

**MANAGEMENT BOARD REPORT
ON BANK ZACHODNI WBK GROUP
PERFORMANCE
IN THE FIRST HALF OF 2012**

2012



WBK | Bank Zachodni WBK S.A.

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I. Overview of BZ WBK Group Performance in H1 2012

This section is an overview of the financial performance of Bank Zachodni WBK Group (BZ WBK Group) in the first half of 2012 compared with the previous year.

Financial Highlights

- Total income increased by 5.7% y-o-y to PLN 2,007.8m.
- Total costs decreased by 0.5% y-o-y to PLN 904.5m, with staff expenses down 0.9% to PLN 476m.
- Profit-before-tax was PLN 888.7m and 8.1% higher y-o-y.
- Profit-after-tax attributable to the BZ WBK shareholders increased by 8.3% to PLN 694.6m.
- Capital Adequacy Ratio was 15.12% (15.10% as at 31 December 2011 / 15.76% as at 30 June 2011).
- Return on Equity was 20.7% (21.2% as at 31 December 2011 / 19.5% as at 30 June 2011), excluding once-off cost adjustments charged to Q4 2011.
- Cost/Income Ratio was 45.0% (47.8% for H1 2011).
- Net impairment losses on loans and advances amounted to PLN 220.8m compared with PLN 173.6m for H1 2011.
- NPL ratio was 5.6% (5.5% as at 31 December 2011 / 6.7% as at 30 June 2011), with annual impairment losses to average credit volumes at 1.1% (1.0% as at 31 December 2011 / 1.0% as at 30 June 2011).
- Loans-to-Deposits ratio was 84.4% as at 30 June 2012 compared with 81.2% as at 31 December 2011 and 85.1% as at 30 June 2011.
- Gross loans to customers increased moderately on a year-to-date basis (+2.5% y-t-d) and more notably on a year-on-year basis (+11.5% y-o-y) due to the growth of both business & public sector loans and personal loans by 14.1% y-o-y and 8.7% y-o-y to PLN 24,972.4m and PLN 13,069.2m, respectively.
- Deposits from customers decreased by 1.3% y-t-d but increased markedly on a year-on-year basis (+13.3% y-o-y), driven by business & public sector deposits (+19.1% y-o-y) and personal deposits (+9.9% y-o-y) which amounted to PLN 18,209.4m and PLN 28,000.5m, respectively.
- Net assets of mutual funds and private portfolios, totalling PLN 9.6bn as at 30 June 2012, showed an increase of 11.4% y-t-d and a decline of 11.5% y-o-y as a result of last year's declines in the stock market and the investors' continued risk aversion caused by the uncertain macroeconomic situation in Europe and in the world.
- The number of customers using the BZWBK24 electronic banking services exceeded 2.1 million (+11.4% y-o-y), while the BZ WBK payment card base included ca. 2.6m debit cards (+12.5% y-o-y).

Key Developments and Achievements

- Approval of the recommended dividend payout of PLN 8 per share at the Annual General Meeting of BZ WBK Shareholders convened on 10 May 2012.
- Changed composition of the boards of BZ WBK S.A.:
 - ✓ Supervisory Board: appointment of Jerzy Surma as a new independent Member and acceptance of the resignation of Piotr Partyga in view of his appointment as Member of the new Management Board;
 - ✓ Management Board: appointment of the nine-person Management Board for the new term (including a new Member - Piotr Partyga).

- Announcement of the intention to merge BZ WBK S.A. and Kredyt Bank S.A. by the controlling shareholders of both banks and commencement of legal and organisational proceedings necessary to complete the project:
 - ✓ 27 February 2012: 1) Banco Santander S.A. and KBC Bank NV signed an investment agreement in connection with the planned merger of BZ WBK S.A. and Kredyt Bank S.A.; 2) all parties involved signed an agreement concerning the launch of merger-related initiatives;
 - ✓ 29 March 2012: BZ WBK S.A. and EBRD entered into an investment agreement whereby EBRD undertook to take up PLN 332m-worth of new BZ WBK share issue to support the planned merger of BZ WBK S.A. and Kredyt Bank S.A.;
 - ✓ 10 May 2012: the General Meeting of Shareholders of BZ WBK S.A. passed a resolution on the bank's share capital increase through the issue of series I shares;
 - ✓ 11 May 2012: Management Boards of both banks signed the "Merger plan for BZ WBK S.A. and Kredyt Bank S.A.";
 - ✓ 28 June 2012: BZ WBK S.A. published the first notification of the planned merger with Kredyt Bank S.A. and the announcement of the Extraordinary General Meeting of Shareholders to be convened on 30 July 2012 in connection with the above-mentioned merger;
 - ✓ 6 July 2012: EBRD acquired 1,561,618 of BZ WBK shares in a private placement offer in line with the Subscription Agreement dated 6 July 2012;
 - ✓ 16 July: the second notification of the merger between BZ WBK S.A. and Kredyt Bank S.A.;
 - ✓ 18 July 2012: the Management Board of BZ WBK S.A. was informed that the European Commission decided not to oppose the acquisition of control over Kredyt Bank S.A. by Banco Santander S.A. (via BZ WBK S.A.).
- Further progress in the integration of BZ WBK S.A. with Banco Santander S.A. in terms of organisational structure, operating processes and technologies.
- Conclusion of agreements with several large customers of Global Banking & Markets Division, including the following classified as significant:
 - ✓ 10-year Bond Issue Programme with ENEA S.A. dated 21 June 2012 signed by BZ WBK S.A. with four other banks regarding the issuance of max. PLN 4bn-worth of bonds by the foregoing company and their underwriting by the banks-signatories of the agreement.
 - ✓ Agreement of Bank Zachodni WBK S.A. and other banks (within a consortium) with TAURON Polska Energia S.A. dated 29 June 2012, under which the bond programme of the company has been extended to include two tranches for PLN 2,475m and PLN 275m, respectively. The value of the Programme totals PLN 7,050m.
 - ✓ Guarantee agreement, agency and depository agreement of 4 July 2012 concluded jointly by BZ WBK S.A. and other banks (within a consortium) with PGNiG Termika S.A. regarding the issue of bonds up to PLN 1.5bn.
- Launch of the new iBiznes24 platform designed for customers managed by Business & Corporate Banking and Global Banking & Markets.
- Downgraded ratings of BZ WBK S.A. throughout H1 2012: long-term IDR (from "A+/RWN" to "BBB/stable"), short-term IDR (from "F1/RWN" to "F3") and the institutional support (from "1" to "2") in view of the growing sovereign risk of Spain and the ensuing revision of Banco Santander's ratings; the individual rating VR ("bbb") maintained based on the internal strength of the bank.
- High ranking of BZ WBK S.A. among "100 most valuable companies of 2012" by Newsweek weekly magazine: 3rd in the financial sector and 14th in the general classification.
- On 5 July 2012, BZ WBK S.A. was recognised as the Best Bank in Poland at Euromoney Awards for Excellence 2012, owing to its good financial performance, high efficiency and growing position in the Polish banking sector.

Factors and Events Affecting Financial Results of the Group

- Deceleration of economic growth according to the CSO data, the GDP growth slowed in Q1 2012 to 3.5% y-o-y (vs 4.3% y-o-y in 2011). Based on currently available monthly economic indicators from real economy, GDP growth may be predicted to have fallen below 3% y-o-y in Q2 2012.
- Trade balance improvement due to lower imports growth in Q2.
- Slowdown of industrial output from ca. 8% y-o-y in 2011 to 4% y-o-y in H1 2012 due, among others, to declining orders from abroad, especially from the euro zone.
- Deceleration of construction output, resulting from weaker infrastructural investments, finalisation of EURO 2012 investments and declining activity of investors in residential construction. Financial problems of companies from the construction industry.
- Nominal growth of retail sales maintained at a relatively high level, mainly due to increased inflation. Slowdown in real sales growth and low growth rate of private consumption related to slower households' income growth.
- Deterioration of labour market conditions. Gradual decrease in enterprise sector employment (mainly in manufacturing); wage growth equal to the pace of inflation.
- Substantial strengthening of the zloty in Q1 2012 due to improved global market sentiment; followed by a depreciation in May after significant rise of uncertainty on global markets.
- Decline in Polish bond yields due to improved market sentiment in Q1 and rising demand for Polish assets in Q2. WIBOR money market rates remaining at elevated levels. The possibility of the NBP interest rate cut in two-three quarters horizon incorporated in the pricing of FRA instruments.
- Deceleration of households' loan growth (including mortgage loans), especially on a constant currency basis. Loans for enterprises still showing considerable growth (mainly in investment loans), though with visible signs of slowdown.
- Continuation of downward tendency in prices of residential property in the majority of big cities, resulting from limited demand amid a large supply of dwellings.
- Higher demand for risky assets (supported by two LTROs in December 2011 and February 2012), which triggered a rise in stock prices in foreign and domestic markets in Q1. Reversal of Q1 tendencies in Q2.
- Decline in inflation from 4.6% in December 2011 to 4.3% in June 2012. Core inflation (excluding food and energy prices) fluctuating around 2.5%.
- Interest rates raised by the Monetary Policy Council (MPC) in May - the NBP reference rate at 4.75%. The easing of the anti-inflationary resolve of the MPC due to deterioration of economic growth prospects.

II. Basic Information

1. History and Profile of Bank Zachodni WBK Group

Background

Bank Zachodni WBK S.A. (Bank Zachodni WBK, BZ WBK) was established following the merger of Bank Zachodni with Wielkopolski Bank Kredytowy. The new Wrocław-based entity was entered into the business register in the National Court Registry on 13 June 2001 and on 25 June 2001 it debuted on the Warsaw Stock Exchange.

Both predecessors of Bank Zachodni WBK were spun off the National Bank of Poland in 1989. Subsequently, they were privatised and became members of AIB Group through the majority shareholder, i.e. AIB European Investments Ltd. from Dublin, a fully owned subsidiary of the Allied Irish Banks, p.l.c. (AIB). After the merger, the AIB Group became owner of a 70.47% stake in Bank Zachodni WBK. The shareholding decreased to 70.36% following an increase in the share capital on 10 July 2009.

On 10 September 2010, the Board of Allied Irish Banks decided to sell the Polish assets of AIB, i.e. 70.36% of share capital in Bank Zachodni WBK and 50% stake in BZ WBK Asset Management S.A. On 1 April 2011, Banco Santander finalised the purchase of Bank Zachodni WBK in the tender offer for the bank's shares. As a result, Banco Santander acquired shares representing 95.67% of the bank's registered capital. Consequently, Bank Zachodni WBK joined Santander Group. As a consequence of Banco Santander's exceeding a 90% share in the total voting power at the General Meeting of Shareholders of Bank Zachodni WBK, the non-controlling shareholders were entitled to demand that their shares be acquired by the majority shareholder. Based on the requests from the shareholders, Banco Santander acquired additional 421,859 shares of Bank Zachodni WBK, thus increasing its share in the share capital and voting power at the General Meeting of Shareholders to 96.25%.

Scope of Activities of Bank Zachodni WBK Group

Bank Zachodni WBK is a universal bank which provides a full range of services for personal customers, SMEs and large companies. The bank's offering is modern, comprehensive and satisfies diverse customer needs with regard to current/personal accounts, credit, savings, investment, settlement, insurance and card products.

The bank aligns its product structure with the requirements of individual customer segments and combines its products into packages around current/personal accounts to provide their users with a precisely defined, tailored and comprehensive service.

The financial services of Bank Zachodni WBK also include trade finance and transactions in the capital, FX and money markets as well as in derivatives. The bank's own product range is complemented by specialist products offered by its connected companies, including: Dom Maklerski BZ WBK S.A., BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A., BZ WBK AIB Asset Management S.A., BZ WBK Leasing S.A., BZ WBK Finanse & Leasing S.A. and BZ WBK Faktor Sp. z o.o., BZ WBK-Aviva Towarzystwo Ubezpieczeń Ogólnych S.A. and BZ WBK-Aviva Towarzystwo Ubezpieczeń na Życie S.A. In co-operation with all these companies, the bank offers its customers access to brokerage services, mutual funds, insurance, leasing and factoring products.

Distribution Network

As at 30 June 2012, Bank Zachodni WBK operated country-wide through 524 outlets, which is the third largest branch network in Poland. The bank's branch infrastructure was supported by a network of 106 BZ WBK Partner outlets.

Business customers are serviced through 3 Corporate Business Centres operating nationwide, 7 Business Banking Centres located across all key markets in Poland and 7 regional offices, as well as the Property Finance Department and the Large Corporate Department within the Business and Corporate Banking Division.

The Global Banking & Markets Division is responsible for the relationship banking with the largest institutional clients under the global CRM Model of Santander Group. The clients are offered investment, corporate, transactional and treasury products and services.

Bank Zachodni WBK offers a modern platform of electronic banking services called BZWBK24 which gives retail and business customers a convenient and safe access to their accounts and products via the Internet, phone or mobile. Enterprises and corporates can access a newly launched electronic banking system - iBiznes24 which is a safe and efficient facility with extensive transaction and fund management functions.

Through its Telephone and Electronic Banking Centre equipped with high-tech specialist infrastructure, the bank provides customers with information on its products and services, sells selected products and renders after-sales service.

Position of BZWBK Group in the Polish Banking Sector

According to the financial information available for Q1 2012 which as at the approval date of this report (24 July 2012) is the only source of comparable data on the banking sector in Poland, Bank Zachodni WBK Group is the fifth group in Poland by total assets and fourth by equity and net profit. The bank is also one of the leaders of the Polish banking sector in terms of ROE, credit portfolio quality, C/I ratio and loan-to-deposit ratio.

Position of Santander Group

Banco Santander – a parent entity of Bank Zachodni WBK - is a retail and commercial bank with over a 150 year history, headquartered in Santander, Spain (operational headquarters are based in Madrid). While it specialises in retail banking services, the bank is also active on the wholesale, asset management and insurance market. Banco Santander is characterised by a wide geographic diversification of its business. It currently focuses on its 10 key markets – both developed and emerging ones. As at the end of March 2012, Banco Santander was one of the leading banks in the eurozone and the 15th banking institution worldwide in terms of capitalization. It managed EUR 1,007.8bn worth of customer funds, provided services to ca. 101.9m customers via a distribution network of 14,696 branches, and employed 189.6k people. In the first quarter of 2012, the net profit attributable to the Group's shareholders came in at EUR 1,604m. Santander is the leading group in Spain and South America. It also enjoys a strong market position in the UK, north-eastern coast of the US as well as in Germany and Poland.

Integration of Bank Zachodni WBK with Banco Santander

Bank Zachodni WBK is in the process of integrating its key business streams with the standards applied by Santander Group. The ultimate goal is to improve efficiency and facilitate mutual cooperation by adapting best practice and well-tried solutions of the established financial organisation with a global footprint and extensive track record.

In H1 2012, the bank took further steps to align the organisational structure, optimise risk management processes and develop its models of cooperation with the selected customer segments. The Global Banking & Markets Division put new structures in place to handle the portfolio of the largest corporate customers and approach them with a customised product proposition. Changes were also introduced to the credit risk management function which is now centralised in the Risk Management Division through incorporation of the staff and responsibilities of the former Credit Division. Measures were also taken to shape the relevant structures and processes to reflect changes in the market risk management framework. The Global Banking and Markets Division retained the responsibility for the management of the trading book risk, while the management of the banking book risk was entrusted entirely to the Finance Division.

Development Plans

On 27 February 2012, the majority shareholders of Bank Zachodni WBK and Kredyt Bank, i.e. Banco Santander and KBC Bank NV entered into an investment agreement whereby they expressed their intention to merge the two banks. On the same day, they signed an agreement to commence efforts towards combination of Bank Zachodni WBK with Kredyt Bank.

On 11 May 2012, Bank Zachodni WBK and Kredyt Bank signed a merger plan, stipulating that the merger would take place by transferring the entire assets of Kredyt Bank (the acquired entity) to Bank Zachodni WBK (the acquiring entity) in return for new shares of the latter to be distributed among the existing shareholders of Kredyt Bank. Details about the planned merger are presented in Chapter IV "Business Development of BZ WBK Group", part 2 "Planned merger between Bank Zachodni WBK and Kredyt Bank".

The merged entity will be a universal bank, ranking third in Poland in terms of business volumes such as gross loans, deposits and mutual funds (according to data of the Polish Financial Supervision Authority/KNF). The new bank will have a market share of around 10% (according to KNF data), a solid balance sheet, stable sources of funding and strong capital position. The wide array of complementary services to different customer segments and the extensive branch network across Poland will strengthen the bank's market penetration potential.

2. Share Capital, Ownership Structure and Share Price

Ownership Structure of Share Capital

As at the publication date of the Interim Report 2012 of Bank Zachodni WBK Group, the only shareholder with at least 5% total voting power at the General Meeting of Shareholders of Bank Zachodni WBK was Banco Santander S.A. with registered headquarters in Santander. The company's interest in the share capital and voting power of Bank Zachodni WBK was 96.25%. The remaining shares were in free float.

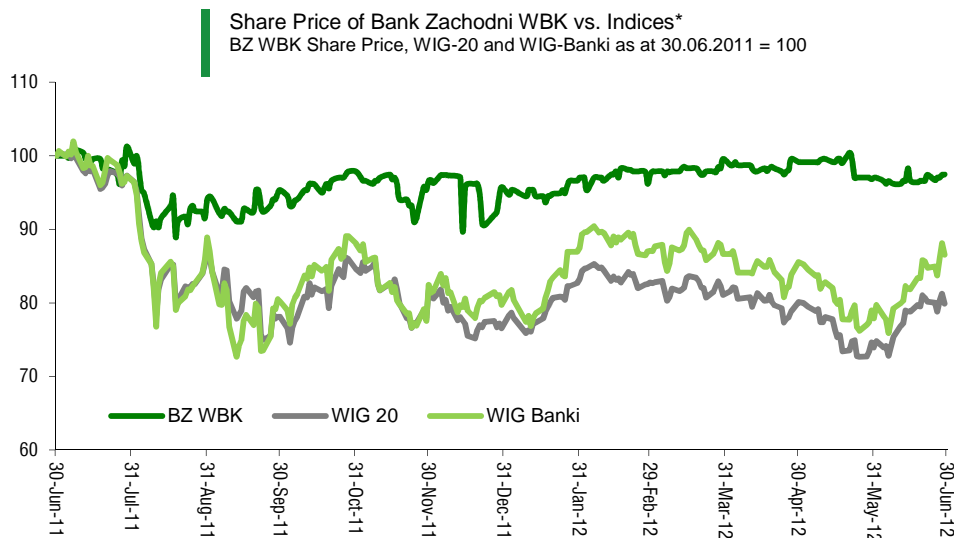
Shareholding structure of Bank Zachodni WBK as at the publication date of the interim reports for 2011 and 2012

Shareholder	Number of Shares Held		% in the Share Capital		Number of Votes at AGM		Voting Power at AGM	
	26.07.2012	27.07.2011	26.07.2012	27.07.2011	26.07.2012	27.07.2011	26.07.2012	27.07.2011
Banco Santander S.A.	70 334 512	70 334 512	96,25%	96,25%	70 334 512	70 334 512	96,25%	96,25%
Others	2 741 501	2 741 501	3,75%	3,75%	2 741 501	2 741 501	3,75%	3,75%
Total	73 076 013	73 076 013	100,0%	100,0%	73 076 013	73 076 013	100,0%	100,0%

Share Price of Bank Zachodni WBK S.A. vs. Indices

H1 2012 was marked by sharp fluctuations on the Warsaw Stock Exchange. During the 6-month period ended on 30 June 2012, all indices showed positive returns, with the small-cap sWIG80 hitting record high (+12% y-t-d). The broad market WIG gained 8.6% y-t-d while the large-cap WIG20 went up by 6.1% y-t-d. Mid-cap companies performed relatively weakest, with mWIG40 growing at 5.8% y-t-d. Despite the above-mentioned growth, the main stock indices moved sideways towards the year-end, in a period of consolidation before a potential new high. In H1 2012, similarly to the last year, the situation on the Polish market was driven by the spreading eurozone debt crisis and growing concerns about Greek, Spanish and Italian economies.

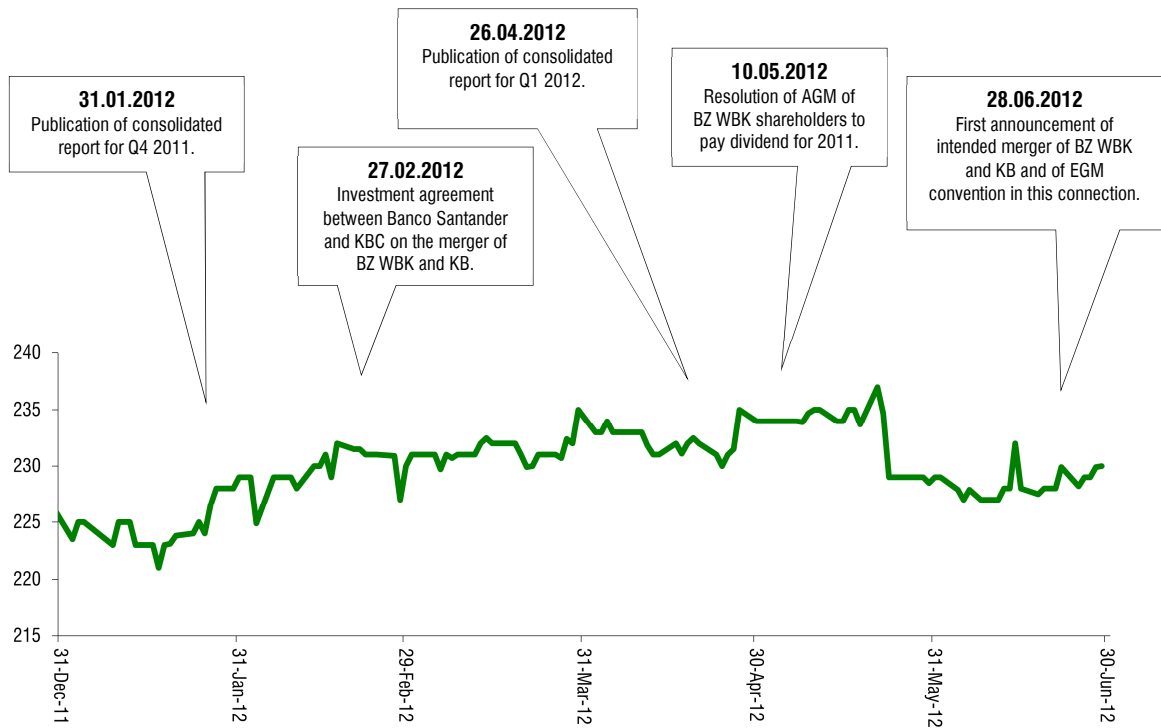
In H1 2012, the share price of Bank Zachodni WBK followed a fairly stable trend. BZ WBK shares yielded 1.77%, reaching temporarily as much as 4%. In addition, in early June, the bank paid out a dividend of PLN 8 gross per share. Despite somewhat shaky 6 months on the WSE, BZ WBK share price remained stable and resilient, which could be attributed among others to the reports of the planned merger of Bank Zachodni WBK and Kredyt Bank.



* Following the change in the ownership structure, on 1 April 2011 the shares of Bank Zachodni WBK were excluded from stock exchange indices. Under the approach adopted by the Warsaw Stock Exchange, shares with free float below 10% must not be included in the indices.

Over the 6 months of 2012, the price of BZ WBK shares went up by 1.8%, from PLN 226 on 31 December 2011 to PLN 230 on 30 June 2012. The maximum share price in this period came in at PLN 237 (21 May 2012) whereas the minimum share price was PLN 221 (17 January 2012).

Price of Bank Zachodni WBK Shares in 2012



As at 30 June 2012, capitalisation of the BZ WBK Group amounted to PLN 16,807.5m compared to PLN 16,515.2m as at 31 December 2012.

Capitalization of BZ WBK (in PLN bn)
by quarters from 30.06.2011 to 30.06.2012



Bank Zachodni WBK Rating

Bank Zachodni WBK Rating

In the first half of 2012, Fitch Ratings changed the bank's rating four times:

- On 25 January 2012, Fitch Ratings globally withdrew all individual ratings for banks and replaced them with viability ratings (VR) launched last year. As a result, Bank Zachodni WBK individual "C" rating was removed.
- In its announcement of 13 February 2012, Fitch Ratings downgraded BZ WBK Long-Term Issuer Default Rating from "A+" to "A-", removed it from Rating Watch Negative and revised its outlook to negative. The agency also cut the Short-Term IDR Rating to "F2" from "F1" and removed it from Rating Watch Negative. This action resulted from the downgrade of Banco Santander's Long-term IDR rating to "A" from "AA-" and Viability Rating to "a" from "aa-", and largely reflected the downgrade of the Spanish sovereign rating from "AA-" to "A"/Negative.
- In its announcement of 1 March 2012, the agency sustained the bank's support-driven ratings (including the Long-term IDR at A- with a negative outlook), while the Viability Rating "bbb" was placed on the Rating Watch Negative. These rating changes resulted from the announcement made on 28 February 2012 by Banco Santander and KBC regarding the agreement to merge Bank Zachodni WBK and Kredyt Bank.
- On 14 June 2012, Fitch Ratings reduced the Long-term IDR of Bank Zachodni WBK from "A-" to "BBB" with a stable outlook, the Short-term IDR Rating from "F2" to "F3" and the Support Rating from "1" to "2". The agency sustained the Viability Rating at "bbb" and removed it from the Rating Watch Negative.

The recent rating changes stem from reducing the rating of Banco Santander, the parent of Bank Zachodni WBK. According to the agency, the lower rating of Banco Santander ("BBB+" with a negative outlook due to reduced sovereign rating) impairs its ability to provide possible support to Bank Zachodni WBK. Nonetheless, the readiness of the parent company to provide such is still regarded as high, given the strategic importance of the Polish franchise to Santander Group.

The long-term IDRs of Bank Zachodni WBK are now based on the standalone strength of the bank, which is confirmed by the bank's Viability Rating (VR) of "bbb".

In its baseline scenario, any potential further deterioration of the rating of Banco Santander will not affect the rating of Bank Zachodni WBK as the risk that the negative effects of the parent's ratings could affect Bank Zachodni WBK is rather moderate. The VR and the long-term ratings of Bank Zachodni WBK are unlikely to be increased in the short and medium-term, given the challenges associated with the upcoming merger, and the credit rating of Kredyt Bank and Banco Santander.

Changes in the key BZ WBK ratings assigned by Fitch Ratings and valid from 30 June 2011 to 30 June 2012

Rating type	Announcement of Fitch Ratings dated:					
	14.06.2012*	01.03.2012	13.02.2012	22.12.2011	11.10.2011	05.04.2011**
Long-term IDR	BBB	A-	A-	A+	A+	A+
Outlook for the long-term IDR rating	stable	negative	negative	RWN***	negative	stable
Short-term IDR	F3	F2	F2	F1 (RWN)	F1	F1
Viability Rating	bbb	bbb (RWN)	bbb	bbb	bbb	-
Individual Rating	-	-	-	C	C	C
Support Rating	2	1	1	1	1	1

* BZ WBK rating valid as at 30.06.2012

** BZ WBK rating valid as at 30.06.2011

*** Risk Watch Negative

3. Companies Connected with Bank Zachodni WBK

Subsidiary Undertakings

Bank Zachodni WBK forms a Group with the following nine subsidiaries which are fully consolidated in accordance with IAS 27. These are:

1. BZ WBK Asset Management S.A.
2. BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A. - subsidiary of BZ WBK Asset Management S.A.
3. BZ WBK Inwestycje Sp. z o.o.
4. BZ WBK Faktor sp. z o.o. - subsidiary of BZ WBK Finanse Sp. z o.o.
5. BZ WBK Finanse Sp. z o.o.
6. BZ WBK Finanse & Leasing S.A. - subsidiary of BZ WBK Finanse Sp. z o.o.
7. BZ WBK Leasing S.A. - subsidiary of BZ WBK Finanse Sp. z o.o.
8. BZ WBK Nieruchomości S.A.
9. Dom Maklerski BZ WBK S.A.

The entities connected with the bank are chiefly financial institutions which conduct specialised activities in securities trading, leasing, asset/mutual fund management, factoring and trading in equity securities.

Compared with 30 June 2011 and 31 December 2011, the structure of Bank Zachodni WBK Group did not change.

Joint Ventures and Associates

In the consolidated financial statements of Bank Zachodni WBK for the 6 months ending 30 June 2012, the following companies are accounted for using the equity method in accordance with IAS 28 and 31:

Joint ventures:

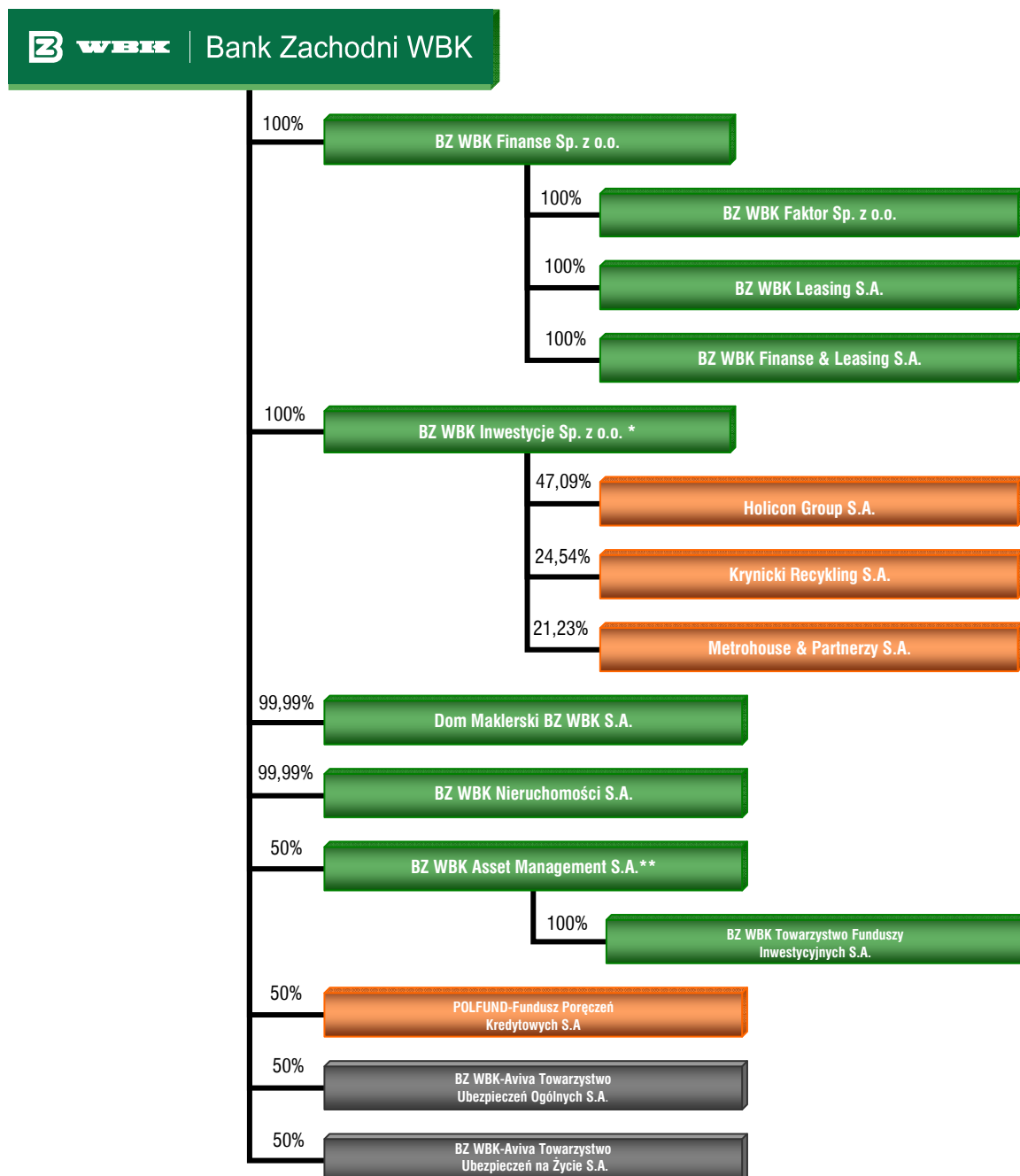
1. BZ WBK-Aviva Towarzystwo Ubezpieczeń Ogólnych S.A.
2. BZ WBK-Aviva Towarzystwo Ubezpieczeń na Życie S.A.

Associates:

1. Holicon Group S.A. – associated undertaking of BZ WBK Inwestycje Sp. z o.o.
2. Krynicki Recykling S.A. - associated undertaking of BZ WBK Inwestycje Sp. z o.o.
3. Metrohouse & Partnerzy S.A. - associated undertaking of BZ WBK Inwestycje Sp. z o.o.
4. POLFUND - Fundusz Poręczeń Kredytowych S.A.

Compared with 30 June 2011 and 31 December 2011, the list of associated and joint ventures did not change.

Organisational Chart of Entities Connected with Bank Zachodni WBK S.A.



* Associated undertakings of BZ WBK Inwestycje Sp. z o.o., i.e. Holicon Group S.A., Metrohouse & Partnerzy S.A. and Krynicki Recykling S.A. are classified as BZ WBK associates since the bank has a significant impact on their operations. The respective shareholdings were acquired as part of the bank's strategy to build a portfolio of "pre-IPO" investments.

** As at 30 June 2012, Bank Zachodni WBK was a co-owner of BZ WBK Asset Management S.A., together with Banco Santander S.A. Both owners are members of Santander Group and each holds an equal stake of 50% in the company's share capital. In practice, Bank Zachodni WBK 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. Consequently, the company is treated as a subsidiary.

Legend:

%	Voting power
■	Subsidiaries (fully consolidated with BZ WBK)
■	Associates
■	Joint ventures

III. Macroeconomic Situation in H1 2012

Economic Growth

The first half of 2012 was characterised by a gradual slowdown of economic activity in the Polish economy, driven mainly by significant economic deceleration in the euro zone. The slump in export orders (mainly from the Western Europe) triggered a notable hold up of export growth, which in turn had a negative effect on the domestic manufacturing sector. At the same time, high uncertainty and volatility in international markets negatively affected moods of domestic entrepreneurs and consumers. Industrial production growth decelerated from nearly 10% y-o-y at the end of 2011 to ca. 3% y-o-y in Q2 2012. Meanwhile, assembly and construction output slowed down to almost 2% y-o-y in Q2 from over 12% y-o-y in Q4 2011. GDP growth decelerated from 4.3% y-o-y in the final quarter of 2011 to 3.5% in Q1 2012 and probably less than 3% in Q2 2012 (estimate based on available monthly data). The deceleration of economic growth was driven, among others, by weak growth in private consumption (amid stagnation in the labour market and low real income growth), some decrease in fixed investment growth and lower pace of stock building. Fixed investment growth decelerated to 6.7% y-o-y already in Q1 2012 from almost 10% y-o-y at the end of 2011, but deeper slowdown was prevented by the delivery of infrastructure projects in preparation for EURO 2012. A notable slowdown in export growth (from 7.3% y-o-y in Q4 2011 to nearly zero in Q2 2012) was accompanied by even stronger slump in imports, as a result of which the change in net foreign trade positively affected the GDP growth in the first half-year. It should be expected that deteriorating business climate in the world economy will negatively affect Polish industry in next quarters, triggering slowdown in exports and investment growth (which will be additionally hampered by termination of investments connected with EURO 2012). This will be accompanied by slowing inventory building, which will lead to a lower positive contribution of gross capital formation to the GDP growth. In the entire year, the average GDP growth may be at ca. 2.7%.

Labour Market

Stagnation can be observed in the Polish labour market since mid-2011. Average employment in enterprise sector has decreased by 20,000 people since January until June 2012, while in the corresponding period last year a rise by 12,000 was recorded. At the same time, wage growth remained close to inflation level. Consequently, real labour income has stalled. The registered unemployment rate, after a seasonal rise to 13.5% in Q1, recorded a seasonal decline in the following months to ca. 12.3% at the end of Q2. This was to some extent supported by creation of temporary jobs related with EURO2012. Seasonally adjusted unemployment rate according to LFS remained stable in January-May period at 9.9%.

Inflation

Inflation rate decreased in H1 2012 as compared to the end of last year, although it remained above the inflation target. Despite temporary decrease below 4% (3.9% in March, 3.6% in May), high prices of food and energy and temporary hikes of services prices connected with EURO2012 triggered a rise in the CPI growth clearly above 4% at the end of Q2 (4.3% in June). The main factors fuelling rapid price growth continue to be prices of food, fuel and energy, which is reflected, among others, in the decline of core inflation measure (excluding just-mentioned elements) to near 2.5%. Forecasts suggest that inflation rate will remain at elevated level (above 4%) until late autumn and only since October the clear downward trend will begin, which will bring inflation back to 2.5% target next year.

Interest Rates

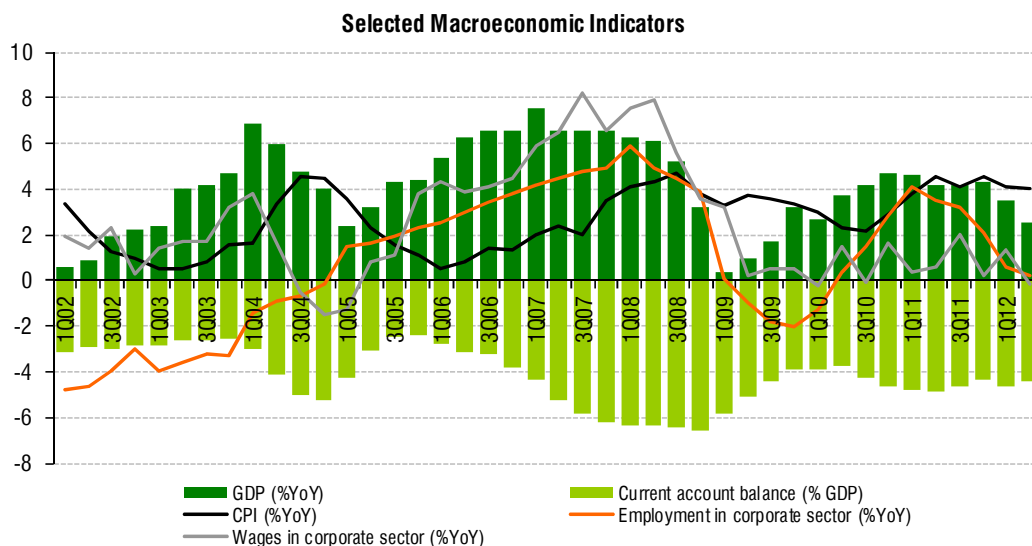
The Monetary Policy Council observed the elevated inflation, clearly above the official target, with rising anxiety in the first months of the year. Finally, in May the Council decided to increase the main interest rates by 25bps. Although in official statements the MPC still "does not rule out the possibility of further monetary policy adjustment, should the outlook for inflation returning to the target deteriorate", however, it seems that despite hawkish elements still present in the Council's rhetoric, the interest rates will be kept unchanged in the following months of the year. Strengthening slowdown in the domestic economy and visible stagnation on the labour market decrease the risk of the second-round effects. At the same time there is a growing risk of materialisation of more negative than earlier expected scenarios of global growth. It seems that the interest rate cut may be possible in 2013 in the scenario of slowdown of Polish economic growth to ca. 2%.

Credit Market

On the credit market the signals of slowdown have been observed since the year's beginning, both in case of household and corporate loans. The total credit growth decelerated to ca. 11% y-o-y at the end of May, versus 13.7% in December 2011. Corporate loan growth decreased from ca. 18% y-o-y in December 2011 to 14.1% in May; and from 15.3% to 11.5% y-o-y on a constant currency basis. Pace of growth in investment loans also decreased, however, it remained at relatively high level (ca. 18.5% y-o-y after FX adjustment). Loans for households decelerated from 11.9% y-o-y at the end of 2011 to 9.7% in May (after elimination of exchange rate fluctuations from 6.6% to 5.0%). The growth in mortgage loans decreased to 8.2% y-o-y after FX adjustment – the slowest pace since comparable data are available, i.e. since 1996. Consumption loans keep decreasing at ca. 3% y-o-y.

Financial Markets

The start of the year was marked by a significant improvement of moods in international financial markets. This was, among others, due to ECB's LTRO in December 2011 and February 2012, successful restructuring of Greece's debt, and hopes for additional monetary stimulus from Fed. The rise in global risk appetite triggered the strengthening of Polish zloty and bonds, along with gains in the stock markets. In Q2 moods on the global markets again started to deteriorate because of the weakening outlook for world economic growth and returning fears about the debt crisis in Southern European countries. Additionally, the political fears increased, which was connected with the outcome of Greek parliamentary and French presidential elections. The increase of global risk aversion caused high volatility of the zloty – after EUR/PLN decrease in the middle of March to ca. 4.11, it increased to 4.40 in early June, then started to partially trim losses before the end of the first half-year. Even higher volatility was observed in case of USD/PLN, which was aided by fluctuations of EUR/USD. Domestic bonds proved relatively immune to increased global risk aversion, which was contributed by positive investors' assessment of Polish economic outlook against the rest of Europe, growing expectations for the interest rate cuts by the MPC, as well as low securities' supply on the primary market in Q2 due to the financing of significant part of budgetary borrowing needs in the first months of the year. Consequently, the domestic bonds' yields decreased at the end of H1 to record lows in last many years (10Y at the lowest levels since January 2007, 5Y since March 2006).



IV. Activities of BZ WBK Group in H1 2012

1. Business Development of Bank Zachodni WBK Group

Retail Banking

Loans

Personal Loans

- In H1 2012, Bank Zachodni WBK introduced a number of changes to its cash loan proposition, including:
 - ✓ Alignment of cash loan conditions in terms of the maximum lending period, which is now 72 months irrespective of the loan amount;
 - ✓ Launch of an offer of attractively priced cash loans for public sector employees (on 5 March 2012) with a guaranteed minimum interest rate, different for insured and non-insured loans;
 - ✓ A 6-month grace period available for cash loan borrowers from 23 April 2012.
- In the reporting period, two editions of the cash loans campaign were launched: the first one emphasised short turnaround times and minimum formalities, while the other one pointed to low payments and the opportunity to earmark the loan for holiday expenses. Attractive product solutions coupled with extensive marketing activities gave a boost to cash loans sales which continued at a high level throughout H1.
- Changes to the mortgage loan proposition introduced in H1 2012 were prompted by the implementation of the amended KNF Recommendation S which laid down new principles of the repayment capacity calculation. The bank limited access to EUR home loans and revised the mortgage offer in terms of a margin grid and maximum Loan-to-Value ratio for PLN loans (LTV at 100% was no longer available, even for selected customer groups).

Loans for Small Companies

- On 13 March 2012, the bank launched a TV campaign to promote any-purpose business loans that may be taken out without the need to present invoices. The campaign was supported by local events, Internet campaign and radio commercials.

Deposit and Investment Products

Personal Accounts

- In Q1 2012, the bank implemented new templates of personal account-related agreements. Besides payment cards and BZWBK24 services, they cover an obligatory self-service channel, i.e. BZWBK24 Telefon which has been in place since the beginning of the year.
- As part of the strategic cooperation between Bank Zachodni WBK and Polkomtel started last year, in H1 2012, the Plus network continued to sell Avocado packages (a personal account, a debit card and electronic banking services). Avocado package holders would take out new products with the bank, including Avocado deposit or SMS transfers.
- In June 2012, the bank implemented PAYROLLS, a new retail sales model targeted at employees of companies serviced by the Business and Corporate Banking Division. It was designed to increase the number of personal accounts with salary inflows. To that end, the bank prepared a special offer of MoneyBack Account bundled with MoneyBack payment card and cash loan.

Bank Deposits

- In H1 2012, the bank's deposit offer was expanded to include:
 - ✓ two new term deposits (implemented on 20 February 2012): 12-month Lokata Swobodnie Zarabiająca (Easy Earning Deposit) and 12-month Lokata Swobodnie Zarabiająca – Nowe Środki (Easy Earning Deposit–New Funds);
 - ✓ 6-month Lokata Dynamicznie Zarabiająca (Dynamically Earning Deposit) bearing a progressive interest rate up to 8% in the last month of the deposit (implemented on 19 March 2012);
 - ✓ 1-month Biznes Impet - Nowe Środki (Business Impet-New Funds deposit) for business customers (introduced on 2 May 2012);
 - ✓ More attractive pricing of term deposits (agreed on an individual basis) to reward most active personal account holders or customers taking out new products with the bank. Also, price flexibility was increased with regard to negotiated deposits.
- In the ranking of deposits published by Money.pl based on the analysis of products offered by 30 banks, two BZ WBK term deposits: 2-month Avocado Deposit and 6-month progressive Dynamically Earning Deposit were placed first in their respective categories. In addition, Avocado Deposit was named the Best Deposit of 2012 in the category of 2-month internet-based deposits.

Structured Products

- Over the first six months of 2012, the bank made 20 issues of structured products targeted at personal and VIP customers, including bonds (2 issues), term deposits (15 issues) and unit-linked insurance policies (3 issues). These offered a potential yield tied to the FX rate (EUR/PLN, CHF/PLN or USD/PLN), WIG20 Index or Euro Stoxx 50. The unit-linked endowment policies, i.e.: Indeks Premium, Indeks Premium 2 and Euro Indeks were arranged by Bank Zachodni WBK in liaison with Aviva Towarzystwo Ubezpieczeń na Życie S.A.

Other Investment Products

- As a result of changes to the In Plus Investment Programme (offered in cooperation with BZ WBK-Aviva Towarzystwo Ubezpieczeń na Życie S.A.), the customers are now offered better price parameters and may invest in a wider range of funds (including the opportunity to invest in Arka Prestiż subfunds).
- In H1 2012, the investment fund offer of BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A. (BZ WBK TFI) was further expanded:
 - ✓ Terms and conditions applying to Arka Prestiż SFIO were amended so as to make the fund available as part of the In Plus Investment Programme (since 20 January 2012). Additionally, changes were introduced to the investment policy of Arka Prestiż SFIO subfunds, effective from 25 May 2012.
 - ✓ On 6 February 2012, Arka BZ WBK Obligacji (open-end bond subfund) was transformed into Arka BZ WBK Obligacji Skarbowych (open-end treasury bond subfund). Furthermore, its investment policy was amended: the minimum share of treasury debt securities was set at 80%, while the requirement to invest at least 70% of subfund assets in securities with a maturity of min. 1 year was waived altogether.
 - ✓ On 10 February 2012, two new subfunds were implemented: Arka BZ WBK Obligacji Korporacyjnych (commercial bond subfund) and Arka BZ WBK Obligacji Plus (bond subfund). As part of a special offer, distribution charge was temporarily reduced to 0% for these products.
- Business Performance of BZ WBK TFI
 - ✓ Over the first six months of 2012, the value of net assets under management of BZ WBK TFI increased by 13.4% and reached PLN 8.8bn at the end of June 2012. On a year-on-year basis the value of assets declined by 8.3%.
 - ✓ In H1 2012, Arka Prestiż Obligacji Skarbowych (treasury bond subfund) performed best in terms of net sales due to attractive 6- and 12-month yields, effective sales support and continued customers' propensity to invest in relatively safe financial instruments. In terms of the balance of contributions and redemptions, the subfund was also among the most popular on the Polish debt funds market. Due to strong sales (ca. PLN 672m in H1 2012), in June 2012 the net value of its assets exceeded PLN 1bn.
 - ✓ Funds managed by BZ WBK TFI S.A. reported positive net sales each month of H1 2012, which makes the Group stand out noticeably against its competitors.

Wealth Management

- Wealth Management Department offers sophisticated investment solutions and comprehensive banking services to high net worth customers of Bank Zachodni WBK Group.
- In December 2011, the front & back-office functions of BZ WBK Asset Management S.A. along with its customer base were taken over by the Wealth Management Department. As at 30 June 2012 the unit had a full control of assets worth PLN 1.65bn in total, of which PLN 0.7bn represented private portfolios that decreased 7.9% y-t-d and 37.8% y-o-y.

Insurance

- In H1 2012, Bank Zachodni WBK further improved the range of insurance products for personal customers and SMEs:
 - ✓ In January 2012, changes were introduced to LOCUM home insurance (increase of the sum insured, free-of-charge Home Assistance cover).
 - ✓ Since February 2012, customers who take out the Biznes Gwarant business loan insurance can have their insurance fee added to the loan principal. The solution was implemented in liaison with BZ WBK-Aviva Towarzystwo Ubezpieczeń na Życie S.A.
 - ✓ In April 2012, the terms and conditions of the Spokojny Kredyt (Worry-Free Loan) insurance cover have been changed to take account of customer age and employment status.
 - ✓ In H1 2012, measures were taken to expand the accident insurance Dla Bliskich (For Family and Friends), which will be reflected in the revised insurance terms planned for July 2012.

Payment Cards

- The bank took measures to enhance its payment card proposition:
 - ✓ Since 1 February 2012, each Mini Business Package has been bundled with the Visa Business Electron Mini card.
 - ✓ Since 1 March 2012, any personal account (except for the Avocado account) may come with the MasterCard PAYBACK Multi card which is available at the branch and Partner outlets or BZWBK24 Internet ("by click").
 - ✓ The card proposition was expanded to include pre-paid cards with higher transaction limits in PLN, GBP, USD or EUR and EURO 2012-related cards ("Fan Card", "2012 Emotions").
 - ✓ Since February 2012, BZ WBK customers may clear their credit card debt online.
 - ✓ On 1 April 2012, new credit card insurance terms were introduced. Each customer who takes out a new credit card is provided with a free-of-charge insurance cover for a few-month period and decides to continue/opt out thereafter.
 - ✓ On 22 April 2012, the Ratio service (a loan earmarked for credit card purchases) was modified so that it best suits customer needs.
- In H1 2012, the bank continued multidimensional management of its credit card portfolio. Card activity ratios improved, credit card portfolio turnover increased and attrition rate was successfully reduced. These combined efforts translated into better financial performance.

Direct Banking

BZWBK24 Electronic Banking

- The Moja Firma Plus service was enhanced: the daily limit of transactions to non-BZ WBK accounts was increased and the phone authentication process was modified.
- Since April 2012, customers may update their BZWBK24 electronic banking agreements on their own and use new "by click" functionality of the transaction platform without the need to visit a branch.
- On 4 June 2012, the range of "by-click" products available for BZWBK24 Internet users was expanded to include the opportunity to apply for a new credit card or an increase of their credit card or overdraft limit.

Services to Financial Institutions

- As part of services provided to banks and other financial institutions, in H1 2012 BZ WBK executed Dynamic Currency Conversion Agreement and implemented Western Union Money Transfer services in one of the cooperative banks. Also, an ATM management agreement was signed with a commercial bank.
- As at the end of June 2012, Bank Zachodni WBK co-operated with more than 20 banks and numerous other financial institutions as a provider of outsourcing services. It managed a network of 753 ATMs and handled nearly 3m Visa/Mastercard cards of third-party institutions.

Schedule of Fees and Charges

- On 1 February 2012, the BZ WBK schedule of fees and charges for businesses was divided into two parts. Business customers handled by the Retail Banking Division qualify for Part I "Fees and charges collected for banking services rendered to small companies".
- On 1 March 2012, a new Schedule of fees and charges for personal customers was introduced to promote electronic banking services and encourage the active use of flagship products and services offered by the bank.

Business and Corporate Banking

Banking Activities

- In H1 2012, the bank introduced new solutions and services for business and corporate customers, including:
 - ✓ a framework agreement covering 5 basic transactional banking products (current account, payment card, telephone banking services rendered by the Business Service Centre, term deposits and iBiznes24 electronic banking services);
 - ✓ sealed envelope deposits at the post office in addition to services offered by branches in this respect;
 - ✓ new functionalities related to multipurpose, multicurrency and multilateral credit lines;
 - ✓ launch of residential escrow account for developers;
 - ✓ enhanced transactional banking services.
- On 11 April 2012, the bank completed the pilot run of iBiznes24 platform and launched migration of customers of Business and Corporate Banking Division and Global Banking & Markets Division. The new platform provides browser-based access to accounts and a wide array of online banking operations, including international payments, currency exchange and trade finance.
- The bank implemented an end-to-end IVR-based customer support solutions in the Business Service Centre (COB). Customer migration to this service is concurrent with the migration to iBiznes24.
- Following the establishment of Global Banking & Markets Division which took over responsibility for the management of relations with the largest BZ WBK Group customers, Business & Corporate Banking Division adjusted its organisation and scope of operations, which involved a split of customer portfolios and structures (e.g. Large Corporate, Structured Finance and Sectoral Department).
- The Business and Corporate Banking Division implemented a new customer service model which clearly divides the roles and responsibilities between a Credit Partner and a Relationship Manager with an ultimate goal to enhance the effectiveness and quality of customer service. The Credit Partner offers credit support to the Relationship Manager who is responsible for the management of the customer relationship, sale of banking products and generation of new business.
- On 1 February 2012, the BZ WBK schedule of fees and charges for businesses was divided into two parts. The second part: "Fees and charges collected for banking services rendered to business and corporate customers" is applicable to companies handled by the Business & Corporate Banking Division and Global Banking & Markets Division.

Leasing Business (BZ WBK Leasing S.A. and BZ WBK Finanse & Leasing S.A.)

- From 1 January to 30 June 2012, the leasing companies financed net assets worth PLN 936.8m in total, i.e. 44.6% higher y-o-y. The sales growth rate outstripped the overall leasing market as a result of dynamic development of both machines&equipment and vehicles segments (57.6% y-o-y and 18.5% y-o-y, respectively).
- In May 2012, BZ WBK Leasing S.A. signed its biggest deal ever – it provided funding towards the purchase of Embraer 135 BJ LEGACY for USD 18m.
- In H1 2012, the leasing offer and processes were further enhanced, which enabled the launch of Autoleasing - a new simplified product with very limited formal requirements for customers, including start-ups. An automatic credit evaluation process was implemented for most of decisions towards financing cars and trucks up to 3.5 tonnes, which reduced the turnaround times to the minimum (ca. 5 min.) and helped strengthen the competitive edge of the organisation.
- A business loan for EU-subsidised machines and equipment offered by BZ WBK Finanse & Leasing S.A. was the winner of the best leasing proposition category in the 6th edition of the Market Pearls Awards. The purpose of the competition is to award best new products and pioneering solutions in the domestic retail market, based on a survey conducted by an independent market research company, GfK Polonia.

Factoring Business (BZ WBK Faktor Sp. z o.o.)

- As at the end of June 2012, the total credit portfolio of the factoring company amounted to PLN 479.4m, which was up 30% y-o-y. The value of invoices purchased in H1 2012 increased by 22.5% y-o-y to PLN 1,428.1m.

Global Banking & Markets

- Global Banking & Markets Division (GBM Division), which was set up in 2011, is dedicated to the management of the relationships with the largest corporate customers of BZ WBK Group and to the delivery of the following products and services:
 - ✓ transactional banking products, including: cash management, bilateral lending, trade finance;
 - ✓ credit facilities, including investment loans, merger and acquisition funding, structured financing, bond issue and other specialist lending products;
 - ✓ treasury products, including fx and interest rate risk management instruments;
 - ✓ investment products, including issue arrangement and management, merger and acquisition advisory and brokerage services.
- GBM Division is responsible for end-to-end management of relationships with customers from the GBM portfolio. It operates within the Global Banking & Markets framework of Santander Group and may therefore develop relationships with customers operating in international markets. It also leverages the Santander Group's experience to establish a strong local presence, in particular by delivering initiatives related to individual product groups targeted both at customers of GBM Division and other segments through cross-selling techniques. The functionality of local foreign exchange platform continues to be developed, attracting a growing number of customers.
- In H1 2012, a number of significant deals were arranged and closed as part of business as usual activities of the Division:
 - ✓ Global Transactional Banking:
 - The GBM Division provided supplier chain finance for a large wholesale chain, factoring and overdraft for a pharmacy chain, guarantees for a reputable global developer and a revolving loan for a group of automotive companies.
 - ✓ Credit Markets:
 - The GBM Division arranged and structured the bond issue programme for major domestic players such as: ENEA, TAURON, PGNiG Termika; it provided club deal financing to another big name company and rendered advisory services to a large entity from the energy sector.

✓ Rates:

- Implementation of GBM relationship management strategy is in progress (including global customers); active cross-selling of interest rate risk management instruments to GBM and other customer segments pushed up considerably revenues of the Rates Area on a year-on-year basis.

✓ Equity:

- In H1 2012, the GBM Division arranged the IPO of Nokaut S.A., worth PLN 31m in total. It also rendered analytical and advisory services to a non-customer and was engaged as a financial/transactional advisor in a number of privatisation processes.
- The exposure towards Centrum Klimat was closed – 802,000 shares were sold at PLN 14.5 per share as part of a tender offer announced by Lindab.
- In H1 2012, Dom Maklerski BZ WBK S.A. (DM BZ WBK/BZ WBK Brokerage House operating under GBM Division) witnessed decreased stock and futures trading, which translated into lower fee and commission income from the secondary market. The level of trading secured the company the 5th position with a 6.7% share in the Warsaw Stock Exchange equity market, 3rd position with a 11.4% share in the futures market and 1st position with a 21.5% share in the options market.
- In the survey on the Q1 2012 performance of brokerage houses published by “Parkiet” on 12 May 2012, Dom Maklerski BZ WBK topped the league table in terms of PBT, taking the first position in Poland.

Development of Selected Distribution Channels

Branch Network and Partner Outlets

- As at 30 June 2012, Bank Zachodni WBK operated through 524 branches (vs. 526 as at 31 December 2011 and 527 as at 30 June 2011). The branch network was supported by 106 Partner outlets.

ATM Network

- Since 6 June 2012, Bank Zachodni WBK customers may cash Western Union money orders in ATMs. Bank Zachodni WBK was one of the first banks in Poland to offer such service.
- Under the agreement with Jeronimo Martins, the bank launched relocation of ATMs to selected stores of “Biedronka” retail chain.
- At the end of June 2012, the ATM network of Bank Zachodni WBK comprised 1,047 machines.

Telephone and Electronic Banking Centre (CBTE)

- On 13 May 2012, a new quality management system was implemented in the Telephone and Electronic Banking Centre. NQM (Nice Quality Management) enables to manage the quality of phone calls at the central level through ongoing monitoring and analysis of call centre conversations, reporting individual and team performance and relevant training packages.

2. Planned Merger Between Bank Zachodni WBK and Kredyt Bank

Prospective Merger between Bank Zachodni WBK and Kredyt Bank

- On 27 February 2012, the majority shareholders of Bank Zachodni WBK and Kredyt Bank, i.e. Banco Santander and KBC Bank NV entered into an investment agreement whereby they expressed their intention to merge the two banks.
- On the same day, Bank Zachodni WBK, Kredyt Bank, Banco Santander and KBC Bank NV signed an agreement to commence efforts towards combination of Bank Zachodni WBK with Kredyt Bank.

Plan for the Merger between Bank Zachodni WBK and Kredyt Bank

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 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 series J shares 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 for the registered office of Bank Zachodni WBK, and 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 Bank Zachodni WBK will be increased by a maximum amount of PLN 189,074,580 to not more than PLN 935,450,890.
- 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 complies 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 (on 18 July 2012 the Management Board of Bank Zachodni WBK was informed that the European Commission issued the relevant decision);
 - ✓ 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 operate under the name of Bank Zachodni WBK.
- 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 develop higher quality solutions. The higher number of Bank Zachodni WBK shares in free float will ensure they are more liquid and more attractive for investors.

Independent Auditor's Opinion About the Merger Plan

- The plan of the merger between Bank Zachodni WBK and Kredyt Bank was examined as required by the Commercial Companies Code by a statutory auditor from KPMG Audit Sp. z o.o.

- According to the auditor's opinion dated 20 June 2012, the merger plan was prepared in a correct and reliable manner in all material aspects, the share exchange ratio was duly determined using fair methodologies. No special difficulties with valuation of the two banks were noted.

The Notification of the Planned Merger and of the Extraordinary General Meeting of Bank Zachodni WBK to be Held on 30 July 2012

- On 28 June 2012, Bank Zachodni WBK published the first notice of the intended merger with Kredyt Bank, and a notice of an Extraordinary General Meeting to be held on 30 July 2012.
- A second notice of the intended merger with Kredyt Bank was published on 16 July 2012.
- The proposed EGM agenda includes resolutions to be adopted on the merger of Bank Zachodni WBK with Kredyt Bank; increase in the share capital of Bank Zachodni WBK; changes to the Statutes of Bank Zachodni WBK; dematerialisation of the series J shares of Bank Zachodni WBK; taking steps to ensure admission of the shares to the regulated market on the Warsaw Stock Exchange.

The Investment Agreement with the European Bank for Reconstruction and Development

- On 29 March 2012, Bank Zachodni 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 merger of Bank Zachodni WBK and Kredyt Bank.
- The shares were taken up by virtue of Resolution of the Annual General Meeting of Bank Zachodni WBK dated 10 May 2012 regarding the increase of the share capital through the issue of series I shares.
- In line with the Subscription Agreement dated 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, ex-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.

The events outlined above were described in more detail and released to the public in the following Current Reports of Bank Zachodni WBK: no. 2/2012 of 28 February 2012; no. 6/2012 of 29 March 2012; no. 8/2012 of 12 April 2012; no. 17/2012 of 11 May 2012; no. 19/2012 of 20 June 2012; no. 21/2012 of 28 June 2012, no. 23/2012 of 16 July 2012, no. 24/2012 of 17 July, 25/2012 of 19 July 2012.

3. Strategic Priorities for H2 2012

- One of the major challenges for Bank Zachodni WBK S.A. will be to finalise the merger with Kredyt Bank in formal and legal terms, and to devise an optimum operational model which will enable to complete the integration process in an effective and secure manner, leverage the synergies and deliver the value for customers, employees and shareholders.
- In the retail segment, Bank Zachodni WBK Group will focus on further development of the base of active personal accounts with regular inflows, and sustainable growth of the deposit base. The bank will work closely with the subsidiaries and joint ventures (Dom Maklerski BZ WBK S.A., BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A. and BZ WBK Asset Management S.A., BZ WBK-Aviva Towarzystwo Ubezpieczeń na Życie S.A.) to improve the range of savings and investment products in line with customer demands. The Group's ambition is to keep the existing cash loan sales growth rate, while ensuring a satisfactory profit margin. To that end, the Group will look to develop alternative distribution channels (Internet, mobile banking) and improve CRM tools so as to expand the base of customers with automatically pre-sanctioned credit decisions for cash loans and overdrafts. On top of that, the Group will seek to ensure stable growth of PLN mortgage loan book, increase the profitability of mortgage portfolio, and maximize cross-selling opportunities for mortgage loans. The priority for the micro and small business segment (part of Retail Banking) will be to maintain a high pace of customer acquisition and lending. "Business Gwarant" insurance scheme is planned to be offered to a higher number of borrowers to increase penetration. The strategic objective of the entire segment is to continue its growth while maintaining a high share of non-interest income.

- In the Business and Corporate Banking segment, the Group will strive to diversify the business, grow its market share and take leadership position in the selected business areas by expanding its product proposition, making the most of the existing relationships and acquiring new business. The Group aspires to be distinctive in the market and become a first-choice bank owing to top-class, flexible and effective customer service. The Group will proactively seek out new business opportunities through the global network of the Santander Group. This is to ensure satisfactory profits from key income streams, with a focus on non-interest income, in particular in the transactional banking segment.
- In the Global Banking & Markets (GBM) segment, the Group will continue to take over from Business and Corporate Banking the customer relations that qualify for the GBM service model, strengthen its presence among companies connected with international business of Banco Santander, foster relationships with the existing and prospect customers, and acquire new ones. The Equity Area will work closely with GBM regional sales managers based in Europe and leverage other business opportunities emerging in the global market. GBM Division will further improve its product offering, with a focus on cash pooling and better integration of banking systems with customer IT resources. It will also seek to maximize cross-selling of GBM products (credit facilities, equity instruments and treasury products) among corporate, SME and retail customers. Dom Maklerski BZ WBK S.A. will work towards delivering top quality service to all customer segments.
- The Group will implement further cost optimisation solutions and maintain cost discipline.

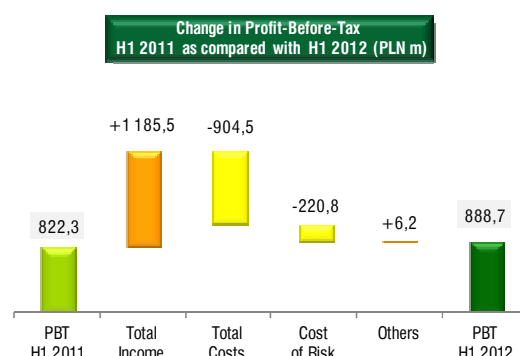
V. Financial Performance of BZ WBK Group in H1 2012

1. Profit and Loss Account

Profit Earned by BZ WBK Group in H1 2012 and its Structure

The table below shows year-on-year changes in the key items of the Group's consolidated profit and loss account in the first half of 2012 compared with the corresponding period last year.

PLN m			
Condensed Profit & Loss Account (for analytical purposes)	H1 2012	H1 2011	Change Y-o-Y
Total income	2 007,8	1 900,0	5,7%
- Net interest income	1 128,8	997,1	13,2%
- Net fee & commission income	671,4	687,4	-2,3%
- Other income	207,6	215,5	-3,7%
Total costs	(904,5)	(909,0)	-0,5%
- Staff, general and administrative expenses	(823,7)	(823,9)	0,0%
- Depreciation/amortisation	(70,3)	(71,6)	-1,8%
- Other operating expenses	(10,5)	(13,5)	-22,2%
Impairment losses on loans and advances	(220,8)	(173,6)	27,2%
Profit/loss attributable to the entities accounted for using equity method	6,2	4,9	26,5%
Profit-before-tax	888,7	822,3	8,1%
Tax charges	(178,6)	(150,8)	18,4%
Net profit for the period	710,1	671,5	5,7%
- Net profit attributable to BZ WBK shareholders	694,6	641,1	8,3%
- Net profit attributable to non-controlling shareholders	15,5	30,4	-49,0%



In the first half of 2012, Bank Zachodni WBK Group posted a profit-before-tax of PLN 888.7m, an increase of 8.1% on the corresponding period of 2011. The profit-after-tax attributable to the shareholders of Bank Zachodni WBK was PLN 694.6m and 8.3% higher y-o-y. The profit was mainly driven by the net interest income, which improved by 13.2% y-o-y as a result of expansion of the Group's core business volumes in a higher interest rate environment.

**Total Income and Profit-Before-Tax by Quarters
in Years 2011-2012 (PLN m)**


* including one-off cost adjustments of PLN 88.8 m

Structure of PBT Earned by BZ WBK Group – by Companies

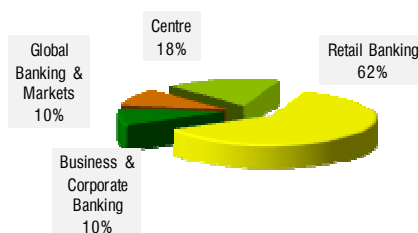
Structure of Profit-Before-Tax by Contributing Entities					
	H1 1 2012	Structure H1 2012*	H1 2011	Structure H1 2011*	Change Y-o-Y
Bank	850,1	85,0%	796,7	77,4%	6,7%
Subsidiaries, of which:	149,9	15,0%	232,4	22,6%	-35,5%
BZ WBK Asset Management S.A. and BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A.	92,7	9,3%	170,1	16,5%	-45,5%
BZ WBK Leasing S.A., BZ WBK Finanse & Leasing S.A. and BZ WBK Finanse Sp. z o.o.	39,2	3,9%	24,5	2,4%	60,0%
Dom Maklerski BZ WBK S.A.	15,6	1,6%	33,5	3,3%	-53,4%
Other subsidiaries	2,4	0,2%	4,3	0,4%	-44,2%
Intercompany and consolidation adjustments	(111,3)	-	(206,8)	-	-46,2%
Total	888,7	-	822,3	-	8,1%

* percentage share in BZ WBK Group profit before tax, intercompany and consolidation adjustments

After six months of 2012, the unconsolidated profit-before-tax of Bank Zachodni WBK increased by 6.7% y-o-y, while the total profit of subsidiaries declined by 35.5%, mainly as a result of weaker performance of the entities operating in the capital markets sector. BZ WBK Asset Management S.A. and BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. generated lower profits y-o-y due to decreased net income from asset management and distribution fees. Decelerated growth of commission income also reduced the profits reported by Dom Maklerski BZ WBK S.A. Weaker performance from capital markets was eased somewhat by leasing companies whose sales and profitability improved markedly in H1 2012.

Structure of PBT Earned by BZ WBK Group – by Segments

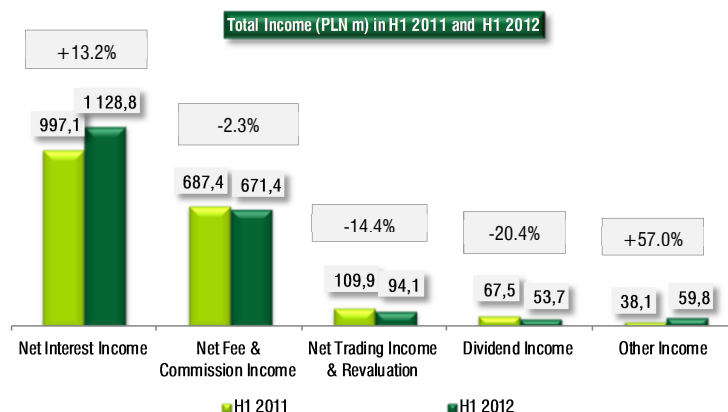
Structure of PBT of BZ WBK Group in H1 2012 – by segments



On 1 January 2012, Bank Zachodni WBK Group changed its business segment reporting to reflect the modified organisational structure and customer segmentation, as well as upgraded transfer pricing calculation impacting the net interest income by segments. Due to the lack of historical data, no comparative figures are provided.

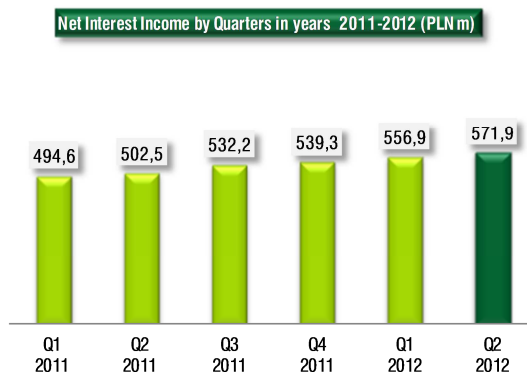
Total Income

The total income generated by Bank Zachodni WBK Group in the first half of 2012 was PLN 2,007.8m and up 5.7% y-o-y.



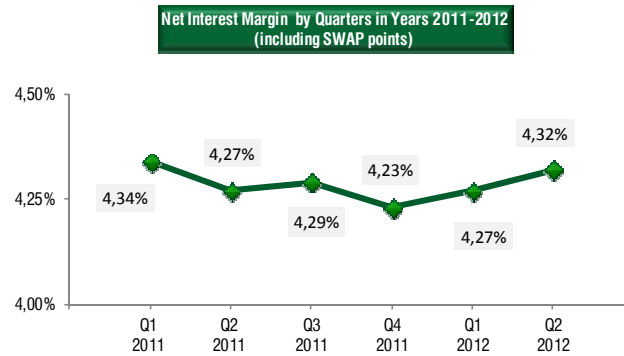
Net Interest Income

During the first six months of 2012, the net interest income increased by 13.2% y-o-y to PLN 1,128.8m, driven by a strong growth of core business volumes, including business and personal loans.



The net interest income for the first half of 2012 includes PLN 70.1m of interest income from CIRS transactions designated as hedging instruments under cash flow hedge accounting launched by Bank Zachodni WBK S.A., effective from 1 December 2011. The respective item is recognised under Note 4 "Net interest income" as part of "Interest income from hedging IRS contracts" which reports PLN 78m in H1 2012 vs. PLN 7.3m in H1 2011.

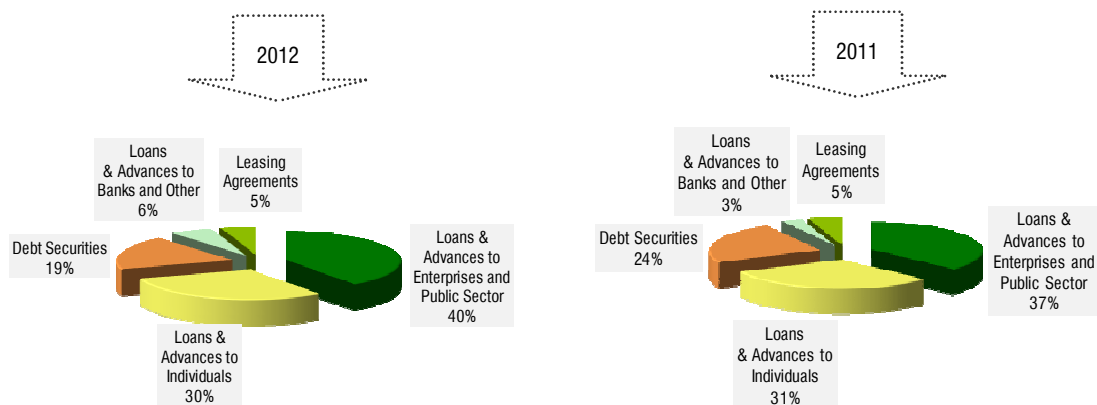
Taking into account the other interest-related income, which is generated by trading FX Swaps and Basis Swaps (PLN 50.2m for H1 2012, and PLN 82.8m for H1 2011) and disclosed under "Net trading income and revaluation", the underlying net interest income increased by 9.2% y-o-y.



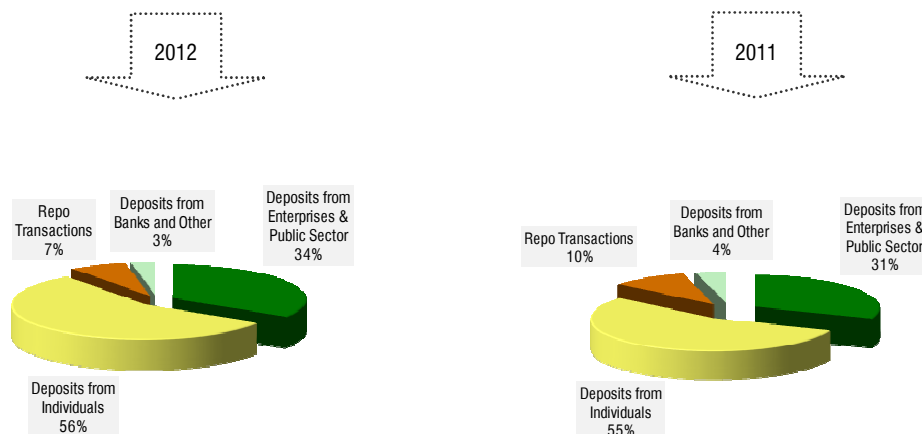
In H1 2012, like in the entire year 2011, the quarterly net interest margin of Bank Zachodni WBK Group was quite stable, remaining above the 4% mark achieved at the end of 2010. The slight margin increase in the second quarter of the year (i.e. from 4.27% to 4.32%) is due to lower interest expense q-o-q as a result of the Group's balance sheet structure volatility driven by high-volume short-term customer deposits.

In the first half of 2012, the annualised net interest margin of Bank Zachodni WBK Group was 4.28% vs. 4.31% in the corresponding period of 2011. This reflects more rapid growth of interest expense than income and a balanced expansion of core business volumes, i.e. loans and advances to customers and customer deposits. Given the reviving competition for bank deposits, the improvement of deposit margins observed earlier lost its momentum. The process of narrowing credit margins decelerated as well.

Structure of interest income of BZ WBK Group for H1 2012 and H1 2011



Structure of interest expense of BZ WBK Group for H1 2012 and H1 2011



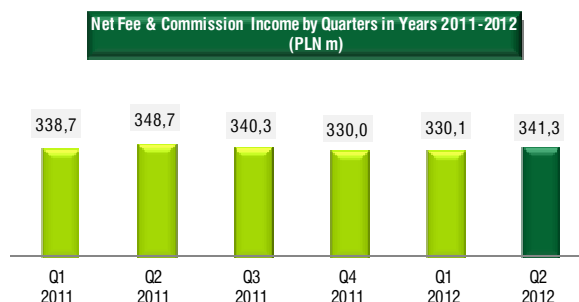
In H1 2012, interest income (PLN 1,890.0m) increased by 16.6% y-o-y, while interest expense (PLN 761.3m) climbed by 22% y-o-y. Interest income was driven by loans and advances to enterprises (+26.1% y-o-y), home mortgages (+22.3% y-o-y), other loans to personal customers (+9% y-o-y), trading debt securities (+16.4% y-o-y), loans and advances to banks (+23.3%) and interest on hedging transactions (+971.7% y-o-y). The growth in interest expense was mainly attributable to business deposits (+32.9% y-o-y), retail deposits (+23.7% y-o-y) and state budget sector deposits (+54.9% y-o-y).

Net Commission Income

PLN m			
Net Fee and Commission Income	H1 2012	H1 2011	Change Y-o-Y
Direct Banking *	168,2	152,8	10,1%
Account maintenance and cash transactions	120,9	123,1	-1,8%
FX fees	113,2	104,4	8,4%
Asset management and distribution	93,1	137,1	-32,1%
Credit fees **	57,8	44,8	29,0%
Insurance fees	57,2	35,1	63,0%
Brokerage fees	32,7	55,9	-41,5%
Other ***	28,3	34,2	-17,3%
Total	671,4	687,4	-2,3%

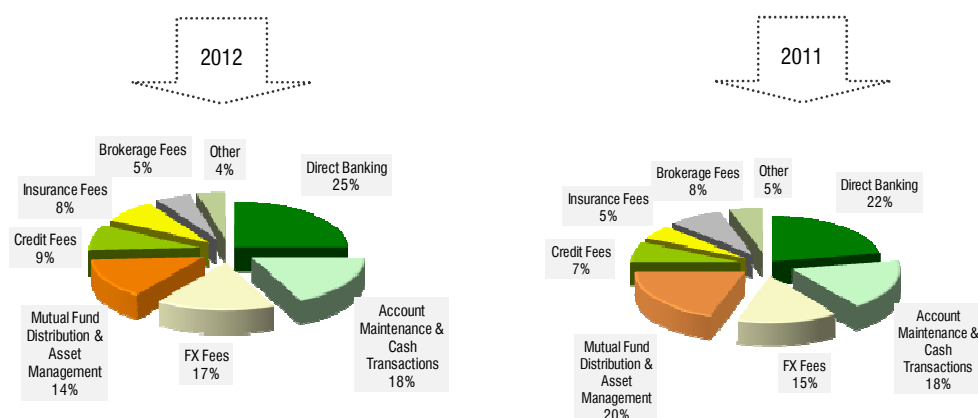
Includes:

- * fees for foreign and mass payments, Western Union transfers, trade finance, debit cards, services for third parties as well as other electronic & telecommunications services
- ** fees related to lending, leasing and factoring activities which are not amortised to interest income
- *** credit card fees, guarantees & sureties, issue arrangement fees and others



In H1 2012, net fee and commission income declined by 2.3% y-o-y to PLN 671.4 m. This movement was driven by lower income earned by the Group from its capital markets activities where uncertainty and concerns about the future of the EU market continued to dominate investor sentiments. The Group's net fee income from asset management and distribution of mutual funds declined by 32.1% y-o-y, reflecting lower average value of mutual funds and private portfolios managed by BZ WBK Asset Management S.A. and BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A. (-20.5% y-o-y). The 41.5% decrease in brokerage fees (representing total net commission income of Dom Maklerski BZ WBK S.A. from a variety of sources) is attributable to limited investment activity of customers, pressure on the reduction of margins in all the stock exchange market segments and a slowdown in the IPO market. The erosion of income from the mutual funds, asset management and stock exchange markets was largely counterbalanced by the increase in credit fees (+29% y-o-y), insurance fees (+63% y-o-y) and Direct Banking fees (+10.1% y-o-y). Credit and insurance fees were driven by expanding loans and advances to customers whereas Direct Banking fees were spurred by higher customer transactional activity.

Structure of net commission income of BZ WBK Group in H1 2012 and H1 2011



Net Trading Income and Revaluation

Net trading income and revaluation amounted to PLN 94.1m, a decrease of 14.4% y-o-y.

Interest-related income from Basis Swap and FX Swap transactions, which makes a significant portion of the net trading income and revaluation, totalled PLN 50.2m in H1 2012 compared with PLN 82.8m in H1 2011. The value of Basis Swaps for H1 2012 (PLN 7.7m) excludes PLN 70.1m recognised as net interest income on the basis of cash flow hedge accounting (launched by Bank Zachodni WBK on 1 December 2011) which adopts CIRS transactions as the main hedging instrument for floating interest rate financial assets (primarily FX credit portfolios) and liabilities. Unlike Basis Swaps, the income from interbank FX Swap transactions as reported in the trading result is fully comparable on a y-o-y basis. The respective item shows an increase of PLN 4.3m to PLN 42.5m.

Under cash flow hedge accounting, the net trading income and revaluation recognises the ineffective portion of fair value changes of hedging derivatives which amounted to PLN 6.5m. The effective portion is disclosed in the revaluation reserve.

Dividend Income

Dividend income of PLN 53.7m decreased by 20.4% y-o-y due to recognition of lower dividend pay-outs from Aviva Group companies (-PLN 13.7m y-o-y) which are part of the Group's non-controlling equity investments.

Other Income

Other income of Bank Zachodni WBK Group amounted to PLN 59.8m and was up 57% y-o-y due to higher gains (+PLN 20.1m) from the sale of debt securities from the portfolio of available-for-sale financial instruments.

Impairment Charges

	PLN m	
Impairment Losses on Loans and Advances	H1 2012	H1 2011
Collective and individual impairment charge	(251,7)	(178,6)
Impaired but not reported losses charge	22,6	1,5
Recoveries of loans previously written off	3,0	3,7
Off-balance sheet credit related facilities	5,3	(0,2)
Total	(220,8)	(173,6)

In H1 2012, the loan impairment charge to the profit and loss account was PLN 220.8m compared with PLN 173.6m in the corresponding period last year, an increase of 27.2% y-o-y.

The balance of provisions for identified losses (individual and collective) was PLN 251.7m and up 73.1m y-o-y against a considerable growth in gross loans and advances to customers (+11.5% y-o-y). This increase in provisions was largely caused by the deteriorating financial situation in the construction and assembly sector, and the projected slowdown of investments in Poland.

The balance of provisions for unidentified losses (IBNR) was positive at PLN 22.6m thanks to the timely debt service by customers and the recognition of PLN 20.7m on the sale of a retail portfolio (with a total principal value of PLN 235.8m). In H1 2011, a corresponding profit amounted to PLN 4.6m.

As a result of diverse actions taken as part of the Group's conservative credit risk management, the quality of consolidated loan receivables continued to improve over the past 12 months, particularly in respect of retail and SME loans.

Total Costs

PLN m			
Total costs	H1 2012	H1 2011	Y-o-Y Change
Staff, general and administrative expenses, of which:	(823,7)	(823,9)	0,0%
- Staff expenses	(476,0)	(480,1)	-0,9%
- General and administrative expenses	(347,7)	(343,8)	1,1%
Depreciation/amortisation	(70,3)	(71,6)	-1,8%
Other operating expenses	(10,5)	(13,5)	-22,2%
Total	(904,5)	(909,0)	-0,5%

In H1 2012, total operating costs of Bank Zachodni WBK Group amounted to PLN 904.5m, and were flat on a year-on-year basis. Total income growth of 5.7% y-o-y coupled with stable cost levels improved the Group's cost effectiveness ratio (costs to income) from 47.8% in H1 2011 to 45% in H1 2012.

- The Group's staff costs decreased by 0.9% y-o-y to PLN 476m along with the headcount reduction by 717 FTEs y-o-y.
- The general and administrative expenses of the Group amounted to PLN 347.7m and were slightly higher y-o-y (+1.1%) as the increases in constituent cost lines were largely offset by the decreases. The most pronounced growth was seen in the cost of consumables (+17.2% y-o-y), fees payable to the market regulators (+14.9% y-o-y) and cost of maintenance and lease of buildings (+6.1% y-o-y). At the same time, the Group notably decreased its costs in the following areas: bank security (-25.1% y-o-y), postage and telecommunication (-13.4% y-o-y), and marketing and entertainment costs (-7% y-o-y).
- Other costs of the Group totalled PLN 80.8m in H1 2012, including depreciation/amortisation of PLN 70.3m, down 1.8% y-o-y.

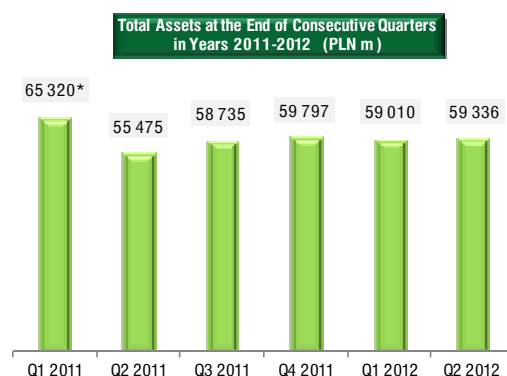
The total cost base includes PLN 10.6m of integration expenses related to the merger of Bank Zachodni WBK and Kredyt Bank.

2. Financial Position

Assets

As at 30 June 2012, total assets of Bank Zachodni WBK Group amounted to PLN 59,336.1m, a decrease of 0.8% y-t-d and an increase of 7% y-o-y. The value and structure of the Group's financial position is determined by the bank (parent) which accounts for 98.8% of the consolidated total assets.

Total assets of BZ WBK Group in 2011-2012 by quarters (PLN m)



* As at 31.03.2011, assets include short-term settlements of PLN 11.7bn between BZ WBK Brokerage House and the National Depository of Securities regarding the sale of Bank Zachodni WBK through a public tender offer announced by Banco Santander

The table below presents major developments in the key categories of the consolidated assets of Bank Zachodni WBK Group as at 30 June 2012 versus 31 December 2011 and 30 June 2011.

Assets (condensed presentation for analytical purposes)	PLN m							
	30.06.2012	Structure 30.06.2012	31.12.2011	Structure 31.12.2011	30.06.2011	Structure 30.06.2011	Change Y-t-d 1/3	Change Y-o-Y 1/5
	1	2	3	4	5	6		
Loans and advances to customers *	38 991,5	65,7%	38 017,2	63,6%	34 695,0	62,5%	2,6%	12,4%
Investment securities	11 190,8	18,9%	11 652,2	19,5%	12 775,8	23,0%	-4,0%	-12,4%
Financial assets held for trading	3 789,8	6,4%	5 836,0	9,8%	3 602,0	6,5%	-35,1%	5,2%
Cash and operations with Central Banks	1 570,3	2,6%	1 425,5	2,4%	2 186,6	3,9%	10,2%	-28,2%
Loans and advances to banks	2 192,0	3,7%	1 204,2	2,0%	612,8	1,1%	82,0%	257,7%
Fixed and intangible assets	606,3	1,0%	651,0	1,1%	693,8	1,3%	-6,9%	-12,6%
Hedging derivatives	120,2	0,2%	141,6	0,2%	36,3	0,1%	-15,1%	231,1%
Other assets	875,2	1,5%	868,9	1,4%	872,5	1,6%	0,7%	0,3%
Total	59 336,1	100,0%	59 796,6	100,0%	55 474,8	100,0%	-0,8%	7,0%

* including impairment write-down

The biggest y-t-d changes in the consolidated assets resulted from the Group's on-going liquidity management process. As a result of reduced purchasing of the short-term NBP bills, the "financial assets held for trading" decreased by 35.1% y-t-d. Concurrently, the Group increased its placements and buy-sell-back transactions in the interbank market, which increased the value of "loans and advances to banks" by 82% y-t-d.

In H1 2012, net loans and advances to customers increased moderately (+2.6% y-t-d), and at the end of June accounted for 84.4% of the deposits from non-financial entities funding them, as compared with 81.2% at the end of December 2011.

Credit Portfolio

	PLN m				
Gross Loans and Advances to Customers	30.06.2012	31.12.2011	30.06.2011	Change Y-t-d	Change Y-o-Y
Loans and advances to business and public sector customers	24 972,4	24 521,2	21 886,9	1,8%	14,1%
Loans and advances to personal customers	13 069,2	12 572,6	12 023,2	3,9%	8,7%
Finance lease receivables	2 348,5	2 335,5	2 327,4	0,6%	0,9%
Other *	10,8	3,1	7,8	248,4%	38,5%
Total	40 400,9	39 432,4	36 245,3	2,5%	11,5%

* other receivables include repo and other transactions

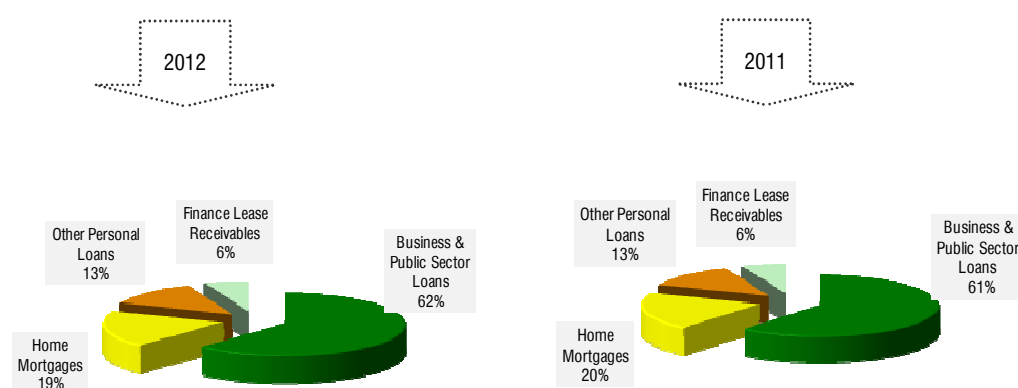
As at 30 June 2012, gross loans and advances to customers were PLN 40,400.9m, up 2.5% y-t-d and 11.5% y-o-y.

During the first six months of 2012, the total loans and advances to business and public sector customers increased by 1.8% to PLN 24,972.4m. The increase in working capital loans observed at that time amply compensated for the decline in commercial property exposures caused by the strengthening zloty and scheduled credit repayments (with gradual acquisition of new business). On a year-on-year basis gross loans and advances to business and public sector customers expanded up by 14.1%, reflecting higher borrowing demands of corporate and SME customers seeking to enhance their current operations or implement previously suspended development plans.

The finance lease receivables amounted to PLN 2,348.5m and remained stable y-t-d and y-o-y with sustained good sales of the leasing companies both with regard to machinery&equipment, and vehicles.

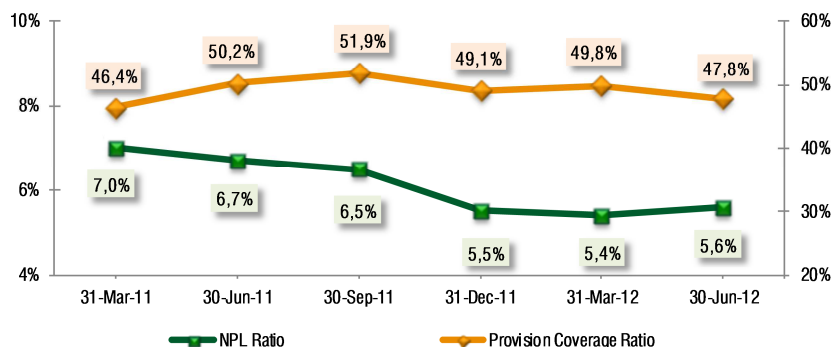
Loans and advances to personal customers increased by 3.9% y-t-d and 8.7% y-o-y to reach PLN 13,069.2m as at 30 June 2012. Mortgage loans, which make up part of this portfolio, amounted to PLN 7,886.6m and grew by 3.7% over the first six months of 2012 while cash loans increased during the same time by 6.8% to PLN 3,868.4m. Sales of these products are improving steadily with the bank consistently upgrading its offering and extending brand recognition through advertising campaigns.

Loans and advances to customers of BZ WBK Group as at 30.06.2012 and 30.06.2011



As at 30 June 2012, non-performing loans to customers accounted for 5.6% of the gross portfolio vs. 5.5% at the end of December 2011 and 6.7% at the end of June 2011. The provision coverage ratio for the non-performing loans was 47.8% compared with 49.1% as at 31 December 2011 and 50.2% as at 30 June 2011.

The Group's NPL and provision coverage ratio
at the end of individual quarters in the period from 31.03.2011 to 30.06.2012



Equity and Liabilities

The table below presents major developments in key categories of the consolidated equity and liabilities of Bank Zachodni WBK Group at the end of June 2012 vs. 31 December 2011 and 30 June 2011.

Liabilities & Equity (condensed presentation for analytical purposes)	Structure						Change	
	30.06.2012 1	30.06.2012 2	31.12.2011 3	31.12.2011 4	30.06.2011 5	30.06.2011 6	Y-t-d 1/3	Y-o-Y 1/5
Deposits from customers	46 209,9	77,9%	46 829,5	78,3%	40 769,6	73,5%	-1,3%	13,3%
Deposits from banks	2 760,3	4,6%	2 505,1	4,2%	5 872,2	10,6%	10,2%	-53,0%
Financial liabilities held for trading	812,2	1,4%	931,7	1,6%	637,7	1,2%	-12,8%	27,4%
Hedging derivatives	426,8	0,7%	523,7	0,9%	11,1	0,0%	-18,5%	3745,0%
Subordinated liabilities	425,9	0,7%	441,2	0,7%	398,0	0,7%	-3,5%	7,0%
Other liabilities	1 012,8	1,7%	1 082,4	1,8%	936,8	1,7%	-6,4%	8,1%
Total equity	7 688,3	13,0%	7 483,0	12,5%	6 849,4	12,3%	2,7%	12,2%
Total	59 336,2	100,0%	59 796,6	100,0%	55 474,8	100,0%	-0,8%	7,0%

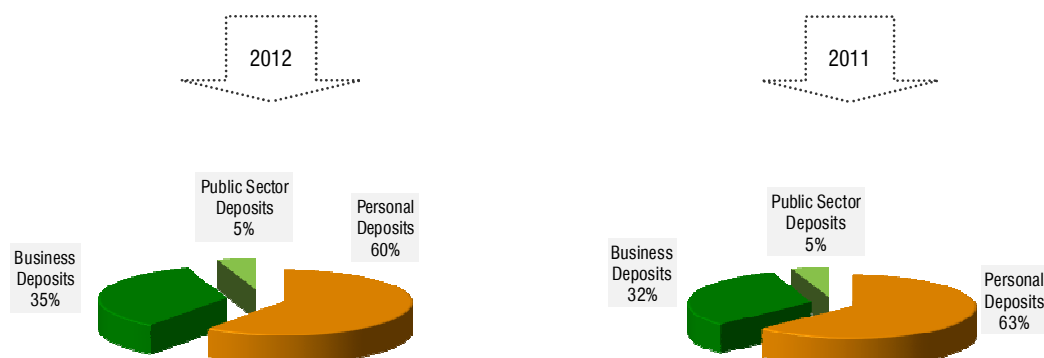
As at 30 June 2012, the statement of financial position shows an increase in deposits from banks (+10.2% y-t-d), reflecting, among other things, the Group's increased activity in the interbank deposit market. On the other hand, a decline was observed in hedging derivatives (-18.5% y-t-d), financial liabilities held for trading (-12.8% y-t-d) and deposits from customers (-1.3% y-t-d).

Deposit Base

Deposits from Customers	Change				
	30.06.2012	31.12.2011	30.06.2011	Y-t-d	Y-o-Y
Deposits from personal customers	28 000,5	27 111,3	25 482,1	3,3%	9,9%
Deposits from business and public sector customers	18 209,4	19 718,2	15 287,5	-7,7%	19,1%
Total	46 209,9	46 829,5	40 769,6	-1,3%	13,3%

Deposits from customers, which represent 77.9% of the Group's total equity and liabilities are the primary source of funding the Group's lending business. As at 30 June 2012, these liabilities amounted to PLN 46,209.9m, decreasing by 1.3% y-t-d and increasing by 13.3% y-o-y.

Structure of Bank Zachodni WBK Group customer deposits as at 30.06.2012 and 30.06.2011

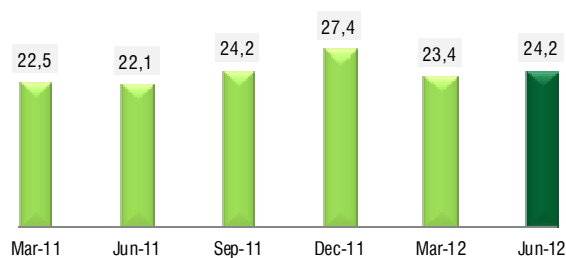


Deposits from personal customers totalled PLN 28,000.5m, up 3.3% y-t-d and 9.9% y-o-y. Compared with 31 December 2011, the biggest growth was observed in current account balances, while term deposits were the main driver versus 30 June 2011. In the reporting period, personal customers were most attracted by 12-month Lokata Swobodnie Zarabiająca (Easy Earning Deposit) and the 6-month Lokata Dynamicznie Zarabiająca (Dynamically Earning Deposit).

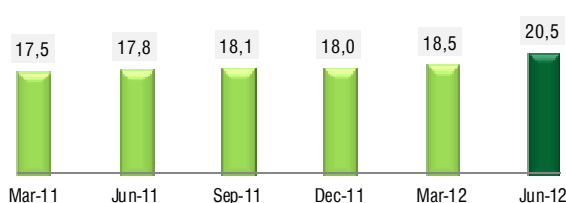
Deposits from business and public sector customers of PLN 18,209.4m decreased by 7.7% y-t-d as several high-value, short-term deposits opened by the bank's corporate customers towards the end of 2011 matured for payment, and the funds were used for the planned delivery of investments. Compared with the end of June 2011, deposits from business customers increased by 19.1%, partly as a result of a high-value funds of a large client placed in a current account and earmarked for specific purposes.

The total amount of deposits from customers included term deposits of PLN 24,203.5m, current accounts of PLN 20,461.5m and other liabilities of PLN 1,544.8m. The last item reflects utilisation of the credit lines from the European Investment Bank for SME funding in the total maximum amount of EUR 200m.

Term Deposits at the End of Consecutive Quarters of 2011 and 2012 (PLN bn)



Current Accounts at the End of Consecutive Quarters of 2011 and 2012 (PLN bn)



3. Financial Ratios

Selected Financial Ratios	30.06.2012	31.12.2011	30.06.2011
Total costs/Total income	45,0%	50,3%	47,8%
Net interest income/Total income	56,2%	54,1%	52,5%
Net interest margin *	4,28%	4,28%	4,31%
Net commission income/Total income	33,4%	35,5%	36,2%
Customer loans/Customer deposits	84,4%	81,2%	85,1%
NPL ratio	5,6%	5,5%	6,7%
NPL coverage ratio	47,8%	49,1%	50,2%
Impairment losses on loans and advances/Average loans and advances	1,1%	1,0%	1,0%
ROE **	19,3%	19,7%	19,5%
Adjusted ROE ***	20,7%	21,2%	19,5%
Adjusted ROA ****	2,3%	2,2%	2,0%
Capital adequacy ratio	15,12%	15,10%	15,76%
Book value per share (in PLN)	105,21	102,40	93,73
Earnings per share (in PLN) *****	9,51	16,21	8,77

* Annualised interest income (including Swap points) to the quarterly average of interest-bearing assets (net of impairment write-down).

** Annualised net profit attributable to the shareholders of BZ WBK (for 4 consecutive quarters) to the quarterly average of equity calculated based on total equity at the end of five consecutive quarters, net of the current period profit, non-controlling interests and dividend due to BZ WBK shareholders.

*** Adjusted ratios as at 30.06.2012 and 31.12.2011 do not include once-off cost adjustments introduced in Q4 2011 as described in "Report of BZ WBK Group for Q4 2011" (Note 1 of consolidated financial statements).

**** Annualised net profit attributable to the shareholders of BZ WBK (for 4 consecutive quarters) to the quarterly average of total assets calculated based on balances as at the end of five consecutive quarters. Adjusted ratios as at 30.06.2012 and 31.12.2011 do not include once-off cost adjustments introduced in Q4 2011.

***** Net profit attributable to the shareholders of BZ WBK for the reporting period divided by the number of ordinary shares.

4. Additional Financial Information

Selected Transactions with Connected Entities

Transactions between the bank and its connected entities are banking operations carried out on the arm's length basis as part of the ordinary business and represent mainly loans, bank accounts, deposits, guarantees and leasing transactions.

As at 30 June 2012, the total value of the bank's exposure on loans to subsidiaries amounted to PLN 2,687.1m compared with PLN 2,482.2m as at 31 December 2011 and PLN 2,252m as at 30 June 2011.

As at 30 June 2012, the deposits held by all the bank's subsidiaries totalled PLN 2,757.4m vs. PLN 974.2m as at 31 December 2011 and PLN 1,304.4m as at 30 June 2011. The deposits of associates and joint ventures amounted to PLN 382m as at 30 June 2012 compared with PLN 392.3m as at 31 December 2011 and PLN 359.3m as at 30 June 2011.

Guarantees to subsidiaries amounted to PLN 328.7m vs. PLN 323.1m as at 31 December 2011 and PLN 307.6m as at 30 June 2011.

These intercompany items have been eliminated from the consolidated accounts.

The bank's receivables from the parent entity (Santander Group) amounted to PLN 204.7m as at 30 June 2012 compared with PLN 81.7m as at 31 December 2011 and PLN 13.2m as at 30 June 2011, while the obligations amounted to PLN 60.5m compared with PLN 0.2m as at 31 December 2011 and PLN 165.8m as at 30 June 2011.

Significant Court Proceedings

As at 30 June 2012, no cases were pending before any court or 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 litigations totalled PLN 206.5m, which is 2.7% of the Group's equity (compared with PLN 242.2m as at 30 June 2011, i.e. 3.5% of the Group's equity). This amount includes PLN 100.9m claimed by the Group (PLN 99.3m in H1 2011), PLN 77.9m in claims against the Group (PLN 131m in H1 2011), and PLN 27.6m (PLN 11.9m in H1 2011) in respect of the Group's receivables on account of bankruptcy or arrangement cases.

In H1 2012, the value of significant completed court proceedings was PLN 125.4m compared with PLN 10m recorded in the corresponding period last year.

Dividend per Share

On 10 May 2012, the Annual General Meeting of Shareholders of Bank Zachodni WBK resolved on allocation of PLN 584.6m of the bank's 2011 net profit for dividend to shareholders. A dividend per share was PLN 8.

Last year, by the decision of the General Meeting held on 20 April 2011, Bank Zachodni WBK paid a dividend from the net profit for 2010 in the same total amount (PLN 584.6m) and with the same value per share (PLN 8).

5. Factors Which May Affect Future Financial Results

The most important factors, which may affect financial results of Bank Zachodni WBK Group in the near future are:

- Deceleration of economic growth in the EU, including Poland's major trading partners, which will weaken the rise in exports and industrial output. Significant slowdown or even fall of the external demand is likely to limit investment activity of Polish enterprises (especially in the case of new investment), which may also reduce demand for corporate loans and other banks' products for businesses.
- Financial problems of the construction sector enterprises may translate into deeper deceleration of the construction output and total investments.
- Further stagnation in the labour market, which will limit wage pressure, negatively affect quality of the credit portfolio in the household segment and drive down the demand for new consumption and mortgage loans.
- Stabilization of interest rates by the MPC, with a possibility of interest rate cut in response to a significant deceleration of economic growth and inflation's return to the NBP target.
- Fluctuations in the costs of funding assets, dependent on the pace and scale of changes of the interest rates, changes of the zloty exchange rate, development of liquidity situation of the banking sector and intensity of price competition between the banks on the deposit market.
- Rise of financial market volatility due to uncertainty regarding debt problems of many economies, worries over the global economy.
- Further developments on the global stock market and its impact on customer willingness to purchase investment funds units or alternatively keep savings in bank deposits.
- Preparing for the merger with Kredyt Bank and facing up to the integration-related challenges.

VI. Risk Management in BZ WBK Group in H1 2012

1. Risk Management Principles in Bank Zachodni WBK Group

General Risk Management Framework

The main objective of risk management in Bank Zachodni WBK Group is to ensure effective and safe operations to support development within the approved risk parameters. Risk management practice is in keeping with the industry benchmark, regulatory guidance and recommendations from supervisory authorities, and covers operational risk, credit risk, market risk and liquidity risk.

Risk management in BZ WBK Group is consistent with the risk profile approved by the Risk Management Committee which corresponds to the general risk appetite defined by the Group. The risk appetite is expressed as defined quantitative limits and captured in "Risk Appetite Statement" approved by the Management Board and Supervisory Board. Stress tests are performed to define the limits in order to ensure a stable position of the bank should the downside scenario materialise. Global limits are used to set watch limits and shape risk management policies.

In order to ensure independence of risk taking units from risk management function, units responsible for risk measurement, monitoring and control have been established as part of the integrated risk management framework. The units operate within the remit defined by the applicable risk management policies that govern the process of identifying, measuring and reporting the risk level and the process of setting limits for individual risks on a regular basis.

Risk Management Structure

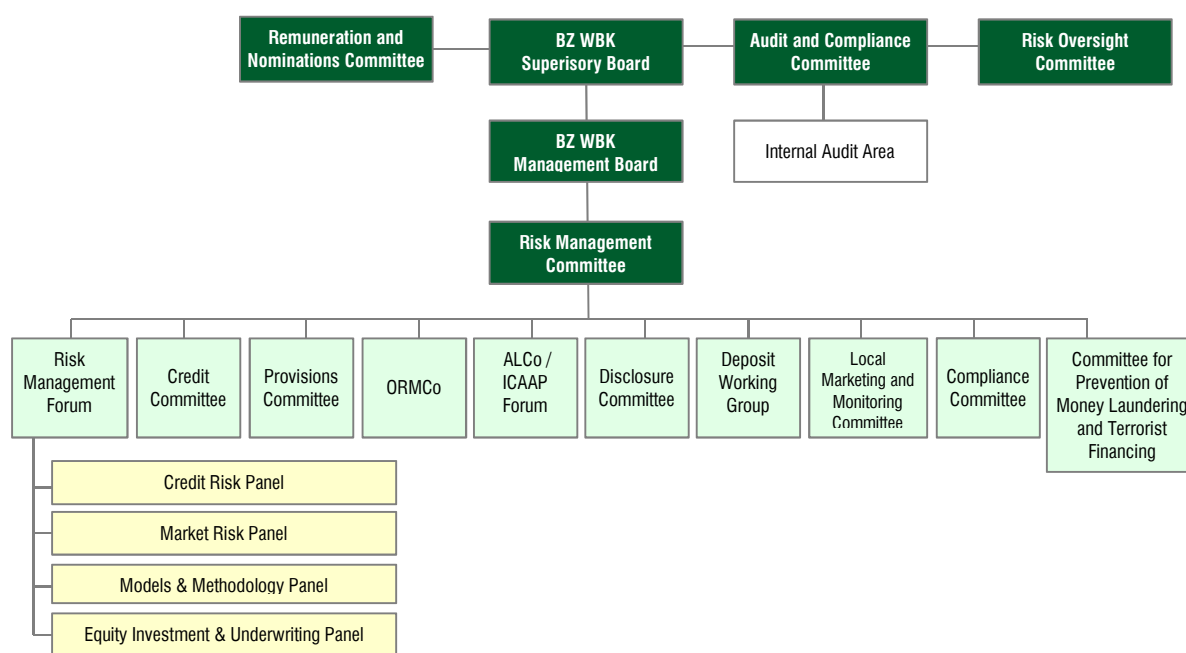
The bank's Management Board is responsible for shaping and implementing an effective risk management structure, compliant with regulatory requirements and in-house regulations. To this end, the Management Board sets up organisational structure commensurate with the risk volume and profile, ensures segregation of risk measurement and control from risk taking units, implements risk management policies and pursues an adequate information policy.

The Management Board performs this role via Risk Management Committee (RMC) which is responsible for setting the Group's risk management strategy, including identification of material risks, definition of risk appetite and development of methodology for identifying, measuring and reporting the risk level.

RMC supervises activities of risk management committees established by the Management Board which are directly accountable for developing risk management methods and monitoring risk levels in specific areas, within the powers vested by the Management Board. They include:

- Risk Management Forum, whose operations are organised within 4 panels of accountabilities: Credit Risk Panel, Market Risk Panel, Models and Methodology Panel, Equity Investment and Underwriting Panel;
- Credit Committee;
- Provisions Committee;
- Operational Risk Management Committee (ORMCo);
- Assets and Liabilities Committee (ALCo);
- Disclosure Committee;
- Deposit Working Group;
- Local Marketing and Monitoring Committee;
- Compliance Committee;
- Anti-Money Laundering and Counter Terrorist Financing Committee.

Risk Management Structure of BZ WBK Group



2. Main Directions in Risk Management of BZ WBK Group in H1 2012

Focus Areas of H1 2012

The bank continuously monitors and analyses its macroeconomic environment so as to respond to any threats and ensure resilience to non-standard factors. The bank develops and pursues a long-term risk management policy, aiming to strike the optimum balance between its business growth and risk taking. It also modifies and expands its risk management and assessment tools, taking into account evolving good practice in the sector as well as regulatory environment.

The bank follows an optimum funding strategy when managing its liquidity. A stable deposit base continues to be the key funding source for credit delivery. A system of limits defined in “Risk Appetite Statement” also adds to the security of the liquidity position.

As part of its credit policy, the bank tracks the quality of its loan book and the effectiveness of rating tools, including scoring models in particular. In addition, market environment is analysed to identify factors that could affect stability and quality of the credit portfolio and to adjust lending processes and policies accordingly. In H1 2012, the bank looked closely at the standing of construction companies involved in infrastructural projects. Credit policy and exposure to the construction industry were reviewed to confirm adequacy of risk rating. At the same time, the bank continued to tighten its FX mortgage lending policy in response to the growing share of FX loans in the Polish banking industry and the increasing FX and interest rate risk.

Changes in the Risk Management Framework in H1 2012

In March 2012, the bank’s organisational structure was changed: Credit Division and Risk Management Division were merged. The integrated Risk Management Division has overall responsibility for consolidated risk management, including credit risk, i.e. management and oversight over credit delivery, definition of credit policy, development of tools to support decision-making and credit risk measurement, control of credit portfolio quality and provision of reliable management information on the loan book.

Until the end of 2011, the Global Banking & Markets Division (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 managing the structural risk attached to the balance sheet, BZ WBK ALCo established two hedging portfolios for 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, which is in line with the Santander Group model. Joined GBM and ALCo portfolios are now part of the banking book managed by ALM based on ALCo strategies and recommendations.

The annual process of determining the banking book and trading book limits as well as updating the Group's market risk appetite is co-ordinated by Financial Risk Department.

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.

In the first half of 2012, two important changes took place in the legal and regulatory risk management of BZ WBK Group. The product approval process was modified so as to align it 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 Monitoring Committee. The financial product approval process (including investment product) now looks at risks from both the bank's and the customer's perspective, which was a major change that improved the reputational risk management. On top of that, the Code of Conduct in Securities Markets was revised. The Code along with operating procedures defines the rules of protecting inside information (and other particularly sensitive information), conflict of interest management, execution, supervision and monitoring of own trades made by employees who might have access to inside information about the bank or the bank's customers who are listed entities.

In addition, in the first half of 2012 the structure of operating risk management committees was modified. The committees responsible for the management of credit, market and model risk as well as Equity Investment & Underwriting Committee are now established as panels within Risk Management Forum. The responsibilities of the committees are basically unchanged except for Risk Management Panel which is aligned with the new market risk management structure.

Except for the changes mentioned above, the framework of credit, liquidity, operational, legal and regulatory risks and capital management in Bank Zachodni WBK Group is substantially the same as in the previous year. It is discussed in detail in the annual report of Bank Zachodni WBK Group for 2011.

VII. Governing Bodies

General Meeting of Shareholders

The Annual General Meeting of Shareholders of Bank Zachodni WBK held on 10 May 2012 (AGM) approved the 2011 financial statements submitted by the Management Board and the Supervisory Board, granted discharge to the Management and Supervisory Board members for the performance of their duties in the previous year, appointed a new member of the Supervisory Board, determined the overall rules of variable remuneration to the Group's management and resolved on distribution of the net profit and dividend payment of PLN 8 per share. The AGM also adopted a resolution increasing the bank's share capital through an issue of ordinary series I bearer shares without the pre-emptive right for the existing shareholders. The AGM approved the relevant changes in the bank's Statutes and the actions needed to admit the new shares to the main market of the Warsaw Stock Exchange.

Supervisory Board

As at 30 June 2012, compared to 31 December 2011 and 30 June 2011, the composition of the Bank Zachodni WBK Supervisory Board was as follows:

Role in the Supervisory Board		Composition as at 30.06.2012		Composition as at 31.12.2011		Composition as at 30.06.2011
Chairman of the Supervisory Board:	1.	Gerry Byrne	1.	Gerry Byrne	1.	Gerry Byrne
Vice-Chairman of the Supervisory Board:	2.	Jose Manuel Varela	2.	Jose Manuel Varela	2.	Jose Manuel Varela
	3.	Jose Antonio Alvarez	3.	Jose Antonio Alvarez	3.	Jose Antonio Alvarez
	4.	Witold Jurcewicz	4.	Witold Jurcewicz	4.	Witold Jurcewicz
Members of the Supervisory Board:	5.	Jose Luis de Mora	5.	Jose Luis de Mora	5.	Jose Luis de Mora
	-	-	6.	Piotr Partyga	6.	Piotr Partyga
	6.	John Power	7.	John Power	7.	John Power
	7.	Jerzy Surma	-	-	-	-

On 10 May 2012, the AGM appointed Jerzy Surma as Member of the Supervisory Board of Bank Zachodni WBK. At the same time, Piotr Partyga resigned as Supervisory Board Member following his appointment to the bank's Management Board of the new term of office. The other Members of the Supervisory Board of Bank Zachodni WBK were appointed on 20 April 2011 for the next joint three-year term of office.

As at 30 June 2012, the following members of the Supervisory Board held an independent status: Witold Jurcewicz, John Power and Jerzy Surma.

Management Board

The table below presents the composition of Bank Zachodni WBK Management Board as at 30 June 2012 together with the roles and responsibilities of its members. The membership of the Management Board is also presented as at 31 December 2011 and 30 June 2011.

Role in the Management Board	Ref.	Composition as at 30.06.2012	Reporting Areas as at 30.06.2012	Ref.	Composition as at 31.12.2011	Ref.	Composition as at 30.06.2011
President of the Board:	1.	Mateusz Morawiecki	Units reporting directly to President: Internal Audit Area, Corporate Communications & Marketing Area	1.	Mateusz Morawiecki	1.	Mateusz Morawiecki
Members of the Board:	2.	Andrzej Burliga	Risk Management Division	2.	Andrzej Burliga	2.	Andrzej Burliga
	3.	Eamonn Crowley	Finance Division	3.	Eamonn Crowley	3.	Paul Barry
	-	-	-	4.	Justyn Konieczny	4.	Justyn Konieczny
	4.	Michael McCarthy	Business and Corporate Banking Division	5.	Michael McCarthy	5.	Michael McCarthy
	5.	Piotr Partyga	Human Resources Management Division	6.	Janusz Krawczyk	6.	Janusz Krawczyk
	6.	Juan de Porras Aguirre	Global Banking & Markets Division	7.	Juan de Porras Aguirre	-	-
	7.	Marcin Prell	Legal and Compliance Division	8.	Marcin Prell	7.	Marcin Prell
	8.	Miroslaw Skiba	Retail Banking Division	9.	Miroslaw Skiba	8.	Miroslaw Skiba
	9.	Feliks Szyszkowski	Business Support Division	10.	Feliks Szyszkowski	9.	Feliks Szyszkowski

Over the 12 months ended 30 June 2012, the following changes took place in the composition of the Management Board of Bank Zachodni WBK:

- Paul Barry, heading the Finance Division, resigned as Management Board Member on 3 June 2011, effective from 31 July 2011. On 1 September he was succeeded by Eamonn Crowley, who was appointed by the bank's Supervisory Board on 24 August 2011.
- On 24 August 2011, effective from 1 September 2011, the Supervisory Board appointed Juan de Porras Aguirre as Management Board Member responsible for the establishment and management of the Global Banking & Markets Division.
- On 8 May 2012, the bank released a public statement that the Management Board Members, i.e. Justyn Konieczny (in charge of former Investment Banking) and Janusz Krawczyk decided not to apply for re-election to the Management Board of new term starting on 10 May 2012.
- On 10 May 2012, the Supervisory Board of Bank Zachodni WBK appointed for a new term of office all the applying members of the previous Management Board along with Piotr Partyga who took over from Janusz Krawczyk as the Head of HR Management Division.

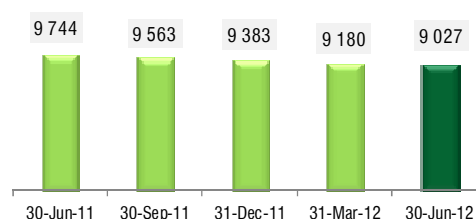
VIII. Additional Information

Human Resources

FTEs	30.06.2012	31.12.2011	30.06.2011
BZ WBK	8 399	8 726	9 058
BZ WBK Group	9 027	9 383	9 744

- As at 30 June 2012, the employment level in Bank Zachodni WBK Group was 9,027 FTEs, which is 356 FTEs less than in December 2011. The decrease is an effect of unfilled vacancies that arose as a result of natural personnel movements and the consistent optimisation of back-office functions in the Branch Network and selected structures of Business Support Centre (Headoffice). On a year-on-year basis, the number of FTEs in the Group decreased by 717.

Employment in BZ WBK Group in the period from 30.06.2011 to 30.06.2012



- In H1 2012, the bank continued its development programmes for the Branch Banking at all key management levels. Also, development initiatives were carried out for the senior management and executives of the Business Support Centre. The programmes were delivered both using in-house resources (management development trainers, partners, business experts, assessors and mentors) and external training providers.
- The training projects delivered in H1 2012 focused on development of sales and credit skills, knowledge of insurance products as well as security, compliance and ethical awareness among the bank's staff. In the year to July, training was provided to 7,369 persons in total.
- In June 2012, the bank was awarded for the fifth time in the HR Management Leader competition organised by the Institute for Labour and Social Affairs. The bank received Amber Statuette in recognition of the HR Management Division's cooperation with the business.

Performance Share Programme

In the first half of 2012, Bank Zachodni WBK Group continued the three-year Incentive Scheme 4 based on the resolution of the General Meeting of Shareholders of 20 April 2011 under the Performance Share Programme designed to attract, motivate and retain the best managers in the market. The highly-skilled managers are to enable the Group's further dynamic growth, high competitiveness and financial performance in the long-term, and consequently increase the shareholder value. On 22 June 2011, the list of 496 Programme participants recommended by the Management Board was approved by the Supervisory Board. Having executed an agreement with the bank, the participants will be eligible to subscribe for and acquire a defined number of shares at the nominal value (PLN 10) provided that specific economic criteria are met. Under the 4th edition of the Incentive Scheme, similarly to previous editions, the shares' vesting and the value of the award depend on the bank's performance in the years 2011–2013. The vesting right will be separately assessed for each year of the Programme. Both the total award and the shares acquired in the individual years will be allocated to the Programme participants at the end of the Incentive Scheme. To exercise the rights, the bank will issue up to 400,000 of incentive shares.

Shares in Possession of the Supervisory and Management Board Members

As at the publication date of H1 2012 Report of Bank Zachodni WBK Group and H1 2011 Report and Annual Report for 2011, none of the members of the Supervisory Board held any shares of Bank Zachodni WBK.

Under the 1st BZWBK Performance Share Programme launched in 2006, members of the Management Board were allocated 23,084 out of 115,729 of H series shares issued as part of the conditional increase of the share capital. Due to the expiry of the 2nd and 3rd Incentive Scheme in 2010 and 2011 respectively, under which no rights were exercised, the Management Board members have conditional rights to acquire shares under the Incentive Scheme 4. The table below shows the number of the BZ WBK shares and the conditional share entitlements held by the Management Board Members as at the publication date of half-yearly and yearly reports for the periods ended 30 June 2012, 31 December 2011 and 30 June 2011.

Shares and conditional share entitlements held by Management Board Members as at the publication date of reports for periods ended 30.06.2012, 31.12.2011 and 30.06.2011

Management Board Members	30.06.2012		31.12.2011		30.06.2011	
	No. of BZ WBK shares	Rights	No. of BZ WBK shares	Rights	No. of BZ WBK shares	Rights
Mateusz Morawiecki	3 591	10 120	3 591	10 120	3 591	10 120
Paul Barry *					-	-
Andrzej Burliga	1 606	4 282	1 606	4 282	1 606	4 282
Eamonn Crowley **	-	4 003	-	4 003		
Justyn Konieczny			3 591	5 283	3 591	5 283
Janusz Krawczyk ***			3 397	3 854	3 397	3 854
Michael McCarthy	-	4 875	-	4 875	-	4 875
Piotr Partyga ****	-	2 855				
Juan de Porras Aguirre **	-	-	-	-		
Marcin Prell	2 530	3 704	2 530	3 704	2 530	3 704
Mirosław Skiba	1 575	4 282	1 575	4 282	1 575	4 282
Feliks Szyszkowiak	3 438	4 449	3 438	4 449	3 438	4 449
Razem	12 740	38 570	19 728	44 852	19 728	40 849

* Paul Barry resigned as BZ WBK Management Board Member on 3 June 2011, effective from 31 July 2011.

** Eamonn Crowley and Juan de Porras Aguirre were appointed as BZ WBK Management Board Members on 24 August 2011, effective from 1 September 2011.

*** Justyn Konieczny and Janusz Krawczyk decided not to apply for re-election to BZ WBK Management Board on 10 May 2012.

**** Piotr Partyga was appointed as BZ WBK Management Board Member for a new term of office on 10 May 2012.

Selection of Auditor

In accordance with §32 point 10 of the Statutes of Bank Zachodni WBK, applicable regulations and the industry practice, on 10 May 2012 the bank's Supervisory Board passed a resolution appointing Deloitte Audyt Sp. z o.o. as an auditor to review and audit the bank's stand-alone and the Group's consolidated financial statements for H1 2012 and for 2012.

In effect, on 10 May 2012, Bank Zachodni WBK S.A. entered into agreements with Deloitte Audyt Sp. z o.o. for a review of the financial statements and an audit of the consolidation pack.

The auditor also reviewed and audited the financial statements of Bank Zachodni WBK and its Group for the previous year.

The bank contracted Deloitte Audyt Sp. z o.o. and other companies from Deloitte Group for consulting and tax advisory services. In the bank's view, the above services do not affect impartiality or independence of the auditor.

IX. Representations of the Management Board

True and Fair Presentation of the Financial Statements

According to the Management Board's best knowledge and belief, the financial figures and the comparable data presented in the Interim Report 2012 of Bank Zachodni WBK Group were prepared in keeping with the applicable accounting policies and give a true and fair view of the state of affairs and earnings of Bank Zachodni WBK and its Group. The Management Board's Report contained in this document shows a true picture of the Group's development, achievements and position (including the underlying risks) in the first half of 2012.

Selection of Auditor

The auditing firm responsible for reviewing the interim financial statements of the Bank and its Group was selected in compliance with the applicable legislation. The auditing firm and its auditors satisfied the necessary conditions to ensure they provide an unbiased and independent report compliant with Polish law and the professional standards.

Signatures of the Management Board Members			
Date	Name	Function	Signature
24.07.2012	Mateusz Morawiecki	President of the Board	
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	Miroslaw Skiba	Member	
24.07.2012	Feliks Szyszkowiak	Member	