Other	-	( 152)	-	-	-	( 152)
<b>As at 31.12.2011</b>	<b>730 760</b>	<b>4 698 884</b>	<b>545 318</b>	<b>1 380 613</b>	<b>127 385</b>	<b>7 482 960</b>

As at the end of the period revaluation reserve in the amount of PLN 545 318 k comprises of debt securities and equity shares classified as available for sale of PLN 89 379 k and PLN 404 003 k respectively and additionally cash flow hedge activities of PLN 51 936 k. The revaluation reserve relates to the securities designated as available-for-sale.

\* On the last business day of 2011, Bank Zachodni WBK changed its intention regarding a portfolio of government bonds, which so far had been classified as 'held-to-maturity,' and reclassified them into the 'investment financial assets available for sale' category as a result of adapting the Bank's investment policy to the strategy, investment rules and risk management rules of Santander Group. The change pertained to financial instruments of a total carrying value of PLN 4 696 542 k, of which PLN 69 132 k was a recognised fair value. The same amount of fair value less the deferred tax was referred to the equity of the Group.

Movements on consolidated equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Non-controlling interests in equity	Total
<b>Opening balance as at 31.12.2010</b>	<b>730 760</b>	<b>4 344 640</b>	<b>433 134</b>	<b>1 114 522</b>	<b>150 519</b>	<b>6 773 575</b>
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)
<b>As at 30.06.2011</b>	<b>730 760</b>	<b>4 678 606</b>	<b>481 968</b>	<b>843 668</b>	<b>114 445</b>	<b>6 849 447</b>

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.

## Consolidated statement of cash flows

	for reporting period:	01.01.2012- 30.06.2012	01.01.2011- 30.06.2011
<b>Profit before tax</b>		<b>888 736</b>	<b>822 278</b>
<b>Total adjustments:</b>		<b>(1 460 789)</b>	<b>1 113 292</b>
Share in net profits (losses) of entities accounted for by the equity method		( 6 236)	( 4 897)
Depreciation/amortisation		70 282	71 616
Impairment losses		495	( 113)
Gains (losses) on exchange differences		12 837	( 4 888)
Interests and similar charges		125 018	101 803
Dividend received		( 42 632)	( 65 777)
(Profit) loss from investing activities		( 27 155)	( 3 875)
Change in provisions		( 68 979)	( 66 091)
Change in trading portfolio financial instruments		14 550	523 029
Change in loans and advances to banks		10 005	185 112
Change in loans and advances to customers		( 974 286)	(1 856 673)
Change in deposits from banks		309 594	3 550 058
Change in deposits from customers		( 608 085)	(1 146 219)
Change in other assets and liabilities		( 162 266)	39 460
Paid income tax		( 119 059)	( 209 377)
Other adjustments		5 128	124
<b>Net cash flow from operating activities</b>		<b>( 572 053)</b>	<b>1 935 570</b>
<b>Inflows</b>		<b>8 230 747</b>	<b>1 622 423</b>
Sale/maturity of investment securities		8 186 068	1 555 992
Sale of intangible assets and property, plant and equipment		2 044	649
Dividend received		42 632	65 777
Proceeds from other investments		3	5
<b>Outflows</b>		<b>(7 639 471)</b>	<b>( 989 753)</b>
Purchase of subsidiaries, associates and joint ventures		-	( 18)
Purchase of investment securities		(7 620 807)	( 948 228)
Purchase of intangible assets and property, plant and equipment		( 18 662)	( 41 490)
Other investments		( 2)	( 17)
<b>Net cash flow from investing activities</b>		<b>591 276</b>	<b>632 670</b>
<b>Inflows</b>		<b>41 948</b>	<b>4 300</b>
Drawing of long-term loans		41 948	4 300
<b>Outflows</b>		<b>( 747 561)</b>	<b>( 891 467)</b>
Repayment of long-term loans		( 113 017)	( 260 946)
Dividends and other payments to shareholders		( 584 608)	( 584 608)
Other financing outflows		( 49 936)	( 45 913)
<b>Net cash flow from financing activities</b>		<b>( 705 613)</b>	<b>( 887 167)</b>
<b>Total net cash flow</b>		<b>( 686 390)</b>	<b>1 681 073</b>
<b>Cash at the beginning of the accounting period</b>		<b>7 257 589</b>	<b>4 343 025</b>
<b>Cash at the end of the accounting period</b>		<b>6 571 199</b>	<b>6 024 098</b>



# 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.

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 30.06.2012	% of votes on AGM 30.06.2011
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	100.00% 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	100.00% 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 30.06.2012	% of votes on AGM 30.06.2011
1. POLFUND - Fundusz Poręczeń Kredytowych S.A.	Szczecin	50	50
2. Metrohouse & Partnerzy S.A.*	Warszawa	21.23	21.23
3. Krynicki Recykling S.A.*	Warszawa	24.54	24.54
4. Holicon Group S.A.*	Poznań	47.09	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 30.06.2012	% of votes on AGM 30.06.2011
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 2011.

The consolidated financial statements of the Group for the year 2011 are available at the Bank's official website: [www.inwestor.bzwbk.pl](http://www.inwestor.bzwbk.pl).

### Statement of compliance

Condensed interim consolidated financial statements of Bank Zachodni WBK Group for the period from 1 January 2012 to 30 June 2012 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 2012 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 2011.

### Comparability with results of previous periods

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

a) Change in presentation of standardised purchase/ sales transactions in respect of financial assets and their recognition in the statement of financial position as at the transaction settlement date rather than as at the date of concluding the transaction as in previous periods of time.

	30.06.2011		
ASSETS	Before revision	Revision	After revision
Loans and advances to banks	798 441	(185 642)	612 799
Financial assets held for trading	3 672 170	(70 211)	3 601 959
Investment securities	12 625 033	150 811	12 775 844

LIABILITIES	Before revision	Revision	After revision
Deposits from banks	5 972 202	(99 969)	5 872 233
Financial liabilities held for trading	642 774	(5 073)	637 701

	31.12.2011		
ASSETS	Before revision	Revision	After revision
Loans and advances to banks	1 244 290	(40 118)	1 204 172
Financial assets held for trading	5 860 309	(24 266)	5 836 043
Investment securities	11 664 507	(12 312)	11 652 195

LIABILITIES	Before revision	Revision	After revision
Deposits from banks	2 556 715	(51 645)	2 505 070
Financial liabilities held for trading	956 768	(25 051)	931 717

b) On 1 January 2012, BZ WBK Group changed the business segment reporting rules. The changes affect two key areas:

- Change in the structure of (split into) operating segments and, consequently, reporting segments;
- Change in the calculation methodology for net interest income of segments.

Due to unavailability of historical data, BZ WBK Group dispensed with conversion of comparable information.

Detailed information on the changes in the business segment reporting is presented in Note 3.

## 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 2011.

## 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 2015	The Group has not completed its analysis of changes
IFRS 10 Consolidated Financial Statements	New standard supersedes the previous version of IAS 27 (2008) Consolidated and Separate Financial Statements as far as presentation and preparation of <b>consolidated</b> financial statements is concerned.	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 <b>(non consolidated)</b> 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
IAS 1 Presentation of Financial Statements	The amendments requires preparing presentation of items of other comprehensive income (OCI) in financial statements.	1 January 2013	The Group has not completed its analysis of changes
IFRS 7 Financial instruments: disclosures	The amendments introduce the change in the disclosure requirements with regard to the effects of offsetting of financial assets and financial liabilities.	1 January 2013	The Group has not completed its analysis of changes
IAS 32 Financial Instruments: Presentation	IAS clarifies its requirements for offsetting financial instruments	1 January 2014	The Group has not completed its analysis of changes
Improvements to IFRSs (2009-2011)	Subject of amendment: IAS 1- Clarification of requirement for comparative information, IAS 16 Classification of servicing equipment, IAS 32 Income tax consequences of distributions to holders of an equity instrument, IAS 34 segment information for total asset;	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 four segments: Retail Banking, Business and Corporate Banking, Global Banking and Markets, 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 relate to rewarding 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 agreements between segments, which are based on single rates for specific services or 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.

Therefore, the accounting policy applied for the profits, assets and liabilities of business segments as presented for the Management Board are the same as the policy applied for the segment reporting in the consolidated interim financial statements of BZ WBK.

On 1 January 2012, BZ WBK Group changed its business segment reporting rules. The changes affect two key areas:

- Change in the structure of (split into) operating segments and, consequently, reporting segments;
- Change in the calculation methodology for net interest income of segments.

In order to create a more effective operating model, in Q4 2011 a new business segment was created: Global Banking & Markets. The role of the segment is to provide services to the largest corporations, including transactional banking products, specialist lending, Treasury and equity products. Furthermore, the Treasury operations were reorganised and divided to separate trading activity from liquidity, interest rate risk and fx risk management. Currently, the trading activity is managed by GB&M Division / Segment, while liquidity, interest rate risk and fx risk management have been transferred to Finance Division. Once these changes were put in place, the Bank stopped classification of customers / transactions based on the previous methodology. Therefore, currently it is not possible to obtain comparable information.

Another key change effective from 2012 is introduction of a new methodology for calculation of transfer pricing in the Group, which affects the reported net interest income at the level of individual segments. Furthermore, according to the existing methodology, transfer prices are calculated based on individual client accounts, taking into account the new transfer pricing components. In view of the foregoing, retrieval of comparable financials is impossible, and any attempts to obtain estimated values would be very laborious and would not ensure appropriate reliability of the results.

Therefore, the bank advises that according to IFRS 8.29 it uses the right of exemption from transformation of comparable data on account of unavailability of such information.

#### 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. Furthermore, the Retail Banking segment generates income through offering asset management services within investment funds and private portfolios. It also covers insourcing services provided to retail customers of other banks and financial institutions based on mutual agreements.

## Business and Corporate Banking

Business and Corporate 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.

## Global Banking and Markets

Within Global Banking and Markets segment the Group gains income from products and services offered to largest global and Polish corporate customers covering transactional banking, crediting and deposit activity, cash management, leasing and factoring, letters of credit and guarantees. In addition, it generates revenues from arranging and underwriting services (issue of securities), financial advisory services and brokerage services provided by the Brokerage House. Global Banking and Markets segment provides Bank's customer with interest rate and fx risk management products. Through its presence in the wholesale market, it also generates revenues from interest rate and fx risk positioning activity.

## Centre

The segment covers central operations such as financing of other Group's segments, including liquidity, interest rate risk and fx risk management. It also includes managing the Bank's strategic investments and transactions generating income and/or costs that cannot be directly or reasonably assigned to a given segment.

**Consolidated income statement (by business segments)**

30.06.2012	Retail Banking	Business and Corporate Banking	Global Banking and Markets	Centre	Total
<b>Net interest income</b>	<b>749 535</b>	<b>281 376</b>	<b>45 806</b>	<b>52 049</b>	<b>1 128 766</b>
incl. internal transactions	6 097	( 62 293)	17 441	38 755	-
<b>Other income</b>	<b>543 190</b>	<b>68 869</b>	<b>129 227</b>	<b>84 050</b>	<b>825 336</b>
incl. internal transactions	23 688	14 217	( 31 965)	( 5 940)	-
<b>Dividend income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53 719</b>	<b>53 719</b>
<b>Operating costs</b>	<b>( 635 817)</b>	<b>( 85 628)</b>	<b>( 81 229)</b>	<b>( 31 533)</b>	<b>( 834 207)</b>
incl. internal transactions	( 1 149)	( 2 597)	( 2 152)	5 898	-
<b>Depreciation/amortisation</b>	<b>( 53 711)</b>	<b>( 7 341)</b>	<b>( 6 393)</b>	<b>( 2 837)</b>	<b>( 70 282)</b>
<b>Impairment losses on loans and advances</b>	<b>( 54 281)</b>	<b>( 169 283)</b>	<b>( 46)</b>	<b>2 778</b>	<b>( 220 832)</b>
<b>Share in net profits (loss) of entities accounted for by the equity method</b>	<b>4 607</b>	<b>-</b>	<b>490</b>	<b>1 139</b>	<b>6 236</b>
<b>Profit before tax</b>	<b>553 523</b>	<b>87 993</b>	<b>87 855</b>	<b>159 365</b>	<b>888 736</b>
Corporate income tax					( 178 629)
Non-controlling interests					( 15 517)
<b>Profit for the period</b>					<b>694 590</b>

01.04.2012-30.06.2012	Retail Banking	Business and Corporate Banking	Global Banking and Markets	Centre	Total
<b>Net interest income</b>	<b>377 182</b>	<b>141 986</b>	<b>22 929</b>	<b>29 745</b>	<b>571 842</b>
incl. internal transactions	3 168	( 31 914)	8 615	20 131	-
<b>Other income</b>	<b>279 680</b>	<b>33 631</b>	<b>66 115</b>	<b>56 738</b>	<b>436 164</b>
incl. internal transactions	11 935	7 951	( 16 107)	( 3 779)	-
<b>Dividend income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53 718</b>	<b>53 718</b>
<b>Operating costs</b>	<b>( 313 147)</b>	<b>( 41 856)</b>	<b>( 42 339)</b>	<b>( 15 988)</b>	<b>( 413 330)</b>
incl. internal transactions	( 634)	( 1 592)	( 1 166)	3 392	-
<b>Depreciation/amortisation</b>	<b>( 26 373)</b>	<b>( 3 241)</b>	<b>( 2 369)</b>	<b>( 1 434)</b>	<b>( 33 417)</b>
<b>Impairment losses on loans and advances</b>	<b>( 707)</b>	<b>( 140 846)</b>	<b>1</b>	<b>1 526</b>	<b>( 140 026)</b>
<b>Share in net profits (loss) of entities accounted for by the equity method</b>	<b>2 958</b>	<b>-</b>	<b>( 353)</b>	<b>470</b>	<b>3 075</b>
<b>Profit before tax</b>	<b>319 593</b>	<b>( 10 326)</b>	<b>43 984</b>	<b>124 775</b>	<b>478 026</b>
Corporate income tax					( 89 822)
Non-controlling interests					( 7 764)
<b>Profit for the period</b>					<b>380 440</b>

**Consolidated statement of financial position (by business segment)**

30.06.2012	Retail Banking	Business and Corporate Banking	Global Banking and Markets	Centre	Total
Loans and advances to customers	19 262 730	17 588 377	2 035 120	105 232	38 991 459
Investments in associates and joint ventures	47 437	-	23 708	39 603	110 748
Other assets	1 258 533	473 054	2 204 645	16 297 676	20 233 908
<b>Total assets</b>	<b>20 568 700</b>	<b>18 061 431</b>	<b>4 263 473</b>	<b>16 442 511</b>	<b>59 336 115</b>
Deposits from customers	33 956 020	8 777 234	3 476 641	-	46 209 895
Other liabilities and equity	2 858 395	3 995 070	1 733 988	4 538 767	13 126 220
<b>Total equity and liabilities</b>	<b>36 814 415</b>	<b>12 772 304</b>	<b>5 210 629</b>	<b>4 538 767</b>	<b>59 336 115</b>



**Consolidated income statement (by business segments)**

30.06.2011	Retail Banking	Business Banking	Investment Banking	Treasury	Centre	Total
<b>Net interest income</b>	<b>672 697</b>	<b>319 280</b>	<b>11 574</b>	<b>( 23 360)</b>	<b>16 912</b>	<b>997 103</b>
incl. internal transactions	-	( 47 970)	23 048	-	24 922	-
<b>Other income</b>	<b>451 989</b>	<b>59 492</b>	<b>160 191</b>	<b>153 356</b>	<b>10 406</b>	<b>835 434</b>
incl. internal transactions	66 250	24 645	( 43 823)	( 46 631)	( 441)	-
<b>Dividend income</b>	-	-	<b>67 469</b>	-	-	<b>67 469</b>
<b>Operating costs</b>	<b>( 626 662)</b>	<b>( 108 313)</b>	<b>( 71 575)</b>	<b>( 20 609)</b>	<b>( 10 246)</b>	<b>( 837 405)</b>
incl. internal transactions	1 257	( 17 539)	( 3 237)	12 036	7 483	-
<b>Depreciation/amortisation</b>	<b>( 57 670)</b>	<b>( 7 103)</b>	<b>( 4 966)</b>	<b>( 1 728)</b>	<b>( 149)</b>	<b>( 71 616)</b>
<b>Impairment losses on loans and advances</b>	<b>( 128 626)</b>	<b>( 48 301)</b>	-	-	<b>3 323</b>	<b>( 173 604)</b>
<b>Share in net profits (loss) of entities accounted for by the equity method</b>	<b>3 304</b>	-	<b>1 593</b>	-	-	<b>4 897</b>
<b>Profit before tax</b>	<b>315 032</b>	<b>215 055</b>	<b>164 286</b>	<b>107 659</b>	<b>20 246</b>	<b>822 278</b>
Corporate income tax						( 150 798)
Non-controlling interests						( 30 403)
<b>Profit for the period</b>						<b>641 077</b>

  

01.04.2011-30.06.2011	Retail Banking	Business Banking	Investment Banking	Treasury	Centre	Total
<b>Net interest income</b>	<b>347 614</b>	<b>154 152</b>	<b>6 161</b>	<b>( 18 127)</b>	<b>12 727</b>	<b>502 527</b>
incl. internal transactions	-	( 25 229)	12 559	-	12 670	-
<b>Other income</b>	<b>231 718</b>	<b>27 792</b>	<b>80 678</b>	<b>82 073</b>	<b>18 298</b>	<b>440 559</b>
incl. internal transactions	33 800	10 914	( 22 493)	( 21 883)	( 338)	-
<b>Dividend income</b>	-	-	<b>67 459</b>	-	-	<b>67 459</b>
<b>Operating costs</b>	<b>( 323 341)</b>	<b>( 54 784)</b>	<b>( 33 811)</b>	<b>( 9 656)</b>	<b>( 7 400)</b>	<b>( 428 992)</b>
incl. internal transactions	( 73)	( 8 122)	( 1 971)	6 070	4 096	-
<b>Depreciation/amortisation</b>	<b>( 28 566)</b>	<b>( 3 577)</b>	<b>( 2 591)</b>	<b>( 907)</b>	<b>( 75)</b>	<b>( 35 716)</b>
<b>Impairment losses on loans and advances</b>	<b>( 58 580)</b>	<b>( 22 796)</b>	-	-	<b>2 626</b>	<b>( 78 750)</b>
<b>Share in net profits (loss) of entities accounted for by the equity method</b>	<b>946</b>	-	<b>780</b>	-	-	<b>1 726</b>
<b>Profit before tax</b>	<b>169 791</b>	<b>100 787</b>	<b>118 676</b>	<b>53 383</b>	<b>26 176</b>	<b>468 813</b>
Corporate income tax						( 82 262)
Non-controlling interests						( 15 690)
<b>Profit for the period</b>						<b>370 861</b>

**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	7 740 109	706 460	20 686 507
<b>Total assets</b>	<b>23 482 068</b>	<b>22 243 301</b>	<b>1 285 162</b>	<b>7 749 900</b>	<b>714 372</b>	<b>55 474 803</b>
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	6 019 249	1 354 637	14 705 209
<b>Total equity and liabilities</b>	<b>34 493 566</b>	<b>12 175 867</b>	<b>1 282 698</b>	<b>6 168 035</b>	<b>1 354 637</b>	<b>55 474 803</b>

## 4. Risk management

During the first six months of 2012 BZ WBK Group carried out risk management activities based on the same policies and rules as described in Consolidated Financial Statements for 2011. 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

In the reporting period, the credit risk management of BZ WBK Group did not undergo any material changes other than those described below.

In March, changes were introduced in the Bank's organizational structure whereby the Credit Division was combined with the Risk Management Division. The integrated Risk Management Division is responsible for a consolidated credit risk management process, including management and supervision of credit delivery, defining credit policies, providing decision-making tools and credit risk measurement tools, quality assurance of the credit portfolio and provision of reliable management information on the credit portfolio.

BZ WBK Group is constantly improving its risk assessment methods and credit policies to ensure high quality of the credit portfolio. The stable risk profile of the Group's credit portfolios bears witness to the effectiveness of these actions.

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).



30.06.2012	Provision cover	Loans and advances to customers	Loans and advances to banks	Investment securities	Financial assets held for trading*
<b>Individually impaired</b>					
	up to 50%	897 278	-	-	-
	50% - 70%	122 627	-	-	-
	70% - 85%	97 200	-	-	-
	over 85%	152 717	-	-	-
<b>Gross amount</b>		<b>1 269 822</b>	-	-	-
Charge due to impairment losses		( 526 772)	-	-	-
<b>Net amount</b>		<b>743 050</b>	-	-	-
<b>Collectively impaired</b>					
	up to 50%	334 689	-	-	-
	50% - 70%	258 995	-	-	-
	70% - 85%	283 164	-	-	-
	over 85%	109 126	-	-	-
<b>Gross amount</b>		<b>985 974</b>	-	-	-
Charge due to impairment losses		( 550 586)	-	-	-
<b>Net amount</b>		<b>435 388</b>	-	-	-
<b>IBNR portfolio</b>					
	up to 0,10%	15 392 260	2 192 018	11 190 793	3 789 834
	0,10% - 0,30%	8 928 921	-	-	-
	0,30% - 0,65%	6 562 631	-	-	-
	over 0,65%	7 173 700	-	-	-
<b>Gross amount</b>		<b>38 057 512</b>	<b>2 192 018</b>	<b>11 190 793</b>	<b>3 789 834</b>
IBNR		( 332 034)	-	-	-
<b>Net amount</b>		<b>37 725 478</b>	<b>2 192 018</b>	<b>11 190 793</b>	<b>3 789 834</b>
<b>Other receivables</b>		<b>87 543</b>	-	-	-
<b>Off-balance sheet exposures</b>					
Financing granted		10 327 619	-	-	-
Guarantees		1 566 495	-	-	-
Nominal value of derivatives - purchased		-	-	-	63 896 622
Allowance for impairment		( 15 940)	-	-	-
<b>Off-balance sheet exposures - total</b>		<b>11 878 174</b>	-	-	<b>63 896 622</b>

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

31.12.2011	Provision cover	Loans and advances to customers	Loans and advances to banks	Investment securities	Financial assets held for trading*
<b>Individually impaired</b>					
	up to 50%	585 928	-	-	-
	50% - 70%	138 015	-	-	-
	70% - 85%	110 916	-	-	-
	over 85%	125 334	-	-	-
<b>Gross amount</b>		<b>960 193</b>	-	-	-
<b>Charge due to impairment losses</b>		<b>( 412 721)</b>	-	-	-
<b>Net amount</b>		<b>547 472</b>	-	-	-
<b>Collectively impaired</b>					
	up to 50%	471 565	-	-	-
	50% - 70%	184 123	-	-	-
	70% - 85%	385 096	-	-	-
	over 85%	177 794	-	-	-
<b>Gross amount</b>		<b>1 218 578</b>	-	-	-
		<b>( 656 575)</b>	-	-	-
<b>Net amount</b>		<b>562 003</b>	-	-	-
<b>IBNR portfolio</b>					
	up to 0,10%	9 099 273	1 204 172	11 652 195	5 836 043
	0,10% - 0,30%	14 343 794	-	-	-
	0,30% - 0,65%	4 747 809	-	-	-
	over 0,65%	8 984 157	-	-	-
<b>Gross amount</b>		<b>37 175 033</b>	<b>1 204 172</b>	<b>11 652 195</b>	<b>5 836 043</b>
<b>IBNR</b>		<b>( 345 949)</b>	-	-	-
<b>Net amount</b>		<b>36 829 084</b>	<b>1 204 172</b>	<b>11 652 195</b>	<b>5 836 043</b>
<b>Other receivables</b>		<b>78 614</b>	-	-	-
<b>Off-balance sheet exposures</b>					
Financing granted		8 149 493	-	-	-
Guarantees		1 475 440	-	-	-
Nominal value of derivatives - purchased		-	-	-	66 999 516
Allowance for impairment		( 21 224)	-	-	-
<b>Off-balance sheet exposures - total</b>		<b>9 603 709</b>	-	-	<b>66 999 516</b>

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

30.06.2011	Provision cover	Loans and advances to customers	Loans and advances to banks	Investment securities	Financial assets held for trading*
<b>Individually impaired</b>					
	up to 50%	691 236	-	-	-
	50% - 70%	113 159	-	-	-
	70% - 85%	76 878	-	-	-
	over 85%	173 654	-	-	-
<b>Gross amount</b>		<b>1 054 927</b>	-	-	-
<b>Charge due to impairment losses</b>		<b>( 427 819)</b>	-	-	-
<b>Net amount</b>		<b>627 108</b>	-	-	-
<b>Collectively impaired</b>					
	up to 50%	468 493	-	-	-
	50% - 70%	233 312	-	-	-
	70% - 85%	452 473	-	-	-
	over 85%	209 468	-	-	-
<b>Gross amount</b>		<b>1 363 746</b>	-	-	-
<b>Charge due to impairment losses</b>		<b>( 785 830)</b>	-	-	-
<b>Net amount</b>		<b>577 916</b>	-	-	-
<b>IBNR portfolio</b>					
	up to 0,10%	13 629 553	612 799	12 775 844	3 601 959
	0,10% - 0,30%	5 892 012	-	-	-
	0,30% - 0,65%	4 565 301	-	-	-
	over 0,65%	9 666 089	-	-	-
<b>Gross amount</b>		<b>33 752 955</b>	<b>612 799</b>	<b>12 775 844</b>	<b>3 601 959</b>
<b>IBNR</b>		<b>( 336 702)</b>	-	-	-
<b>Net amount</b>		<b>33 416 253</b>	<b>612 799</b>	<b>12 775 844</b>	<b>3 601 959</b>
<b>Other receivables</b>		<b>73 692</b>	-	-	-
<b>Off-balance sheet exposures</b>					
Financing granted		6 501 324	-	-	-
Guarantees		1 227 923	-	-	-
Nominal value of derivatives - purchased		-	-	-	66 685 119
Allowance for impairment		( 17 462)	-	-	-
<b>Off-balance sheet exposures - total</b>		<b>7 711 785</b>	-	-	<b>66 685 119</b>

\*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		
	30.06.2012	31.12.2011	30.06.2011
<b>Non-past due</b>	<b>35 537 842</b>	<b>35 829 301</b>	<b>32 440 761</b>
<b>Past-due</b>	<b>2 519 670</b>	<b>1 345 732</b>	<b>1 312 194</b>
1-30 days	2 256 493	1 098 866	1 072 673
31-60 days	183 018	166 543	163 142
61-90 days	73 121	71 801	70 084
> 90 days	7 038	8 522	6 295
<b>Gross amount</b>	<b>38 057 512</b>	<b>37 175 033</b>	<b>33 752 955</b>

## Allowances for impairment by classes

Provision cover		Loans and advances to customers			Loans and advances to banks		
		30.06.2012	31.12.2011	30.06.2011	30.06.2012	31.12.2011	30.06.2011
<b>Individual allowance for impairment</b>							
	up to 50%	( 233 458)	( 105 510)	( 129 303)	-	-	-
	50% - 70%	( 74 336)	( 94 519)	( 66 788)	-	-	-
	70% - 85%	( 73 564)	( 88 132)	( 60 232)	-	-	-
	over 85%	( 145 414)	( 124 560)	( 171 496)	-	-	-
<b>Total individual allowance for impairment</b>		<b>( 526 772)</b>	<b>( 412 721)</b>	<b>( 427 819)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Collective allowance for impairment</b>							
	up to 50%	( 68 336)	( 76 857)	( 90 459)	-	-	-
	50% - 70%	( 156 951)	( 108 404)	( 141 109)	-	-	-
	70% - 85%	( 219 990)	( 299 928)	( 350 510)	-	-	-
	over 85%	( 105 309)	( 171 386)	( 203 752)	-	-	-
<b>Total collective allowances for impairment</b>		<b>( 550 586)</b>	<b>( 656 575)</b>	<b>( 785 830)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IBNR</b>							
	up to 0,10%	( 9 103)	( 4 119)	( 6 437)	-	-	-
	0,10%-0,30%	( 16 460)	( 22 562)	( 10 925)	-	-	-
	0,30%-0,65%	( 29 053)	( 21 714)	( 19 784)	-	-	-
	over 0,65%	( 277 418)	( 297 554)	( 299 556)	-	-	-
<b>Total IBNR</b>		<b>( 332 034)</b>	<b>( 345 949)</b>	<b>( 336 702)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total allowance for impairment</b>		<b>( 1 409 392)</b>	<b>( 1 415 245)</b>	<b>( 1 550 351)</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Market risk

The following changes were introduced to the market risk management framework of BZ WBK Group:

Until the end of 2011 BZ WBK Global Banking & Markets (GBM) was responsible for market risk management in respect of interest rate and FX risk of the BZ WBK Balance Sheet and for quoting optimum prices for customer transactions. The risk management process covered both banking and trading book. In addition to the above, for the purpose of management of structural risk attaching to the balance sheet, BZ WBK ALCo established two hedging portfolios investing capital surplus (capital less fixed assets) and stable part of non-interest bearing deposits in treasury securities diversified by maturity.

The GBM banking book was isolated and taken over by Asset and Liabilities Management Department (ALM) in Finance Division. Joined GBM and ALCo portfolios are now part of the banking book managed by ALM based on ALCo strategies and recommendations.

Following the organizational changes, the market risk management process was changed together with tools applied for risk measurement.

In view of the foregoing, retrieval of comparable financials is impossible, and any attempts to obtain estimated values would not ensure appropriate reliability of the results.

Therefore, the bank advises that it uses the right of exemption from transformation of comparable data on account of unavailability of such information.

To manage banking book risk BZ WBK implemented following maximum limits in 2012 for:

- sensitivity of Net Interest Income (NII – sensitivity to 100 b.p. parallel movement in the interest rate curve) at PLN 75m level,
- sensitivity of Market Value of Equity (MVE - sensitivity to 100 b.p. parallel movement in the interest rate curve) at PLN 150m level.



The Trading Book management has been conducted under the following limits since the beginning of 2012:

- daily Value at Risk (VAR) calculated for IR and FX exposures,
- limit for positions sensitivity to change of market rates by 1 basis point, is set for each currency and dates of transaction repricing time buckets,
- limit of total Fx position as well as individual currencies open position limit,
- Stop loss mechanism.

Annual process of determining the banking book and trading book limits as well as market risk appetite update is co-ordinated by the Financial Risk Department and approved by the internal committees of the bank.

The responsibility for independent monitoring, exposure measurement and market risk control rests with Risk Management Division (supervised by Chief Risk Officer) which incorporates Financial Risk Department.

The table below summarizes the utilisation of sensitivity limits for the banking book as at the end of June 2012.

	Net Interest Income Sensitivity (NII)	Market Value of Equity Sensitivity (MVE)
	30.06.2012	30.06.2012
<b>Value as at end of the period</b>	<b>61 035</b>	<b>( 64 133)</b>
<b>Limit value</b>	<b>75 000</b>	<b>150 000</b>

Between January and June 2012, the sensitivity limits applicable to the ALM were not exceeded.

The tables below present Group's key currency positions as at 30 June 2012 and in the comparative periods.

30.06.2012	PLN	EUR	CHF	Other	Total
<b>ASSETS</b>					
Cash and balances with central banks	1 363 560	135 873	5 161	65 693	1 570 287
Loans and advances to banks	468 023	1 232 373	712	490 910	2 192 018
Loans and advances to customers	26 328 979	9 401 741	2 263 387	997 352	38 991 459
Investment securities	10 831 331	219 734	-	139 728	11 190 793
<b>Selected assets</b>	<b>38 991 893</b>	<b>10 989 721</b>	<b>2 269 260</b>	<b>1 693 683</b>	<b>53 944 557</b>
<b>LIABILITIES</b>					
Deposits from banks	1 550 831	1 205 049	332	4 066	2 760 278
Deposits from customers	38 746 887	4 555 049	55 202	2 852 757	46 209 895
Subordinated liabilities	-	425 929	-	-	425 929
<b>Selected liabilities</b>	<b>40 297 718</b>	<b>6 186 027</b>	<b>55 534</b>	<b>2 856 823</b>	<b>49 396 102</b>

31.12.2011	PLN	EUR	CHF	Other	Total
<b>ASSETS</b>					
Cash and balances with central banks	1 231 364	118 897	6 400	68 880	1 425 541
Loans and advances to banks	157 877	986 550	20 279	39 466	1 204 172
Loans and advances to customers	24 966 467	9 511 582	2 429 259	1 109 865	38 017 173
Investment securities	11 189 952	318 931	-	143 312	11 652 195
<b>Selected assets</b>	<b>37 545 660</b>	<b>10 935 960</b>	<b>2 455 938</b>	<b>1 361 523</b>	<b>52 299 081</b>
<b>LIABILITIES</b>					
Deposits from banks	2 414 872	87 301	42	2 855	2 505 070
Deposits from customers	41 109 677	4 562 262	55 496	1 102 047	46 829 482
Subordinated liabilities	-	441 234	-	-	441 234
<b>Selected liabilities</b>	<b>43 524 549</b>	<b>5 090 797</b>	<b>55 538</b>	<b>1 104 902</b>	<b>49 775 786</b>



30.06.2011	PLN	EUR	CHF	Other	Total
<b>ASSETS</b>					
Cash and balances with central banks	2 017 306	106 571	4 783	57 920	2 186 580
Loans and advances to banks	146 109	367 895	2 857	95 938	612 799
Loans and advances to customers	23 134 295	8 404 139	2 324 301	832 234	34 694 969
Investment securities	12 366 336	285 841	-	123 667	12 775 844
<b>Selected assets</b>	<b>37 664 046</b>	<b>9 164 446</b>	<b>2 331 941</b>	<b>1 109 759</b>	<b>50 270 192</b>
<b>LIABILITIES</b>					
Deposits from banks	5 528 554	229 409	43 732	70 538	5 872 233
Deposits from customers	35 980 117	3 628 915	33 529	1 127 033	40 769 594
Subordinated liabilities	-	398 015	-	-	398 015
<b>Selected liabilities</b>	<b>41 508 671</b>	<b>4 256 339</b>	<b>77 261</b>	<b>1 197 571</b>	<b>47 039 842</b>

The tables below show key risk measures applicable to the trading book as at 30.06.2012.

	VaR		
	IR risk	FX risk	Equity risk
<b>1 day holding period</b>			
Average	2 729	543	931
High	5 261	1 309	3 074
Low	931	227	127
<b>as at end of the period</b>	<b>2 538</b>	<b>571</b>	<b>787</b>
<b>Limit value</b>	<b>8 471</b>	<b>1 694</b>	<b>4 405</b>

In the current reporting period, the above risk limits were not exceeded.

## Liquidity risk

In 2012, the liquidity profile was not modified. The Group's liquidity position continues to be based on the considerable portfolio of liquid assets, which ensures satisfactory liquidity. In the current reporting period and comparative periods, all key regulatory measures applicable to the bank were at a comfortable level.

Liquidity Policy Report- Modified Liquidity Gap:

Liquidity risk	<1W	<1M	>1M
<b>30-06-2012</b>			
Qualifying Liquid Assets	9 561 563	195 644	3 773 011
Treasury inflows	4 549 553	2 501 965	14 545 096
Other inflows	765 462	486 021	38 335 652
Treasury outflows	(4 971 799)	(2 606 326)	(17 216 276)
Other outflows	(4 770 540)	( 306 441)	(44 842 587)
<b>GAP</b>	<b>5 134 239</b>	<b>270 863</b>	<b>(5 405 103)</b>
<b>Cumulative GAP</b>	<b>5 134 239</b>	<b>5 405 103</b>	<b>-</b>

Liquidity risk	<1W	<1M	>1M
<b>31-12-2011</b>			
Qualifying Liquid Assets	12 401 619	1 040 043	500 000
Treasury inflows	1 510 347	1 996 766	13 323 359
Other inflows	257 777	362 208	39 998 386
Treasury outflows	(1 595 397)	(3 047 512)	(14 480 063)
Other outflows	(3 870 719)	( 796 333)	(47 600 481)
<b>GAP</b>	<b>8 703 627</b>	<b>( 444 828)</b>	<b>(8 258 799)</b>
<b>Cumulative GAP</b>	<b>8 703 627</b>	<b>8 258 799</b>	<b>-</b>

Liquidity risk	<1W	<1M	>1M
<b>30-06-2011</b>			
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)
<b>GAP</b>	<b>6 037 305</b>	<b>27 453</b>	<b>(6 064 758)</b>
<b>Cumulative GAP</b>	<b>6 037 305</b>	<b>6 064 758</b>	<b>-</b>

## 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

In the first half of 2012, two important changes took place in the legal and regulatory risk management of BZ WBK Group:

1. Modification of the product approval process, and its alignment with the methodology of Santander Group. On 21 May 2012, the Bank's Management Board ratified the Policy of reputational risk management in product commercialisation, and set up the Local Marketing and Product Monitoring Committee. Risks from the customer's perspective were included in the financial products management process in addition to the risks from the bank's perspective, which was a major change that improved the reputational risk management.

2. A Code of Conduct in Share-Dealing was revised, and its appropriately modified operating procedures define the rules of protection of inside information (and other particularly sensitive information), conflict of interest management, supervision and monitoring of private-account share dealing by the employees who might have access to such information about the bank or the bank's customers who are listed entities.

## 5. Capital management

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

### Internal capital (Pillar II)

In 2011, Bank Zachodni WBK started to implement the new methodology for assessment of internal capital. This approach had been approved by the Risk Management Forum (Models and Methodology Panel).

The existing procedure for estimating internal capital is based on economic capital models which have been developed in line with Santander Group methodology, customised to the specifics of the BZ WBK business activity and validated in the BZ WBK Group. The internal capital estimation methodology is adequate to the type, scale and complexity of the BZ WBK Group business profile.

The internal capital estimation process recognises the capital estimated by economic capital models for risks specified in the methodology and includes the add-on capital buffer for risks which are not covered by models (if necessary).

The internal assessment of capital adequacy in the BZ WBK Group as at 31 December 2011 was performed in line with the results generated by means of the new methodology.



## 6. Net interest income

	01.04.2012- 30.06.2012	01.01.2012- 30.06.2012	01.04.2011- 30.06.2011	01.01.2011- 30.06.2011
<b>Interest income</b>				
Loans and advances to enterprises	377 786	741 380	299 008	588 045
Loans and advances to individuals, of which:	286 033	569 914	256 706	502 418
<i>Home mortgage loans</i>	103 560	204 301	86 377	167 086
Debt securities incl.:	167 440	354 029	197 030	391 121
<i>Investment portfolio available for sale</i>	139 135	284 685	91 179	175 863
<i>Trading portfolio</i>	28 305	69 344	31 210	59 560
<i>Investment portfolio held to maturity</i>	-	-	74 641	155 698
Leasing agreements	43 310	87 569	43 580	85 526
Loans and advances to banks	21 111	43 015	19 210	34 884
Public sector	5 854	11 799	5 074	9 362
Reverse repo transactions	2 430	4 287	1 542	2 275
Interest recorded on hedging IRS	42 206	78 038	4 376	7 282
<b>Total</b>	<b>946 170</b>	<b>1 890 031</b>	<b>826 526</b>	<b>1 620 913</b>
<b>Interest expense</b>				
Deposits from individuals	( 212 542)	( 424 261)	( 171 939)	( 342 926)
Deposits from enterprises	( 103 147)	( 219 979)	( 85 942)	( 165 531)
Repo transactions	( 24 459)	( 52 868)	( 38 503)	( 65 338)
Deposits from public sector	( 22 839)	( 41 301)	( 14 975)	( 26 656)
Deposits from banks	( 6 034)	( 11 725)	( 7 550)	( 13 309)
Subordinated liabilities	( 5 307)	( 11 131)	( 5 090)	( 10 050)
<b>Total</b>	<b>( 374 328)</b>	<b>( 761 265)</b>	<b>( 323 999)</b>	<b>( 623 810)</b>
<b>Net interest income</b>	<b>571 842</b>	<b>1 128 766</b>	<b>502 527</b>	<b>997 103</b>

## 7. Net fee and commission income

Fee and commission income	01.04.2012- 30.06.2012	01.01.2012- 30.06.2012	01.04.2011- 30.06.2011	01.01.2011- 30.06.2011
eBusiness & payments	109 290	212 283	97 413	187 295
Current accounts and money transfer	61 659	120 905	62 507	123 059
Asset management fees	54 932	110 464	75 269	154 588
Foreign exchange commissions	58 782	113 248	52 104	104 432
Credit commissions	33 116	65 676	27 251	52 451
Insurance commissions	31 825	57 178	20 861	35 127
Brokerage commissions	18 322	42 740	33 650	70 975
Credit cards	17 042	35 915	15 133	30 243
Off-balance sheet guarantee commissions	3 614	6 726	3 488	6 396
Finance lease commissions	1 182	2 318	957	1 946
Issue arrangement fees	618	1 722	6 067	8 015
Distribution fees	782	1 885	2 542	7 436
Other commissions	790	1 953	677	2 286
<b>Total</b>	<b>391 954</b>	<b>773 013</b>	<b>397 919</b>	<b>784 249</b>
Fee and commission expense	01.04.2012- 30.06.2012	01.01.2012- 30.06.2012	01.04.2011- 30.06.2011	01.01.2011- 30.06.2011
eBusiness & payments	( 20 967)	( 44 128)	( 20 601)	( 34 505)
Distribution fees	( 7 746)	( 15 287)	( 10 277)	( 20 365)
Brokerage commissions	( 4 589)	( 10 087)	( 5 491)	( 15 111)
Credit cards	( 2 037)	( 4 896)	( 1 755)	( 3 403)
Asset management fees and other costs	( 1 697)	( 3 967)	( 2 249)	( 4 582)
Finance lease commissions	( 2 064)	( 4 206)	( 1 943)	( 3 601)
Commissions paid to credit agents	( 4 668)	( 5 943)	( 2 913)	( 5 963)
Other	( 6 871)	( 13 065)	( 4 019)	( 9 337)
<b>Total</b>	<b>( 50 639)</b>	<b>( 101 579)</b>	<b>( 49 248)</b>	<b>( 96 867)</b>
<b>Net fee and commission income</b>	<b>341 315</b>	<b>671 434</b>	<b>348 671</b>	<b>687 382</b>

## 8. Net trading income and revaluation

Net trading income and revaluation	01.04.2012- 30.06.2012	01.01.2012- 30.06.2012	01.04.2011- 30.06.2011	01.01.2011- 30.06.2011
Profit on interbank FX transactions	21 542	51 404	19 551	41 284
Profit/(loss) on derivative instruments	26 069	30 207	42 430	50 091
Other FX related income	6 125	9 080	6 714	14 432
Profit on market maker activity	256	2 242	1 466	3 038
Profit on equity instruments	108	433	-	-
Profit on debt instruments	( 29)	739	912	1 075
<b>Total</b>	<b>54 071</b>	<b>94 105</b>	<b>71 073</b>	<b>109 920</b>

Net trading income and revaluation includes the write-back of adjusted valuation of derivatives resulting from counterparty risk in the amount of PLN 5 266 k for 1H 2012 and PLN 4 858 k for 2Q 2012, and PLN 11 286 k for 1H 2011, and PLN 10 484 k for 2Q 2011.



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

	01.04.2012- 30.06.2012	01.01.2012- 30.06.2012	01.04.2011- 30.06.2011	01.01.2011- 30.06.2011
<b>Gains (losses) from other financial securities</b>				
Profit on sale of equity shares	830	829	( 166)	101
Profit on sale of debt securities	23 296	25 368	5 089	5 278
<b>Total profit (losses) on financial instruments</b>	<b>24 126</b>	<b>26 197</b>	<b>4 923</b>	<b>5 379</b>
Change in fair value of hedging instruments	( 1 857)	( 722)	( 941)	2 166
Change in fair value of underlying hedged positions	2 113	1 559	1 473	( 2 260)
<b>Total profit (losses) on hedging and hedged instruments</b>	<b>256</b>	<b>837</b>	<b>532</b>	<b>( 94)</b>
<b>Total</b>	<b>24 382</b>	<b>27 034</b>	<b>5 455</b>	<b>5 285</b>

## 10. Impairment losses on loans and advances

	01.04.2012- 30.06.2012	01.01.2012- 30.06.2012	01.04.2011- 30.06.2011	01.01.2011- 30.06.2011
<b>Impairment losses on loans and advances</b>				
Collective and individual impairment charge	( 164 172)	( 251 714)	( 83 480)	( 178 550)
Incurred but not reported losses charge	25 425	22 615	2 267	1 512
Recoveries of loans previously written off	1 564	2 980	2 677	3 679
Off balance sheet credit related facilities	( 2 843)	5 287	( 214)	( 245)
<b>Total</b>	<b>( 140 026)</b>	<b>( 220 832)</b>	<b>( 78 750)</b>	<b>( 173 604)</b>

## 11. Employee costs

	01.04.2012- 30.06.2012	01.01.2012- 30.06.2012	01.04.2011- 30.06.2011	01.01.2011- 30.06.2011
<b>Employee costs</b>				
Salaries and bonuses	( 195 165)	( 388 983)	( 198 175)	( 395 396)
Salary related costs	( 32 022)	( 66 470)	( 30 528)	( 64 000)
Staff benefits costs	( 5 095)	( 10 136)	( 4 999)	( 9 610)
Professional trainings	( 5 265)	( 8 630)	( 4 816)	( 8 912)
Retirement fund, holiday provisions and other employee costs	( 579)	( 1 763)	( 928)	( 2 141)
<b>Total</b>	<b>( 238 126)</b>	<b>( 475 982)</b>	<b>( 239 446)</b>	<b>( 480 059)</b>

## 12. General and administrative expenses

General and administrative expenses	01.04.2012- 30.06.2012	01.01.2012- 30.06.2012	01.04.2011- 30.06.2011	01.01.2011- 30.06.2011
Maintenance and rentals of premises	( 56 703)	( 113 208)	( 53 187)	( 106 739)
Marketing and representation	( 14 878)	( 42 094)	( 30 665)	( 45 262)
IT systems costs	( 23 425)	( 45 917)	( 21 006)	( 43 397)
Bank Guarantee Fund, Polish Financial Supervision Authority and National Depository for Securities	( 13 992)	( 28 029)	( 12 164)	( 24 389)
Postal and telecommunication costs	( 10 728)	( 22 005)	( 10 947)	( 25 415)
Consulting fees	( 7 444)	( 17 771)	( 10 589)	( 16 440)
Cars, transport expenses, carriage of cash	( 8 986)	( 17 177)	( 8 756)	( 16 150)
Other external services	( 8 226)	( 15 312)	( 8 242)	( 17 325)
Stationery, cards, cheques etc.	( 4 640)	( 10 157)	( 4 443)	( 8 667)
Sundry taxes	( 5 112)	( 8 933)	( 5 089)	( 9 664)
Data transmission	( 3 765)	( 7 535)	( 3 876)	( 7 824)
KIR, SWIFT settlements	( 3 013)	( 6 124)	( 2 960)	( 6 231)
Security costs	( 3 083)	( 5 483)	( 3 863)	( 7 320)
Costs of repairs	( 1 113)	( 2 043)	( 1 403)	( 2 425)
Other	( 3 406)	( 5 974)	( 3 591)	( 6 597)
<b>Total</b>	<b>( 168 514)</b>	<b>( 347 762)</b>	<b>( 180 781)</b>	<b>( 343 845)</b>

## 13. Corporate income tax

Corporate income tax	01.04.2012- 30.06.2012	01.01.2012- 30.06.2012	01.04.2011- 30.06.2011	01.01.2011- 30.06.2011
Current tax charge	( 90 538)	( 187 565)	( 89 944)	( 154 495)
Deferred tax	716	8 936	7 682	3 697
<b>Total</b>	<b>( 89 822)</b>	<b>( 178 629)</b>	<b>( 82 262)</b>	<b>( 150 798)</b>

Corporate total tax charge information	01.04.2012- 30.06.2012	01.01.2012- 30.06.2012	01.04.2011- 30.06.2011	01.01.2011- 30.06.2011
Profit before tax	478 026	888 736	468 813	822 278
Tax rate	19%	19%	19%	19%
Tax calculated at the tax rate	( 90 825)	( 168 860)	( 89 075)	( 156 233)
Non-deductible expenses	( 3 052)	( 5 178)	( 2 285)	( 3 031)
Sale of receivables	( 7 067)	( 7 809)	( 1 678)	( 1 678)
Non-taxable income (dividends)	10 079	10 079	12 560	12 558
Non-tax deductible bad debt provisions	2 240	( 3 551)	( 1 862)	( 2 173)
Other	( 1 197)	( 3 310)	78	( 241)
<b>Total income tax expense</b>	<b>( 89 822)</b>	<b>( 178 629)</b>	<b>( 82 262)</b>	<b>( 150 798)</b>

Deferred tax recognised directly in equity	30.06.2012	31.12.2011	30.06.2011
The amount of deferred tax recognised directly in equity totaled:			
Relating to equity securities available-for-sale	( 95 516)	( 94 743)	( 100 920)
Relating to debt securities available-for-sale	( 50 820)	( 20 965)	( 9 364)
Relating to cash flow hedging activity	( 12 621)	( 12 183)	( 2 553)
<b>Total</b>	<b>( 158 957)</b>	<b>( 127 891)</b>	<b>( 112 837)</b>

## 14. Cash and balances with central banks

Cash and balances with central banks	30.06.2012	31.12.2011	30.06.2011
Cash	868 319	932 600	842 897
Current accounts in central banks	639 957	290 908	1 343 683
Term deposits	62 011	202 033	-
<b>Total</b>	<b>1 570 287</b>	<b>1 425 541</b>	<b>2 186 580</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 30.06.2012 the rate was 3.5%, as at 31.12.2011 - 3.5%, as at 30.06.2011 - 3.5%. 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	30.06.2012	31.12.2011	30.06.2011
Loans and advances	1 306 194	428 823	175 199
Current accounts, other	636 587	775 349	437 600
Buy-sell-back transaction	249 297	-	-
<b>Gross receivables</b>	<b>2 192 078</b>	<b>1 204 172</b>	<b>612 799</b>
Impairment write down	( 60)	-	-
<b>Total</b>	<b>2 192 018</b>	<b>1 204 172</b>	<b>612 799</b>

## 16. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading	30.06.2012		31.12.2011		30.06.2011	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
<b>Trading derivatives</b>	<b>607 501</b>	<b>644 185</b>	<b>700 252</b>	<b>872 544</b>	<b>372 941</b>	<b>627 495</b>
<b>Interest rate operations</b>	<b>228 259</b>	<b>229 017</b>	<b>314 053</b>	<b>308 585</b>	<b>185 489</b>	<b>203 205</b>
Options	1 229	1 229	132	132	50	50
IRS	222 731	224 310	304 421	300 206	181 114	199 608
FRA	4 299	3 478	9 500	8 247	4 325	3 547
<b>FX operations</b>	<b>379 242</b>	<b>415 168</b>	<b>386 199</b>	<b>563 959</b>	<b>187 452</b>	<b>424 290</b>
CIRS	45 271	139 279	42 149	120 636	67 288	271 319
Forward	47 005	32 821	97 509	32 182	22 267	15 449
FX Swap	227 734	184 290	150 924	316 003	35 692	75 633
Spot	2 781	2 327	2 015	1 536	2 014	1 698
Options	56 451	56 451	93 602	93 602	60 191	60 191
<b>Debt and equity securities</b>	<b>3 182 333</b>	<b>-</b>	<b>5 135 791</b>	<b>-</b>	<b>3 229 018</b>	<b>-</b>
<b>Debt securities</b>	<b>3 138 371</b>	<b>-</b>	<b>5 082 985</b>	<b>-</b>	<b>3 216 687</b>	<b>-</b>
Government securities:	315 664	-	431 084	-	163 754	-
- bills	115 925	-	-	-	-	-
- bonds	199 739	-	431 084	-	163 754	-
Central Bank securities:	2 818 969	-	4 647 956	-	3 050 000	-
- bills	2 818 969	-	4 647 956	-	3 050 000	-
Other securities:	3 738	-	3 945	-	2 933	-
- bonds	3 738	-	3 945	-	2 933	-
<b>Equity securities:</b>	<b>43 962</b>	<b>-</b>	<b>52 806</b>	<b>-</b>	<b>12 331</b>	<b>-</b>
- listed	43 962	-	52 806	-	12 331	-
<b>Short sale</b>	<b>-</b>	<b>167 990</b>	<b>-</b>	<b>59 173</b>	<b>-</b>	<b>10 206</b>
<b>Total financial assets/liabilities</b>	<b>3 789 834</b>	<b>812 175</b>	<b>5 836 043</b>	<b>931 717</b>	<b>3 601 959</b>	<b>637 701</b>

Financial assets and liabilities held for trading - trading derivatives include value adjustments resulting from counterparty risk in the amount of PLN (45) k as at 30.06.2012, PLN (396) k as at 31.12.2011, PLN (1 617) k as at 30.06.2011.



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

Derivatives' nominal values		30.06.2012	31.12.2011	30.06.2011
<b>1. Term derivatives (hedging)</b>		<b>6 968 167</b>	<b>6 380 238</b>	<b>2 683 880</b>
a) Single-currency interest rate swaps		320 540	341 696	451 321
b) Macro cash flow hedge		6 647 627	6 038 542	2 232 559
<b>2. Term derivatives (trading)</b>		<b>81 823 644</b>	<b>82 393 349</b>	<b>80 396 658</b>
a) Interest rate operations		39 175 282	49 413 206	51 021 559
Single-currency interest rate swaps		29 203 499	31 449 423	32 655 094
FRA - purchased amounts		9 600 000	17 900 000	18 350 000
Options		371 783	63 783	16 465
b) FX operations		42 648 362	32 980 143	29 375 099
FX swap – purchased amounts		14 119 647	11 006 569	7 431 384
FX swap – sold amounts		14 038 406	11 127 200	7 443 919
Forward- purchased amounts		2 042 209	2 088 999	1 516 228
Forward- sold amounts		2 044 941	2 041 784	1 518 676
Cross-currency interest rate swaps – purchased amounts		2 810 215	1 194 669	4 516 910
Cross-currency interest rate swaps – sold amounts		2 909 148	1 273 094	4 743 930
FX options -purchased		2 341 898	2 123 914	1 102 026
FX options -sold		2 341 898	2 123 914	1 102 026
<b>3. Currency transactions- spot</b>		<b>2 579 334</b>	<b>2 343 838</b>	<b>2 193 707</b>
Spot-purchased		1 289 894	1 172 159	1 097 012
Spot-sold		1 289 440	1 171 679	1 096 695
<b>4. Transactions on equity instruments</b>		<b>39 125</b>	<b>47 369</b>	<b>6 542</b>
Futures		39 125	47 369	6 542
<b>Total</b>		<b>91 410 270</b>	<b>91 164 794</b>	<b>85 280 787</b>

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	30.06.2012	31.12.2011	30.06.2011
Loans and advances to enterprises	24 809 126	24 262 182	21 728 293
Loans and advances to individuals, of which:	13 069 156	12 572 576	12 023 232
Home mortgage loans	7 886 594	7 605 063	7 182 545
Finance lease receivables	2 348 517	2 335 543	2 327 439
Loans and advances to public sector	163 294	259 057	158 576
Buy-sell-back transaction	1 515	100	3 477
Other	9 243	2 960	4 303
<b>Gross receivables</b>	<b>40 400 851</b>	<b>39 432 418</b>	<b>36 245 320</b>
Impairment write down	(1 409 392)	(1 415 245)	(1 550 351)
<b>Total</b>	<b>38 991 459</b>	<b>38 017 173</b>	<b>34 694 969</b>
Movements on impairment losses on loans and advances to customers	30.06.2012	31.12.2011	30.06.2011
<b>Individual and collective impairment</b>			
As at the beginning of the period	(1 069 296)	(1 069 646)	(1 069 646)
Charge/write back of current period	( 251 714)	( 371 079)	( 178 550)
Write off/Sale of receivables	229 692	352 347	24 055
Transfer	11 460	24 829	10 885
F/X differences	2 500	( 5 747)	( 393)
<b>Balance at the end of the period</b>	<b>(1 077 358)</b>	<b>(1 069 296)</b>	<b>(1 213 649)</b>
<b>IBNR</b>			
As at the beginning of the period	( 345 949)	( 337 975)	( 337 975)
Charge/write back of current period	22 675	( 4 713)	1 512
Transfer	( 9 824)	27	27
F/X differences	1 064	( 3 288)	( 266)
<b>Balance at the end of the period</b>	<b>( 332 034)</b>	<b>( 345 949)</b>	<b>( 336 702)</b>
<b>Impairment write down</b>	<b>(1 409 392)</b>	<b>(1 415 245)</b>	<b>(1 550 351)</b>

## 18. Investment securities available for sale

Investment securities available for sale	30.06.2012	31.12.2011	30.06.2011
<b>Available for sale investments - measured at fair value</b>			
<b>Debt securities</b>	<b>10 511 301</b>	<b>10 971 561</b>	<b>7 479 162</b>
Government securities:	9 285 897	10 893 773	7 399 054
- bills	143 871	-	-
- bonds	9 142 026	10 893 773	7 399 054
Commercial securities	1 225 404	77 788	80 108
-bonds	1 225 404	77 788	80 108
<b>Equity securities</b>	<b>626 151</b>	<b>629 194</b>	<b>652 410</b>
- listed	13 821	19 475	26 546
- unlisted	612 330	609 719	625 864
<b>Investment certificates</b>	<b>53 341</b>	<b>51 440</b>	<b>53 247</b>
<b>Total</b>	<b>11 190 793</b>	<b>11 652 195</b>	<b>8 184 819</b>

Movements on investment securities available for sale	Debt securities	Financial instruments representing equity rights	Total
<b>As at 1 January 2012</b>	<b>10 971 561</b>	<b>680 634</b>	<b>11 652 195</b>
Additions	7 614 247	6 560	7 620 807
Disposals (sale and maturity)	(8 148 083)	( 11 788)	(8 159 871)
Fair value adjustment (AFS)	159 001	4 562	163 563
Movements on interest accrued	( 75 083)	-	( 75 083)
F/X differences	( 10 342)	( 476)	( 10 818)
<b>As at 30 June 2012</b>	<b>10 511 301</b>	<b>679 492</b>	<b>11 190 793</b>

Movements on investment securities available for sale	Debt securities	Financial instruments representing equity rights	Total
<b>As at 1 January 2011</b>	<b>6 965 866</b>	<b>680 081</b>	<b>7 645 947</b>
Additions	1 577 887	31 621	1 609 508
Transfers	-	( 754)	( 754)
Disposals (sale and maturity)	(2 306 084)	( 19 840)	(2 325 924)
Fair value adjustment (AFS)	6 459	( 7 753)	( 1 294)
Movements on interest accrued	( 16 365)	-	( 16 365)
Provision for impairment	-	( 2 321)	( 2 321)
F/X differences	47 256	( 400)	46 856
Reclassification	4 627 410	-	4 627 410
Measurement at fair value of reclassified bonds	69 132	-	69 132
<b>As at 31 December 2011</b>	<b>10 971 561</b>	<b>680 634</b>	<b>11 652 195</b>

\* On the last business day of 2011, Bank Zachodni WBK changed its intention regarding a portfolio of government bonds, which so far had been classified as 'held-to-maturity,' and reclassified them into the 'investment financial assets available for sale' category as a result of adapting the Bank's investment policy to the strategy, investment rules and risk management rules of Santander Group. The change pertained to financial instruments of a total carrying value of PLN 4 696 542 k, of which PLN 69 132 k was a recognised fair value. The same amount of fair value less the deferred tax was referred to the equity of the Group.

Movements on investment securities available for sale	Debt securities	Financial instruments representing equity rights	Total
<b>As at 1 January 2011</b>	<b>6 965 866</b>	<b>680 081</b>	<b>7 645 947</b>
Additions	940 203	8 995	949 198
Transfers	-	( 754)	( 754)
Disposals (sale and maturity)	( 456 760)	( 7 025)	( 463 785)
Fair value adjustment (AFS)	18 444	24 651	43 095
Movements on interest accrued	20 149	-	20 149
F/X differences	( 8 740)	( 291)	( 9 031)
<b>As at 30 June 2011</b>	<b>7 479 162</b>	<b>705 657</b>	<b>8 184 819</b>

## 19. Financial assets held to maturity

Financial assets held to maturity	30.06.2012	31.12.2011	30.06.2011
<b>Government securities:</b>	-	-	4 591 025
- bonds	-	-	4 591 025
<b>Total</b>	-	-	<b>4 591 025</b>

Movements on financial assets held to maturity	30.06.2012	31.12.2011	30.06.2011
<b>Balance at 1 January</b>	-	<b>5 749 408</b>	<b>5 749 408</b>
Disposals (sale and maturity)	-	(1 086 827)	(1 086 827)
Reclassification*	-	(4 627 410)	-
Fair value amortisation	-	10 206	4 471
Movements on interest accrued	-	( 45 377)	( 76 027)
<b>As at end of reporting period</b>	-	-	<b>4 591 025</b>

\* On the last business day of 2011, Bank Zachodni WBK changed its intention regarding a portfolio of government bonds, which so far had been classified as 'held-to-maturity,' and reclassified them into the 'investment financial assets available for sale' category as a result of adapting the Bank's investment policy to the strategy, investment rules and risk management rules of Santander Group. The change pertained to financial instruments of a total carrying value of PLN 4 696 542 k, of which PLN 69 132 k was a recognised fair value. The same amount of fair value less the deferred tax was referred to the equity of the Group.

## 20. Investments in associates and joint ventures

Movements on investments in associates and joint ventures	30.06.2012	31.12.2011	30.06.2011
<b>Balance at 1 January</b>	<b>104 512</b>	<b>87 360</b>	<b>87 360</b>
Share of profits/(losses)	6 236	11 104	4 897
Sale/acquisition	-	5 018	18
Transfer	-	4 050	4 050
Other/dividend	-	( 3 020)	( 2 998)
<b>Balance at the end of the period</b>	<b>110 748</b>	<b>104 512</b>	<b>93 327</b>

Details of sales/acquisitions of associates and joint ventures are disclosed in note 29.

Balance sheet value of associates and joint ventures	30.06.2012	31.12.2011	30.06.2011
Polfund - Fundusz Poręczeń Kredytowych S.A.	39 603	38 464	37 978
BZ WBK - Aviva Towarzystwo Ubezpieczeń Ogólnych S.A.	24 974	22 728	19 937
BZ WBK - Aviva Towarzystwo Ubezpieczeń na Życie S.A.	22 464	20 102	13 032
Krynicky Recykling S.A.	14 672	14 356	14 224
Metrohouse & Partnerzy S.A.	4 494	4 297	4 106
Holicon Group S.A.	4 541	4 565	4 050
<b>Total</b>	<b>110 748</b>	<b>104 512</b>	<b>93 327</b>



## 21. Assets classified as held for sale

Assets classified as held for sale	30.06.2012	31.12.2011	30.06.2011
Land and buildings	82 511	82 511	47 746
Equipment	117	93	105
<b>Total</b>	<b>82 628</b>	<b>82 604</b>	<b>47 851</b>

## 22. Deposits from banks

Deposits from banks	30.06.2012	31.12.2011	30.06.2011
Repo/sell-buy-back transactions	1 920 015	2 240 824	5 443 497
Term deposits	529 625	12 495	125 653
Loans from other banks	83 189	143 572	234 246
Current accounts	227 449	108 179	68 837
<b>Total</b>	<b>2 760 278</b>	<b>2 505 070</b>	<b>5 872 233</b>

## 23. Deposits from customers

Deposits from customers	30.06.2012	31.12.2011	30.06.2011
<b>Deposits from individuals</b>	<b>28 000 478</b>	<b>27 111 339</b>	<b>25 482 085</b>
Term deposits	15 000 710	14 822 913	13 140 785
Current accounts	12 966 232	12 254 430	12 307 318
Other	33 536	33 996	33 982
<b>Deposits from enterprises</b>	<b>16 054 113</b>	<b>17 881 182</b>	<b>13 052 151</b>
Term deposits	8 429 284	11 786 350	7 826 151
Current accounts	6 115 467	4 702 194	4 375 420
Credits	1 000 984	1 047 963	550 248
Sell-buy-back transaction	191 527	-	-
Other	316 851	344 675	300 332
<b>Deposits from public sector</b>	<b>2 155 304</b>	<b>1 836 961</b>	<b>2 235 358</b>
Term deposits	773 552	806 083	1 132 613
Current accounts	1 379 839	1 028 988	1 101 063
Other	1 913	1 890	1 682
<b>Total</b>	<b>46 209 895</b>	<b>46 829 482</b>	<b>40 769 594</b>

## 24. Subordinated liabilities

Subordinated liabilities	Nominal value	Currency	Redemption date	As at the end of the period
Subordinated liabilities	100 000	EUR	05.08.2020	425 929
<b>As at 30 June 2012</b>				<b>425 929</b>

Movements in Subordinated Liabilities	30.06.2012	31.12.2011	30.06.2011
<b>As at the beginning of the period</b>	<b>441 234</b>	<b>395 230</b>	<b>395 230</b>
<b>Increase (due to):</b>	<b>11 131</b>	<b>69 003</b>	<b>12 757</b>
- interest on subordinated loan	11 131	21 921	10 050
- FX differences	-	47 082	2 707
<b>Decrease (due to):</b>	<b>( 26 436)</b>	<b>( 22 999)</b>	<b>( 9 972)</b>
- interest repayment	( 10 951)	( 22 999)	( 9 972)
- FX differences	( 15 485)	-	-
<b>Subordinated liabilities - as at the end of the period</b>	<b>425 929</b>	<b>441 234</b>	<b>398 015</b>
Short-term	4 061	3 971	3 342
Long-term (over 1 year)	421 868	437 263	394 673

## 25. Contingent liabilities

### Significant court proceedings

As at 30.06.2012 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 206 450 k, which is ca 2.69 % of Group's equity. This amount includes PLN 100 907 k claimed by the Group, PLN 77 913 k in claims against the Group and PLN 27 630 k are Group's receivables due to bankruptcy or arrangement cases.

In 1H 2012 the amount of significant court proceedings which have been completed amounted to PLN 125 430 k.

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 significant court proceedings which have been completed amounted to PLN 10 028 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	30.06.2012	31.12.2011	30.06.2011
<b>Liabilities sanctioned</b>			
<b>- financial</b>	<b>10 313 430</b>	<b>8 129 987</b>	<b>6 484 546</b>
- credit lines	9 129 222	7 006 625	5 518 994
- credit cards debits	1 046 891	970 702	871 084
- import letters of credit	84 958	152 165	89 684
- term deposits with future commencement term	52 359	495	4 784
<b>- guarantees</b>	<b>1 564 744</b>	<b>1 473 722</b>	<b>1 227 239</b>
<b>Total</b>	<b>11 878 174</b>	<b>9 603 709</b>	<b>7 711 785</b>



WBK

Bank Zachodni WBK S.A.

## 26. Basis of FX conversion

As at 30.06.2012, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 125/A/NBP/2012 dd. 29.06.2012.

## 27. 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 BZ WBK Annual General Meeting as at the publication date of the condensed interim consolidated report for H1 2012 /26.07.2011/ is Banco Santander.

Shareholder	Number of shares held		% in the share capital		Number of votes at AGM		Voting power at AGM	
	26.07.2012	26.04.2012	26.07.2012	26.04.2012	26.07.2012	26.04.2012	26.07.2012	26.04.2012
Banco Santander S.A.	70 334 512	70 334 512	96,25%	96,25%	70 334 512	70 334 512	70 334 512	96,25%
Other	2 741 501	2 741 501	3,75%	3,75%	2 741 501	2 741 501	2 741 501	3,75%
<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>73 076 013</b>	<b>100%</b>

### Procedure for Merger

- The plan for the merger between Bank Zachodni WBK and Kredyt Bank was agreed and signed by the executive teams of both banks on 11 May 2012.
- According to the plan, the merger will be carried out under Article 492 § 1(1) of the Commercial Companies Code, i.e. by transferring all the assets of Kredyt Bank (the acquired entity) to Bank Zachodni WBK (the acquiring entity), with a simultaneous increase in the share capital of the acquiring entity by way of issue of up to 18,907,458 ordinary bearer shares series J with a nominal value of PLN 10 each (merger shares). The shares will be distributed to all the existing shareholders of Kredyt Bank.
- As a result of the merger, Bank Zachodni WBK will acquire all the rights and obligations of Kredyt Bank, which will be dissolved (without a liquidation procedure) on the date of registration of the merger by the court relevant to the registered office of Bank Zachodni WBK, and the registration of its share capital.
- On the merger date, the shareholders of Kredyt Bank will become the shareholders of Bank Zachodni WBK. The following exchange ratio was agreed: the shareholders of Kredyt Bank will receive 6.96 merger shares for each 100 shares of Kredyt Bank.
- As a result of the merger, the share capital of BZ WBK will be increased by a maximum amount of PLN 189,074,580 to not more than PLN 935,450,890.
- If, for any reason, the issue of 1,561,618 ordinary I series bearer shares of Bank Zachodni WBK to the EBRD, as approved on 10 May 2012, does not take place, the bank's share capital will be increased by a maximum amount of PLN 189,074,580 to not more than PLN 919,834,710.
- Bank Zachodni WBK will take steps to ensure the merger shares are admitted to the public trading on the regulated market of the Warsaw Stock Exchange.
- Finalisation of the merger is conditional on:
  - ✓ relevant resolutions of the General Meeting of Bank Zachodni WBK and the General Meeting of Kredyt Bank, specifically the resolutions approving the merger plan and changes to the Statutes of Bank Zachodni WBK;
  - ✓ KNF consent to the merger and changes to the Statutes of Bank Zachodni WBK;
  - ✓ KNF's confirmation that the information contained in the information memorandum of Bank Zachodni WBK comply in substance and form with the disclosure requirements for a share prospectus, in accordance with the Act on Public Offering;
  - ✓ decision of the European Commission, acknowledging the concentration resulting from the merger of the two banks as compliant with the single market;

- ✓ where KBC Bank exceeds 10% voting power at the General Meeting of Bank Zachodni WBK, KNF's decision that no objections will be raised on account of such excess.
- The merged bank will trade as "Bank Zachodni WBK S.A. "
- As a result of the merger, the complementary businesses of the two banks will be integrated, which will increase the scope of the services offered and will expand the customer base, thus strengthening the bank's market penetration potential. With the economies of scale and harmonised risk management, the bank's profitability and effectiveness will increase. Cost synergies will be primarily achieved by improvement of processes, adoption of the most effective operational solutions, merger and optimisation of organisational structures and integration of IT systems. Revenue synergies will result from combination of the complementary offerings, cross-selling of the both banks' products, harmonisation of service styles and an increase in productivity. The merger will position the bank among the top three universal banks in Poland, and with the blended knowledge and experience of the two banks, the merged entity will be more effective and will boast a higher quality of its solutions. The higher number of Bank Zachodni WBK shares in free float will ensure they are more liquid and more attractive for investors.

## 28. 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	30.06.2012	31.12.2011	30.06.2011
<b>ASSETS</b>	<b>936</b>	<b>742</b>	<b>3 260</b>
Loans and advances to customers	57	259	3 260
Other assets	879	483	-
<b>LIABILITIES</b>	<b>398 711</b>	<b>392 882</b>	<b>363 041</b>
Deposits from customers	398 575	392 418	363 041
Other liabilities	136	464	-
<b>INCOME</b>	<b>55 255</b>	<b>65 405</b>	<b>32 100</b>
Interest income	9 113	8 421	3 013
Fee and commission income	46 066	55 662	28 798
Gains (losses) from other financial securities	21	( 21)	77
Other operating income	55	1 343	212
<b>EXPENSES</b>	<b>11 855</b>	<b>18 435</b>	<b>9 551</b>
Interest expense	10 441	16 080	8 358
Fee and commission expense	568	711	365
Operating expenses incl.:	846	1 644	828
<i>General and administrative expenses</i>	<i>845</i>	<i>1 644</i>	<i>828</i>



WBK

Bank Zachodni WBK S.A.

Transactions with:	Santander Group		
	30.06.2012	31.12.2011	30.06.2011
<b>ASSETS</b>	<b>251 758</b>	<b>117 976</b>	<b>14 672</b>
Loans and advances to banks, incl:	204 661	81 701	13 160
<i>deposits</i>	186 860	70 557	13 075
<i>current accounts</i>	17 801	11 144	85
Financial assets held for trading	45 529	35 230	1 512
Hedging derivatives	1 568	1 045	-
<b>LIABILITIES</b>	<b>211 012</b>	<b>46 625</b>	<b>233 426</b>
Deposits from banks incl.:	60 524	178	165 769
<i>current accounts</i>	60 524	-	-
<i>repo transactions</i>	-	-	161 520
<i>deposits</i>	-	178	4 249
Hedging derivatives	11 953	-	-
Financial liabilities held for trading	46 848	46 446	1 325
Deposits from customers	10 646	-	-
Other liabilities	81 041	1	66 332
<b>INCOME</b>	<b>( 1 492)</b>	<b>( 22 327)</b>	<b>( 116)</b>
Interest income	1 361	1 010	332
Fee and commission income	140	301	44
Other operating income	262	230	-
Net trading income and revaluation	( 3 255)	( 23 868)	( 492)
<b>EXPENSES</b>	<b>2 101</b>	<b>946</b>	<b>297</b>
Interest expense	184	946	297
Operating expenses incl.:	1 917	-	-
<i>Bank's staff, operating expenses and management costs</i>	1 917	-	-
<b>CONTINGENT LIABILITIES</b>	<b>149 996</b>	<b>49 999</b>	<b>906</b>
Sanctioned:	149 996	49 999	906
- <i>guarantees</i>	149 996	49 999	906
<b>DERIVATIVES' NOMINAL VALUES</b>	<b>10 331 864</b>	<b>3 415 369</b>	<b>172 140</b>
Cross-currency interest rate swaps – purchased amounts	1 194 900	-	-
Cross-currency interest rate swaps – sold amounts	1 204 355	-	-
Single-currency interest rate swaps	1 087 690	656 927	123 408
Options	336 419	45 542	-
FX swap – purchased amounts	2 184 983	564 471	-
FX swap – sold amounts	2 223 275	572 762	-
FX options -purchased	991 771	694 939	15 679
FX options -sold	1 086 419	877 099	18 455
Spot-purchased	1 388	1 813	7 304
Spot-sold	1 373	1 816	7 294
Forward- purchased amounts	9 827	-	-
Forward- sold amounts	9 464	-	-



## Transactions with Members of Management and Supervisory Boards

### *Remuneration, Loans and advances of Bank Zachodni WBK S.A. Management and Supervisory Board Members*

#### **30.06.2012**

In H1 2012 the amount of remuneration paid to the Management Board Members of Bank Zachodni WBK totalled PLN 8 338 k, whereas additional benefits totalled PLN 648 k. In 2012, a total bonus of PLN 8 966 k was paid for 2011, including a deferred part for 2010.

In H1 2012, the total amount of remuneration paid to the Supervisory Board Members of Bank Zachodni WBK totalled PLN 532 k.

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 9 992 k.

As at 30.06.2012, 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.

#### **30.06.2011**

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.

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.

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.

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.

Loans and advances have been sanctioned on regular terms and conditions.

**WBK****Bank Zachodni WBK S.A.**

## 29. Acquisitions and disposals of investments in subsidiaries and associates

### Acquisitions of subsidiaries and associates in 1H 2012

In 1H 2012, BZ WBK Group did not engage in any transactions impacting its equity investment in the subsidiary, joint venture or associated undertakings.

### 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.

## 30. 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.

## 31. 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 2012 no such events took place.

## 32. Transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments

In 1H 2012 and in comparable period no transfers have been made.

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

On the last business day of 2011, Bank Zachodni WBK changed its intention regarding a portfolio of government bonds, which so far had been classified as 'held-to-maturity,' and reclassified them into the 'investment financial assets available for sale' category as a result of adapting the Bank's investment policy to the strategy, investment rules and risk management rules of Santander Group. The change pertained to financial instruments of a total carrying value of PLN 4 696 542 k, of which PLN 69 132 k was a recognised fair value. The same amount of fair value less the deferred tax was referred to the equity of the Group.

### **34. 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.

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

No items affecting the BZWBK Group's structure of the statement of financial position and financial performance that are unusual because of their nature, volume or occurrence occurred in H1 2012.

### **36. Issues, repurchases and repayments of debt and equity securities**

#### ***Conclusion of an agreement with the European Bank for Reconstruction and Development***

- On 29 March 2012, Bank Zachodni WBK (BZ WBK) signed an investment agreement with the European Bank for Reconstruction and Development (EBRD) and Banco Santander S.A., whereby EBRD agreed to subscribe for PLN 332 m-worth of BZ WBK shares of new issue to support the planned BZ WBK - Kredyt Bank merger.
- The shares were taken up by virtue of Resolution of the Annual General Meeting of Bank Zachodni WBK dd. 10 May 2012 regarding the increase of the share capital through the issue of series I shares.
- In line with the Subscription Agreement dd. 6 July 2012, EBRD acquired 1,561,618 of BZ WBK shares in a private placement offer. The pre-emptive rights of the existing shareholders were waived. The issue price was PLN 212.60, which is a reference price for BZ WBK shares of PLN 226.40 determined in the Investment Agreement between Banco Santander S.A. and KBC Bank NV, without the right to dividend (recommended for 2011), and reduced by the customary discount applicable in similar private placement deals. After the planned merger, EBRD will have a minority stake in Bank Zachodni WBK.



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

**Conclusion by Bank Zachodni WBK S.A. jointly with other banks, of an agreement setting out the terms & conditions for PGNiG Termika Spółka Akcyjna issuance of bonds worth up to PLN 1,500,000,000.00 and terms for underwriting the issued bonds by banks acting as underwriters, where the agreement is a significant agreement for Bank Zachodni WBK S.A.**

The Management Board of Bank Zachodni WBK S.A. informs that on 4 July 2012 it has concluded jointly with other banks within a consortium the guarantee agreement and agency and depository agreement with PGNiG Termika Spółka Akcyjna, providing terms for PGNiG Spółka Akcyjna issue of bonds up to the value of PLN 1,500,000,000.00. Under the above mentioned agreements Bank Zachodni WBK S.A. committed to purchase bonds issued by PGNiG Termika Spółka Akcyjna for the value not exceeding PLN 235,000,000.00. Under the agreements the Bank will act as one of the four bonds issue underwriters and one of the three payment sub-agents and sub-depositories.

The criterion for qualifying the abovementioned Bank Zachodni WBK S.A. commitments as ones arising from a significant agreement was the relation between the total value of Bank Zachodni WBK S.A.'s obligations under the above mentioned agreements and other agreements concluded with companies from PGNiG S.A. capital group within the preceding twelve months, particularly guarantee agreement and agency and depository agreement up to PLN 616,500,000.00 concluded on 25 November 2011 to the value of Bank Zachodni WBK S.A.'s own equity worth PLN 7,214,775,000.00 as at 31 March 2012. This indicates that the total value of obligations arising from those agreements exceed 10% of Bank Zachodni WBK S.A. own equity.

### **The second notification of the planned merger with Kredyt Bank S.A.**

On 16 July 2012, the Management Board of Bank Zachodni WBK, acting pursuant to Art. 504 § 1 and 2 of the Polish Commercial Companies Code, in accordance with Art. 4021 § 1 of the CCC, gives the second notification of the planned merger of the Bank with Kredyt Bank S.A.

### **Closing of the private placement of series I shares**

On 17 July 2012, the Management Board of Bank Zachodni WBK S.A., announced that the private placement of I series ordinary bearer shares with the exclusion of the pre-emptive rights of the present shareholders in respect of the shares was completed. The shares were offered through a private placement for which no prospectus was required and were taken up by the European Bank for Reconstruction and Development.

### **The European Commission decision**

The management board of Bank Zachodni WBK S.A. (the "Company") hereby announces that on 18 July 2012 the Company was informed that the European Commission has decided not to oppose the acquisition of control over Kredyt Bank S.A. by Banco Santander S.A., and consequently also by the Company, and to declare such acquisition of the control is compatible with the internal market and with the European Economic Area Agreement.

## 38. 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 BZ WBK 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
Number of share based payments allocated after initial grant date	6 312
Share price (PLN)	227,90
Exercise price (PLN)	10
Vesting period	2,75 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 2012	6 months of 2011
	Number of share based payments	Number of share based payments
Outstanding at 1 January	317 971	268 020
Granted	2 324	312 755
Exercised	-	-
Forfeited	( 2 845)	( 3 617)
Expired	-	( 264 403)
Outstanding at 30 June	317 450	312 755
<b>Exercisable at 30 June</b>	-	-

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

For the share based payments outstanding as at 30 June 2012 and as at 30 June 2011 the average remaining contractual life is approximately 1.5 year and 2.5 year respectively.

The total expense recognized with corresponding increase in equity (other reserve capital) for 6 months of 2012 and 2011 amounts to PLN 10 194 k and PLN 6 778 k, respectively.

### 39. Dividend per share

On 10 May 2012, 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 2011, which meant that the proposed dividend was PLN 8 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.



## 40. Significant agreement for Bank Zachodni WBK S.A.

***Conclusion by Bank Zachodni WBK S.A., jointly with other banks, of an agreement setting out the terms & conditions for ENEA S.A. issuance of bonds worth up to PLN 4,000,000,000.00 and terms for underwriting the issued bonds by banks acting as underwriters, where the agreement is a significant agreement for Bank Zachodni WBK S.A.***

It has concluded a significant agreement on 21 June 2012 in Warsaw. This agreement ("Program Agreement") was concluded between ENEA S.A. based in Poznań and five banks acting as underwriters: Powszechna Kasa Oszczędności Bank Polski S.A., Bank Polska Kasa Opieki S.A., Bank Zachodni WBK S.A., Bank Handlowy w Warszawie S.A. and Nordea Bank Polska S.A. (jointly "Issue Underwriters"). ENEA and the Issue Underwriters stated in the Program Agreement the terms for ENEA issue of bonds up to the value of PLN 4,000,000,000.00 and the terms for underwriting the bonds issued by ENEA within the program ("Program") by the Issue Underwriters. Powszechna Kasa Oszczędności Bank Polski S.A. was appointed as the issue agent and the other banks as payment sub-agents and sub-depositories. Under the Program Agreement, Bank Zachodni WBK committed to purchase bonds issued by ENEA within the Program for the value not exceeding PLN 612,000,000.00.

The criterion for qualifying the abovementioned Bank Zachodni WBK S.A. commitments as ones arising from a significant agreement was the relation between the total value of Bank Zachodni WBK S.A.'s obligations under the Program Agreement and other agreements concluded with ENEA and ENEA's subsidiary in the preceding twelve (12) months (two overdraft agreements up to PLN 85,000,000.00 and PLN 150,000,000.00 concluded on 16 November 2011 and 18 July 2011 respectively) to the value of Bank Zachodni WBK S.A.'s own equity worth PLN 7,214,775,000.00 as at 31 March 2012. This indicates that the total value of obligations arising from those agreements exceed 10% of Bank Zachodni WBK S.A. own equity.

The purpose of the bond issue is to finance working capital requirements and investments of ENEA and its material subsidiaries, especially the purchase of a coal-fuelled power unit with supercritical parameters whose minimum and maximum net electric capacity is 900 MWe and 1000 MWe respectively, to be constructed as part of the operations of ENEA Wytwarzanie S.A., a subsidiary belonging to ENEA Capital Group (formerly known as Elektrownia Kozienice S.A.).

The term of the bond issue program is 10 years. Its completion date is 15 June 2022 while the Program's availability period in which the bonds will be issued expires on 31 December 2017. Bonds issued within the Programme will be unsecured.

The Program Agreement allows for bond issuance in multiple series, where the nominal value of each series will be minimum PLN 100,000,000.00 and the nominal value per share will be PLN 1,000,000.00. The issued bonds will be bearer bonds in a dematerialized form. ENEA will have the right to issue bonds worth not more than the Program amount, i.e. PLN 4,000,000,000.00 in total. In individual years of the Program's availability period, issue limits suitable for ENEA investment needs will apply.

The bond interest rate is variable, set annually based on 6M WIBOR plus fixed margin. Interest will be accrued from the issue date (inclusive) to the redemption date (exclusive).

The bonds will be issued in accordance with the Bond Act of 29 June 1995 and offered pursuant to sec. 9(3) of the same. The bonds will not be issued in public offering within the meaning of the Public Offering Act of 29 July 2005.

The Program Agreement was concluded for the duration of the Program or the date when the last bond is redeemed if not all bonds are repurchased on the last day of the Program.

### ***Agreement with TAURON POLSKA ENERGIA SA on increasing the value of bond programme***

On 29 June 2012, TAURON Polska Energia S.A. entered into an agreement with Bank Zachodni WBK S.A., Bank Handlowy w Warszawie S.A., ING Bank Śląski S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Nordea Bank Polska S.A., Nordea Bank AB and BNP Paribas Bank Polska S.A. Under the agreement, the bond programme of TAURON Polska Energia S.A. ("Programme") has been extended to include tranches D and E of PLN 2,475m and PLN 275m, respectively, and the value of the Programme has come to a total of PLN 7,050m. Money raised through Tranche D and Tranche E will be used to finance investments of TAURON Group and working capital needs of TAURON Group, respectively.

Duration of Programme: 5 years from the issue date, however, no longer than 15 December 2017.

The bonds will be covered by an underwriting guarantee, i.e. the Programme Underwriters (the banks which are the parties to the agreement) will have an obligation to acquire the bonds issued by the Company (TAURON Polska Energia S.A.) under the Programme.

Signatures of Members of the Management Board			
Date	Name	Function	Signature
24.07.2012	Mateusz Morawiecki	President	
24.07.2012	Andrzej Burliga	Member	
24.07.2012	Eamonn Crowley	Member	
24.07.2012	Michael McCarthy	Member	
24.07.2012	Piotr Partyga	Member	
24.07.2012	Juan de Porras Aguirre	Member	
24.07.2012	Marcin Prell	Member	
24.07.2012	Mirosław Skiba	Member	
24.07.2012	Feliks Szyszkowiak	Member	
Signature of a person who is responsible for maintaining the book of account			
Date	Name	Function	Signature
24.07.2012	Wojciech Skalski	Financial Accounting Area Director	