Poland
Credit Analysis

Bank Zachodni WBK S.A.

Ratings

Bank Zachodni WBK S.A.
Foreign Currency

Long-Term IDR*	A+
Short-Term IDR*	F1
Outlook	Stable
Individual	C
Support	1

Sovereign Risk

Foreign Long-Term IDR*	A-
Local Long-Term IDR*	A
Outlook	Positive
Country Ceiling	AA-

* IDR – Issuer Default Rating

Financial Data

Bank Zachodni WBK S.A.

	31 Mar 07	31 Dec 06
Total Assets (USDbn)	12.1	11.4
Total Assets (PLNm)	35,281	33,042
Equity (PLNm)	4,327	4,077
Operating Profit (PLNm)	366	1,056
Published Net Income (PLNm)	293	844
Operating ROAA (%)	4.3	3.4
Operating ROAE (%)	34.9	28.1
Internal Capital Generation (%)	27.3	17.7
Eligible Capital/ Weighted Risks (%)	14.4	14.3
Tier 1 Ratio (%)	13.9	15.5

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Rating Rationale

- The Long and Short-Term Issuer Default Ratings of Bank Zachodni WBK (BZ WBK) are based on the potential support available from its 70.5% shareholder, Allied Irish Banks, p.l.c. (AIB; 'AA-'/'F1+'). BZ WBK's Individual Rating takes into account strong capitalisation and internal capital generation, prudent risk management and improving asset quality. The rating also reflects the difficult operating environment compared with more developed markets.
- BZ WBK is achieving a good return on equity despite its strong capitalisation due to healthy margins, effective cost control, and low provisioning charges. Rapid growth in fee and commission income has been supported by strong contributions from brokerage (+61% yoy in Q107) in and asset management (+113%).
- Loan growth has been accelerating, reaching 27% yoy in Q107. Although retail loans are outgrowing corporate loans, the portfolio remains 67% corporate. BZ WBK has chosen to restrict foreign currency retail lending and leasing, which has required it to sacrifice some growth opportunities.
- BZ WBK is taking on more credit risk in retail, with new cash loan products and higher loan-to-value ratio mortgages. However, Fitch believes the bank has moved cautiously into these higher-risk areas.
- Asset quality continues to improve, with impaired loans falling to a below-sector-average 4.1% of end-Q107 lending (end-2006: 6.9%), while reserve coverage rose to 64% (81% including IBNR provisions) (end-2006: 61% and 73%). The bank plans to adopt an internal ratings-based approach to credit risk on 1 January 2008.
- Market risk limits are relatively low; proprietary trading represented only 3% of revenues in 2006.
- Liquidity is strong, with 37% of end-2006 assets in cash, interbank loans, and government securities. Despite the lengthening maturity profile of the loan portfolio, the bank makes limited use of long-term funding (1.9% of end-Q107 non-equity funding).
- Capitalisation is strong, with a (pre-dividend) eligible capital ratio of 14.4% at end-Q107, although management expects capitalisation gradually to decline. The 2006 dividend payout ratio is 52%.

Support

- In Fitch Ratings' opinion, there is an extremely high probability that AIB would provide support for BZ WBK, should it be required.

Rating Outlook and Key Rating Drivers

- Downside risk to the Long-Term Rating could result from a weakening of AIB's ability or propensity to provide support, which Fitch considers unlikely.
- The bank's Individual Rating could be upgraded if growth continues to be prudently managed and capitalisation remains strong.

Profile

- BZ WBK is Poland's seventh-largest bank, with 377 branches and a 5% share of sector assets. Core activities are retail and corporate banking, but the proportion of SME lending is increasing, supported by leasing, asset management, and brokerage subsidiaries, and a 10% participation in Poland's largest pension fund.

4 July 2007

Profile

- **Focus shifting from corporate to SME and retail**
- **Significant input from AIB**
- **Highly successful asset management and brokerage subsidiaries**
- **Strongest bank in western Poland**

Both WBK and BZ were spun off from the National Bank of Poland in 1989 as regional banks for the Poznan and Wrocław regions, respectively. WBK was privatised in 1993; AIB has built up its stake in the bank gradually, gaining control in 1997. BZ was only privatised in 1999. The merger of the two banks in 2001 created the fifth-largest bank in Poland.

Under AIB ownership, BZ WBK has been restructured. Some branches have been closed, but the overall network size is being expanded, with the goal of increasing the bank's presence outside of Poznan and Wroclaw. Efficiency measures include encouraging the use of alternative distribution channels for standard transactions (GSM, SMS, telephone and internet) and the elimination of back-office positions through IT investments. BZ WBK's risk profile was significantly reduced (see *Risk Management*) and the bank is now one of the more conservatively managed in Poland.

BZ WBK remains a largely corporate bank, despite increasing its retail and SME side. Large and midsize corporates are served by five corporate centres. The bank aims to remain active mainly in the mid-corporates segment, as the margins on large corporates are currently unattractive.

The bank provides some services via subsidiaries, including factoring (BZWBK Faktor, 100%-owned) brokerage (Dom Maklerski BZWBK, 99.99%-owned), leasing (BZWBK Finanse & Leasing, and BZWBK Leasing, both 99.99%-held), and asset management and mutual fund subsidiaries (BZ WBK AIB Asset Management, with BZ WBK and AIB each having a 50% stake, and BZ WBK TFI, 100%-held by BZ WBK Asset Management).

BZ WBK's investment banking division manages the bank's equity stakes. These investments are dominated by 10% stakes in Aviva's Polish pension fund (the largest in the country), and its Polish life and non-life assurance subsidiaries. At end-2006 BZWBK revised the valuation of its stakes in these companies, which are classified as 'available for sale'. The valuation was increased by PLN354m, from PLN196m to PLN550m. The increase in value was recognised, net of deferred tax, in the revaluation reserve.

At end-March 2007, the bank operated 377 branches and the group had 8,056 staff. It has major plans for expansion, including 250 new branches (including 50 in 2007), 100 'minibank' franchise outlets by end-2007 (payment offices, which may later offer simple loan products), and two corporate banking centres. Cooperation with third-party cash loan distributors will also be expanded. Through these initiatives, BZ WBK aims to increase its 6% market share to 10% in the next few years. The bank also aims to grow insurance sales significantly, which would help to diversify revenues.

BZW BK has an eight-person supervisory board, with five independent members, including the chairman of the board and the chairman of the audit committee. BZW BK is in full compliance with Poland's voluntary corporate governance code, which is based on OECD principles. Due to its parent's NYSE listing, BZ WBK is indirectly subject to the Sarbanes-Oxley Act.

BZ WBK is 70.5%-owned by AIB, with the balance widely held. BZ WBK shares are quoted on the Warsaw Stock Exchange. AIB's role in BZ WBK's development has been strong to date and it remains closely involved in the day-to-day running of the merged business, having two representatives on the nine-member management board and two on the eight-member supervisory board.

AIB is one of the largest banks in Ireland, with EUR8.6bn of equity at end-2006. BZ WBK represented 6% of AIB's assets and generated 13% of the group's pre-tax profit in 2006.

Presentation of Accounts: BZ WBK produces consolidated IFRS quarterly accounts. Audited accounts are produced semi-annually. The bank took advantage of allowed exemptions for first-time application of IFRS. As a result, IFRS standards 3, 5, 32 and 39 were not applied to the restated 2004 figures.

Performance

- **Profitability improves in 2006 and Q107**
- **Growth in fees and commissions from mutual funds and brokerage resilient despite market volatility**
- **Loan growth accelerating**

Polish GDP expanded by 6.1% in 2006. Quarterly GDP has been on an accelerating trend, with preliminary Q107 GDP expanding by 7.4%, compared with 5.2% growth in Q106. Growth came from a broader base in 2006, with strengthening domestic consumption (up 6.6% yoy) and investment (up 16.5% yoy) reducing Poland's reliance on net

Performance

	BZ WBK ('C')		ING BSK ('C/D')		Pekao ('B/C')		Millennium ('C/D')	
(%)	2006	2005	2006	2005	2006	2005	2006	2005
Total assets (PLNbn)	33.0	29.3	48.5	42.1	67.7	62.0	23.4	22.2
Total equity (PLNbn)	4.1	3.4	3.8	3.6	8.9	8.4	2.3	2.0
Loans/assets	53.3	48.5	26.8	23.5	48.4	46.7	60.5	43.3
Operating ROE	28.1	21.3	20.4	20.3	25.5	22.8	15.7	12.3
Operating ROA	3.4	2.4	1.7	1.8	3.4	3.1	1.5	1.3
Cost/assets	4.3	4.2	2.8	3.0	3.8	4.2	3.8	3.7
Net interest margin	3.8	3.7	2.2	2.0	4.1	4.3	3.0	2.5
Loan impairment charge/ gross loans	0.2	0.4	-1.5	-1.0	0.4	0.7	0.3	0.0

Source: Bank data adapted by Fitch

external demand as a growth driver. Fitch expects GDP growth of 6.1% in 2007 and 5.5% in 2008.

The combination of healthy GDP growth and low inflation led the Monetary Policy Council of the National Bank of Poland (NBP) to reduce the base interest rate to a historical low of 4.0% in 2006. In April 2007, following growing inflationary pressures and in line with market expectations, the base rate was hiked by 25bp; a further 25bp increase came in June. Fitch believes that a moderate increase in interest rates would support banks' margins, as it should have a positive impact on deposit margins and is likely to have only a limited impact on demand for credit.

Like its peers, BZ WBK saw its profitability continue to strengthen in 2006 and Q107. The net interest margin held steady as the asset mix improved, while booming asset management and brokerage businesses have boosted earnings and increased revenue diversification. Fees from asset management (up 113% yoy) and brokerage (up 61% yoy) represented 55% of Q107 fee and commission income and 26% of total revenues. Personnel cost growth increased to 18% yoy as the bank increased headcount and accrued performance bonuses; spending on marketing (+30% yoy) and IT (+24% yoy) also increased rapidly. Nonetheless, with rapid revenue growth, the bank's cost/income ratio continued to fall. The cost/assets ratio is rising and is higher than at peers, but this is more than offset by higher revenue generation.

Other operating income, which accounted for 11% of revenues in Q107, consists mostly of FX income from client-driven activities. Approximately 22% of other operating income in 2006 (3% of revenues) came from proprietary trading activities.

Conservative lending policies, improved credit risk management, and a benign environment have kept credit costs low in recent years. Provision charges fell sharply to 0.2% of gross loans in 2006 (2.6% of pre-impairment operating profit), and the bank had significant recoveries in Q107.

Prospects: BZ WBK is well placed to benefit from continued strong economic growth due to its strong market position in western Poland, an expanding retail and SME business, a good funding base, and strong liquidity. Profitability may peak in 2007 given significant investment outlays and credit costs which are already close to zero; however if dividend payout ratios remain at current levels, capitalisation should decline only gradually.

Although the bank is taking on increasing risk in certain areas, through significant expansion, the introduction of higher-risk cash loan products, and increasing involvement of third-party distributors, Fitch believes that the bank's strong track record demonstrates its ability to manage risk prudently while competing successfully with larger players in the market.

■ Risk Management

- **Credit risk dominates**
- **NPL ratio continues to decline while reserve coverage increases**
- **Market risk carefully monitored and low**

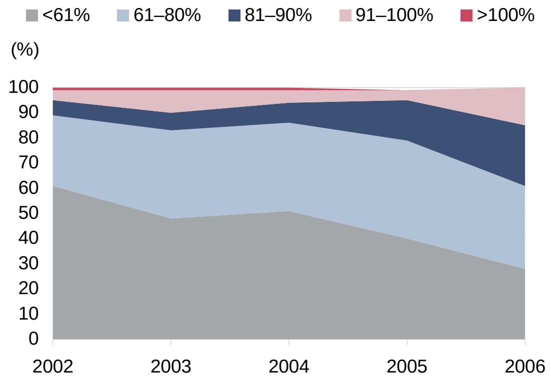
BZ WBK's risk appetite is below average and subject to close oversight by AIB. Risk exposures are tightly controlled through limits and monitoring systems. Preparation for Basel II is being performed alongside the parent, and BZ WBK intends to conform to AIB group standards. AIB will adopt the foundation internal ratings-based (IRB) approach for credit risk on 1 January 2008. For operational risk, it plans to adopt the standardised approach. BZ WBK follows the internal audit policies established by its parent.

Credit Risk: AIB has been, and remains, instrumental in developing the bank's credit processes, and has taken a prudent approach towards new lending, both to corporates and to retail, particularly with regard to FX retail lending. BZ

WBK's credit risk management remains in the hands of AIB senior staff, with little turnover in recent years.

Corporate loans up to PLN15m are approved at one of the five corporate centres. Larger exposures are decided by the central credit committee, and exposures over PLN100m are also reviewed by AIB. The bank intends to lengthen the average maturity of its corporate loans, which would increase the risk profile, but it also intends to increase the share of secured loans.

Mortgage Loan to Value Ratios



Source: BZ WBK

All retail decisions are fully centralised at the retail credit centre. The bank has scoring systems in place for loans up to PLN1m. Scoring models for credit cards and personal loans were introduced in 2003, while mortgage and SME scorecards were introduced in mid-2005. Retail and SME models have been strengthened with the introduction of behavioural scoring. Owing to increased confidence in its scoring models, the bank has been able to relax some credit-granting procedures and increase automation, e.g. since 2005, decisions on cash loans and some SME loans are made within 24 hours of receiving documentation. Basel II compliant credit grading for nearly all loans was completed in 2006.

Loan growth reached 27% yoy in Q107, with faster growth in retail. Growth in mortgages (14% of end-Q107 lending) was 32% yoy, helped by increased demand for PLN mortgages. Mindful of reputation and credit risks, BZ WBK chose to discontinue highly popular FX mortgage-lending products in 2001 (although they still represent 20% of end-Q107 mortgages, mostly denominated in Swiss francs), and as a result, has forgone a significant growth opportunity. Cash loans (5.5% of end-Q107 lending) were up 49% yoy after nearly doubling in 2005, helped by the introduction of mobile and agency sales. Leasing continues to be a strong performer, up 23% yoy at end-Q107. Vehicles represented 76% of leased assets, with the remainder equipment leases.

BZ WBK's loan book was 52% corporate, 15% SME, 23% retail, and 10% leasing (leasing is mostly with corporate and SME customers of the bank) at end-Q107. Sector reviews are performed quarterly; individual sectors are limited to 30% of total lending. The corporate loan book had some industry concentrations at end-2006, with real estate accounting for the largest portion (20%), followed by manufacturing (15%), and distribution (11%). Concentration by borrower is relatively low given the corporate nature of the bank, with the 10 largest exposures equal to 60% of equity at end-2006 (top five: 40%), all of which were risk grade 1 or 2 on BZ WBK's 12-grade internal rating system. The bank's large exposure limit is PLN300m, about half the regulatory limit. Although BZ WBK is fairly conservative with respect to granting FX-denominated loans (corporates must have FX inflows), a high share of corporate loans (29% at end-2006) is still FX-denominated, primarily in euros. The bank has managed to diversify its loan book away from its home regions; 27% of exposures are now in Warsaw.

The nominal amount as well as the share of impaired loans in total lending, is declining at BZ WBK, but as with all banks in Poland it remains fairly high compared with other EU markets. The robust macro-economic environment in 2004-2007 has strengthened weaker credits. As a result, the bank's reported asset quality ratios have improved steadily, with impaired lending falling to 4.1% of end-Q107 loans (end-Q106: 6.2%). Reserve coverage of impaired lending fell slightly, to a still-adequate 64.0% at end-Q107 (end-Q106: 67.4%). Strong capitalisation (see *Funding and Capital*) provides additional security. Asset quality of newer products appears good, with only 3.3% of cash loans and 1.7% of mortgages impaired at end-Q107.

Market Risk: While BZ WBK does carry out proprietary trading operations as part of its treasury activities, its appetite for market risk can be described as conservative. Following the Allfirst case in the US, AIB reduced BZ WBK's trading limits, which remain relatively low. A new IT system for the treasury department, which is consistent with AIB standards, was implemented in Q405.

Market risk exposures are independently monitored and reviewed against limits by the treasury risk department. The bank's exposure to interest rate risk is measured through GAP, a static basis point value (BPV) and a VaR analysis. BZ WBK employs relatively tight stop-loss limits. The PLN38m 'probable maximum loss' (PML) interest rate VaR limit (based on a conservative three-year observation period, a 99% confidence interval and a one-month holding period) represented only 0.9% of end-2006 equity and was on average 37% and at maximum 57% utilised in 2006. A new platform for BPV analysis developed by AIB was adopted in January 2007; it showed a EUR8.9m gain from a 100bp parallel decline in the yield curve at end-Q107.

FX risk is limited through a PLN1.9m VaR limit (based on a three-year observation period, a 99% confidence interval and a two-week holding period, which Fitch considers conservative), representing less than 1% of end-2006 equity and was on average 16% and at maximum 56% utilised in 2006.

Operational Risk: BZ WBK intends to adopt the standardised approach to operational risk measurement. The bank's operational risk database includes five years of detailed data, with a few additional years of partial data. Self assessments are performed quarterly and key risk indicators are evaluated semi-annually. The operational risk function is present in all branches and head office units.

An independent review of the bank was performed in 2006 for the benefit of the bank's insurance underwriters. The review covered internal audit, risk management, fraud prevention and control, and compliance, and included the brokerage subsidiary. The review found practices at BZ WBK to be comparable with those at AIB and to general best practices of Western European banks.

■ Funding and Capital

- **Solid deposit base in home regions**
- **Limited use of long-term funding**
- **Good liquidity and strong capitalisation**

Deposits represented 84% of end-Q107 non-equity funding. Polish deposit growth strengthened in 2006, despite the booming asset management business, and BZ WBK increased deposits 21% in the 12 months to end-Q107. Falling interest rates in 2006 encouraged a shift to current accounts, which represented 49% of end-2006 deposits. BZ WBK's funding base is relatively stable, due to the bank's sound retail deposit base in its home regions (52% of total deposits were retail at end-2006). Concentration is limited, with the top 20 depositors representing only 3.6% of end-2006 deposits. The bank and the leasing subsidiary have made limited use of bond financing, equal to 1.9% of end-Q107 non-equity funding. Bonds are Polish zloty-denominated, mostly fixed-rate and have maturities of up to three years. The bank is a net lender on the interbank market.

BZ WBK has invested excess funds in government securities (23% of end-2006 assets). Although deposits nominally have a maturity of up to three months, they have proven to be fairly resilient and stable. A liquidity policy has been implemented based on daily gap analysis; the bank has contingency plans in place for critical situations, and would be highly likely to receive liquidity support from its parent in case of need.

Risk-weighted assets are growing rapidly, however the bank has very strong internal capital generation, and the Fitch eligible capital ratio remains a strong 14.4% (16.6% including revaluation reserves) at end-Q107. The dividend payout ratio for 2006 was 52%, down from nearly 100% in 2005. Fitch expects accelerating loan growth, combined with high payout ratios, to result in declining solvency even if the strong profitability continues.

BZ WBK's Tier 1 ratio was 13.9% at end-Q107 (end-2005: 16.1%). AIB has stated that it would not want BZ WBK's Tier 1 capital adequacy ratio to fall to less than 10%, a level Fitch would consider adequate.

Balance Sheet Analysis

BANK ZACHODNI WBK S.A.

	31 Mar 2007				31 Dec 2006		31 Dec 2005		31 Dec 2004	
	3 Months - 1st Quarter USDm Original	3 Months - 1st Quarter PLNm Original	As % of Assets Original	Average PLNm Original	Year End PLNm Original	As % of Assets Original	Year End PLNm Original	As % of Assets Original	Year End PLNm Restated	As % of Assets Restated
A. LOANS										
1. Private	n.a.	n.a.	-	n.a.	4,239	12.8	3,315	11.3	2,924	10.6
2. Corporate	n.a.	n.a.	-	n.a.	12,046	36.5	9,622	32.8	9,868	35.8
3. Government	n.a.	n.a.	-	n.a.	222	0.7	343	1.2	467	1.7
4. Other	6,665	19,368	54.9	10,565	1,762	5.3	1,656	5.7	1,446	5.2
5. Loan Impairment	222	645	1.8	646	646	2.0	727	2.5	627	2.3
TOTAL A	**6,443**	**18,723**	**53.1**	**18,173**	**17,623**	**53.3**	**14,210**	**48.5**	**14,077**	**51.1**
B. OTHER EARNING ASSETS										
1. Loans and Advances to Banks	1,523	4,425	12.5	3,790	3,155	9.5	3,608	12.3	2,800	10.2
2. Government Securities	n.a.	n.a.	-	n.a.	7,543	22.8	8,553	29.2	6,572	23.9
3. Trading Assets	148	430	1.2	243	57	0.2	1	0.0	16	0.1
4. Derivatives	116	338	1.0	367	396	1.2	444	1.5	869	3.2
5. Other Securities and Investments	2,949	8,570	24.3	4,584	599	1.8	115	0.4	140	0.5
6. Equity Investments	12	36	0.1	336	636	1.9	321	1.1	328	1.2
TOTAL B	**4,748**	**13,798**	**39.1**	**13,091**	**12,384**	**37.5**	**13,041**	**44.5**	**10,724**	**38.9**
C. TOTAL EARNING ASSETS (A+B)	**11,192**	**32,521**	**92.2**	**31,264**	**30,007**	**90.8**	**27,251**	**93.0**	**24,802**	**90.0**
D. TANGIBLE FIXED ASSETS	**167**	**485**	**1.4**	**489**	**494**	**1.5**	**519**	**1.8**	**593**	**2.2**
E. NON-EARNING ASSETS										
1. Cash and Due from Banks	376	1,093	3.1	1,314	1,535	4.6	572	2.0	1,200	4.4
2. Other	407	1,182	3.4	1,094	1,006	3.0	969	3.3	951	3.5
F. TOTAL ASSETS	**12,142**	**35,281**	**100.0**	**34,161**	**33,042**	**100.0**	**29,311**	**100.0**	**27,546**	**100.0**
G. DEPOSITS & MONEY MARKET FUNDING										
1. Due to Customers - Current	8,527	24,778	70.2	18,568	12,358	37.4	9,862	33.6	7,690	27.9
2. Due to Customers - Savings	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Due to Customers - Term	n.a.	n.a.	-	n.a.	11,811	35.7	10,977	37.5	11,942	43.4
4. Deposits with Banks	1,275	3,704	10.5	2,788	1,873	5.7	2,334	8.0	1,325	4.8
TOTAL G	**9,802**	**28,482**	**80.7**	**27,262**	**26,042**	**78.8**	**23,173**	**79.1**	**20,956**	**76.1**
H. OTHER LIABILITIES										
1. Derivatives	79	231	0.7	240	249	0.8	286	1.0	805	2.9
TOTAL H	**79**	**231**	**0.7**	**240**	**249**	**0.8**	**286**	**1.0**	**805**	**2.9**
I. OTHER FUNDING										
1. Long-term Borrowing	232	674	1.9	1,075	1,476	4.5	1,198	4.1	1,595	5.8
2. Subordinated Debt	0	0	0.0	0	0	0.0	0	0.0	0	0.0
TOTAL I	**232**	**674**	**1.9**	**1,075**	**1,476**	**4.5**	**1,198**	**4.1**	**1,595**	**5.8**
J. NON-INTEREST BEARING	**539**	**1,567**	**4.4**	**1,382**	**1,197**	**3.6**	**1,217**	**4.2**	**1,139**	**4.1**
K. HYBRID CAPITAL										
1. Hybrid capital accounted for as equity	0	0	0.0	0	0	0.0	0	0.0	0	0.0
2. Hybrid Capital accounted for as debt	0	0	0.0	0	0	0.0	0	0.0	0	0.0
L. TOTAL LIABILITIES	**10,652**	**30,954**	**87.7**	**29,959**	**28,965**	**87.7**	**25,874**	**88.3**	**24,496**	**88.9**
M. EQUITY										
1. Common Equity	1,278	3,714	10.5	3,583	3,452	10.4	3,131	10.7	2,863	10.4
2. Minority Interest	39	112	0.3	114	117	0.4	55	0.2	31	0.1
3. Revaluation Reserves	173	502	1.4	505	509	1.5	250	0.9	156	0.6
TOTAL M	**1,489**	**4,327**	**12.3**	**4,202**	**4,077**	**12.3**	**3,437**	**11.7**	**3,050**	**11.1**
MEMO:CORE CAPITAL	**1,164**	**3,381**	**9.6**	**3,278**	**3,176**	**9.6**	**2,751**	**9.4**	**2,421**	**8.8**
MEMO: ELIGIBLE CAPITAL	**1,164**	**3,381**	**9.6**	**3,278**	**3,176**	**9.6**	**2,751**	**9.4**	**2,421**	**8.8**
N. TOTAL LIABILITIES & EQUITY	**12,142**	**35,281**	**100.0**	**34,161**	**33,042**	**100.0**	**29,311**	**100.0**	**27,546**	**100.0**
Exchange Rate		USD1 = PLN 2.9058			USD1 = PLN 2.9105		USD1 = PLN 3.2613		USD1 = PLN 2.9904	

Income Statement Analysis
BANK ZACHODNI WBK S.A.

	31 Mar 2007		31 Dec 2006		31 Dec 2005		31 Dec 2004	
	Income Expenses PLNm Original	As % of Total AV Earning Assts Original	Income Expenses PLNm Original	As % of Total AV Earning Assts Original	Income Expenses PLNm Original	As % of Total AV Earning Assts Original	Income Expenses PLNm Restated	As % of Total AV Earning Assts Restated
1. Interest Income	457	5.8	1,717	6.0	1,718	6.6	1,554	-
2. Interest Expense	167	2.1	626	2.2	761	2.9	625	-
3. NET INTEREST REVENUE	**290**	**3.7**	**1,092**	**3.8**	**957**	**3.7**	**929**	**-**
4. Net Fees & Commissions	320	4.1	1,003	3.5	694	2.7	639	-
5. Net Insurance Revenue	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Other Operating Income	79	1.0	321	1.1	293	1.1	273	-
7. Personnel Expenses	n.a.	-	684	2.4	575	2.2	531	-
8. Other Operating Expenses	343	4.4	647	2.3	618	2.4	664	-
9. PRE-IMPAIRMENT OPERATING PROFIT	**346**	**4.4**	**1,084**	**3.8**	**751**	**2.9**	**647**	**-**
10. Loan Impairment Charge	-21	-0.3	37	0.1	58	0.2	133	-
11. Other Credit Impairment and Provisions	n.a.	-	-9	0.0	4	0.0	-2	-
12. OPERATING PROFIT	**366**	**4.7**	**1,056**	**3.7**	**689**	**2.6**	**515**	**-**
13. Other Income and Expenses	n.a.	-	10	0.0	0	0.0	55	-
14. PUBLISHED PRE-TAX PROFIT	**366**	**4.7**	**1,066**	**3.7**	**689**	**2.6**	**570**	**-**
15. Taxes	73	0.9	221	0.8	144	0.6	115	-
16. Profit/(Loss) from Discontinued Operations	n.a.	-	n.a.	-	n.a.	-	n.a.	-
17. Change in Value of AFS investments	-7	-0.1	258	0.9	94	0.4	156	-
18. CurrencyTranslation Differences	n.a.	-	n.a.	-	n.a.	-	n.a.	-
19. Other Gains/(Losses) not in Published Net Income	n.a.	-	n.a.	-	n.a.	-	n.a.	-
20. FITCH COMPREHENSIVE INCOME	**286**	**3.7**	**1,103**	**3.9**	**640**	**2.5**	**612**	**-**
21. Total Gains/(Losses) not in Published Net Income	-7	-0.1	258	0.9	94	0.4	156	-
22. IFRS Dividends included in Fitch Interest Expense	0	0.0	0	0.0	0	0.0	n.a.	-
23. PUBLISHED NET INCOME	**293**	**3.8**	**844**	**2.9**	**546**	**2.1**	**456**	**-**

Ratio Analysis

BANK ZACHODNI WBK S.A.

		31 Mar 2007	31 Dec 2006	31 Dec 2005	31 Dec 2004
		3 Months - 1st Quarter	Year End	Year End	Year End
		PLNm	PLNm	PLNm	PLNm
		Original	Original	Original	Restated
I. PERFORMANCE					
1. Net Interest Margin	%	3.7	3.8	3.7	n.a.
2. Loan Yield	%	n.a.	6.4	6.6	n.a.
3. Cost of Funds	%	2.4	2.4	3.2	n.a.
4. Costs/Average Assets	%	4.0	4.3	4.2	n.a.
5. Costs/Income	%	49.8	55.3	61.4	65.1
6. Pre-Impairment Operating ROAA	%	4.1	3.5	2.6	n.a.
7. Operating ROAA	%	4.3	3.4	2.4	n.a.
8. Pre-impairment Operating ROAE	%	32.9	28.9	23.2	n.a.
9. Operating ROAE	%	34.9	28.1	21.3	n.a.
II. CAPITAL ADEQUACY					
1. Internal Capital Generation	%	27.3	17.7	6.2	n.a.
2. Core Capital/Total Assets	%	9.7	9.7	9.5	8.9
3. Eligible Capital/Regulatory Weighted Risks	%	14.4	14.3	16.4	14.6
4. Eligible Capital+Eligible Revaluation Reserves/Regulatory Weighted Risks	%	16.6	16.6	17.9	15.5
5. Tier 1 Regulatory Capital Ratio	%	13.9	15.5	16.1	12.9
6. Total Regulatory Capital Ratio	%	13.9	15.5	16.1	12.9
7. Free Capital/Equity	%	81.6	77.4	69.1	51.2
III. LIQUIDITY (year end)					
1. Liquid Assets/Deposits & Money Mkt Funding	%	3.8	36.6	49.6	49.3
2. Loans/Deposits	%	75.6	72.9	68.2	71.7
IV. ASSET QUALITY					
1. Loan Impairment Charge/Gross Loans (av.)	%	-0.4	0.2	0.4	n.a.
2. Total Credit Impairment/Pre-impairment Operating Profit	%	-6.0	2.6	8.2	20.3
3. Loan Impairment/Gross Impaired Loans	%	81.1	72.8	72.2	52.0
4. Individual Loan Impairment/Gross Impaired Loans	%	n.a.	43.6	42.0	52.0
5. Impaired Loans Gross / Loans Gross	%	4.1	4.9	6.9	8.5
6. Impaired Loans Net/Eligible Capital	%	4.4	7.6	10.2	24.0
7. Net Charge-offs/Gross Loans (av.)	%	n.a.	n.a.	n.a.	n.a.