ANNUAL REPORT 2010
OF BANK ZACHODNI WBK S.A.

2010

WBK Bank Zachodni WBK S.A.

	FINANCIAL HIGHLIGHTS	PLN k			EUR k		
	for reporting period ended:	31.12.2010	31.12.2009	31.12.2008	31.12.2010	31.12.2009	31.12.2008
		Stand alone financial statements					
I	Net interest income	1 668 277	1 415 539	1 491 467	416 611	326 116	422 261
II	Net fee and commission income	1 021 867	1 021 758	974 142	255 186	235 396	275 797
III	Operating profit	1 182 309	1 157 748	987 433	295 252	266 725	279 560
IV	Profit before tax	1 182 309	1 157 748	987 433	295 252	266 725	279 560
V	Profit for the period	916 855	985 294	809 165	228 962	226 995	229 089
VI	Total net cash flow	(1 192 953)	241 136	299 640	(297 911)	55 554	84 833
VII	Total assets	52 034 756	51 946 281	54 811 056	13 139 095	12 644 536	13 136 578
VIII	Deposits from banks and central bank	2 144 007	3 820 700	3 200 183	541 375	930 018	766 989
IX	Deposits from customers	42 099 210	41 262 174	43 381 905	10 630 308	10 043 857	10 397 350
X	Total liabilities	45 926 983	46 471 825	50 390 498	11 596 844	11 311 968	12 077 101
XI	Total equity	6 107 773	5 474 456	4 420 558	1 542 250	1 332 568	1 059 476
XII	Number of shares	73 076 013	73 076 013	72 960 284			
XIII	Net book value per share in PLN/EUR	83,58	74,91	60,59	21,10	18,23	14,52
XIV	Solvency ratio	15,29%	12,34%	9,81%			
XV	Profit per share in PLN/EUR	12,55	13,48	11,09	3,13	3,11	3,14
XVI	Diluted earnings per share in PLN/EUR	12,50	13,43	11,05	3,12	3,09	3,13
XVII	Declared or paid dividend per share in PLN/EUR	8,00	4,00	-	2,02	0,97	-

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

- for balance sheet items – 3.9603 PLN rate to EUR as at 31.12.2010 stated by National Bank of Poland (NBP), 4.1082 PLN rate to EUR as at 31.12.2009 and 4.1724 PLN rate to EUR as at 31.12.2008
- for profit and loss items – as at 31.12.2010: 4.0044 (an average PLN mid-rate to EUR in NBP on the last day of each month in 2010), as at 31.12.2009: 4.3406 (an average PLN mid-rate to EUR in NBP on the last day of each month in 2009) and as at 31.12.2008: 3.5321 (an average PLN mid-rate to EUR in NBP on the last day of each month in 2008).

As at 31.12.2010, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 255/A/NBP 2010 dd. 31.12.2010.

FINANCIAL STATEMENTS OF BANK ZACHODNI WBK S.A. FOR 2010

2010

WBK | Bank Zachodni WBK S.A.

Dear All

The year 2010 will go down in the Polish history as the year marked by an unprecedented event – the Smolensk tragedy, which dominated the public debate and impacted our daily lives. We were preoccupied with this issue for months, approaching it with care, grief and responsibility. Although it was a public event, it affected each of us so significantly that it needed to be brought up in this Annual Report.

Last year saw the Polish economy on the rise. The annual economic growth accelerated, particularly in industrial production, construction output and retail sales. Stronger performance brought more optimism to the enterprise sector. On the other hand, the decline in the gross fixed capital formation was coupled with reduced investments in the private sector. However, both global and domestic equity markets trended continuously upwards despite occasional drops and high volatility.

In this economic environment, the Allied Irish Banks Group - our long-time majority shareholder - resolved in March 2010 to sell its stake in Bank Zachodni WBK and BZ WBK AIB Asset Management. The main reason behind this decision was the capital position of AIB Group and a downturn in the Irish economy. In September 2010, AIB Group announced its intention to sell the stake in our bank to Spanish Banco Santander. After the deal was approved by the Polish Financial Supervision Authority in February 2011, Bank Zachodni WBK will become a part of a strong multinational organisation - one of the largest financial groups worldwide.

The year 2010 was yet again marked by strong performance of Bank Zachodni WBK. Our profit before tax grew by 2% y-o-y and totalled PLN 1 182 m. Our capital adequacy ratio improved significantly – it is now at 15.3% compared to 12.3% in 2009. The loan-to-deposit ratio gave comfort throughout 2010, coming in at 75.9% at the year end. The return on equity was also at a satisfactory level of 17.7%. The volume of provisions at the end of 2010 added up to PLN 364 m against PLN 449.7 m in 2009, which reflects very well on management of the bank's loan portfolio.

Our new retail business exceeded 2.5m customers, which was one of our greatest achievements in 2010. The number of new personal accounts grew by 25% to 375k. It was attributed mainly to another successful sales campaign of the MoneyBack Account. Our proposition for personal customers was significantly expanded. We reintroduced EUR mortgage lending and increased the availability of PLN mortgage loans. We actively delivered the state programme of subsidised housing loans "Rodzina na swoim".

With 15 new branches opened during 2010, the BZ WBK network grew to 527 branches at the year end and with 100 BZ WBK Partner outlets in place it was the third largest in Poland.

We also expanded our SME offer by introducing EIB Business Express loan (financed from the credit line with the European Investment Bank), Leasing Express and Factoring Express. All the above solutions were better tailored to the needs of small and medium size companies for which time-to-yes and customer-friendly products are critical.

Business and Corporate Banking Division produced very strong results in 2010 with Operating Surplus growing by 37% and PBT by 167%. All segments and businesses in the Division (Business Banking, Corporate Banking, Corporate Property, Leasing and Faktor) contributed to this performance and in an overall context the Division is now a key contributor to Bank profitability. From our 15 business locations across the country we provided our business and corporate customers with a wide range of tailor-made solutions through our locally driven relationship banking model which brings decision makers and specialists close to our customers. From a product and operational perspective we re-designed our Corporate Banking business model and made significant progress in the upgrading of our cash management proposition. In 2011 we plan to further develop our operating model to create even greater opportunity for our people to be in the market doing business.

We are one of the most innovative financial groups in Poland. Last year, we again proved that we are in the forefront of implementing the state-of-the-art technologies in the delivery of financial products to our customers. We introduced such innovative products as: virtual prepaid cards, FX prepaid cards and cards for football fans. As the first bank in Poland, we introduced the card for school students, which combines top security and payment functionalities. At present, these cards are used in more than 20 schools. On top of that, we launched a urban card in liaison with the City Office of Wrocław and concluded an agreement with the City Office of Poznań regarding a similar solution.

Bank Zachodni WBK has been continuously committed to social responsibility, which manifested itself in development of the *Barrier-Free Banking* programme. We were the first bank in Poland to adapt over thirty branches to cater for the needs of the disabled and we launched ATMs dedicated to the sight-impaired. We are the first commercial institution to render the full array of services to disabled customers in barrier-free branches. So far, no other financial institution has responded to the needs of the disabled in such a comprehensive way.

Our initiative and potential have not only been recognised in Poland. In 2010, our Bank was awarded the title of "Bank of the Year in Poland" by The Banker magazine issued by the Financial Times Group. It is by far the most prestigious banking award in the financial sector. The key criteria the bank was assessed against included service quality and innovation. The top position in this prestigious ranking confirmed that the bank is in keeping with the international standards. We were yet again recognized as the Customer-friendly bank by the "Newsweek" weekly. Independent experts from MillwardBrown SMG/KRC confirmed the top quality of customer service in our bank.

The top priority of Bank Zachodni WBK for the coming years is steady growth of profitability and efficiency. These ambitious goals need to be supported by relevant systemic solutions which include the New Branch Energy project aimed to introduce changes to sales management at the branch level. Concurrently, the new corporate customer service model is planned to be implemented in 2011.

Bank Zachodni WBK is a well-established financial institution boasting continuously satisfactory performance and strong potential. The major asset of Bank Zachodni WBK is, and will be, the staff potential. I would like to thank all employees for their efforts and commitment, which manifested itself at each staff and management level and brought such positive results. The bank's success would not be also possible but for the satisfactory cooperation between the Management Board and the Supervisory Board of Bank Zachodni WBK.

We have started the new year full of optimism about the future of the bank. As a member of Santander Group, a global market player, we will have even more opportunities for dynamic development, while our customers - an access to innovative and competitive services and products. The new strong investor from Spain will enable us to achieve synergy between our operations and over a 150-year experience in the financial market. Our growth prospects within the new structure are excellent. We are well satisfied and enthusiastic about the plans and ambitions for the coming years as they will let us boast new successes and reinforce our leadership position in the domestic financial market.

Kind regards
Mateusz Morawiecki

Management Board President
of Bank Zachodni WBK

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In thousands of PLN

Income statement of Bank Zachodni WBK S.A.

	for reporting period:	01.01.2010-31.12.2010	01.01.2009-31.12.2009	01.01.2008-31.12.2008
Interest income		2 971 648	3 043 456	3 017 121
Interest expense		(1 303 371)	(1 627 917)	(1 525 654)
Net interest income	note 5	**1 668 277**	**1 415 539**	**1 491 467**
Fee and commission income		1 144 246	1 158 989	1 095 619
Fee and commission expense		(122 379)	(137 231)	(121 477)
Net fee and commission income	note 6	**1 021 867**	**1 021 758**	**974 142**
Dividend income	note 7	131 375	337 553	218 331
Net trading income and revaluation	note 8	263 972	268 934	45 343
Gains (losses) from other financial securities	note 9	8 798	(6 139)	55 890
Net gain on sale of subsidiaries and associates	note 10	-	-	226
Other operating income	note 11	46 940	49 684	54 283
Impairment losses on loans and advances	note 12	(363 988)	(449 700)	(351 889)
Operating expenses incl.:		(1 594 932)	(1 479 881)	(1 500 360)
Bank's staff, operating expenses and management costs	*note 13,14*	*(1 447 095)*	*(1 351 650)*	*(1 386 807)*
Depreciation/amortisation		*(117 072)*	*(112 155)*	*(97 611)*
Other operating expenses	*note 15*	*(30 765)*	*(16 076)*	*(15 942)*
Operating profit		**1 182 309**	**1 157 748**	**987 433**
Profit before tax		**1 182 309**	**1 157 748**	**987 433**
Corporate income tax	note 16	(265 454)	(172 454)	(178 268)
Profit for the period		**916 855**	**985 294**	**809 165**
Net earnings per share (PLN/share)	note 17			
Basic earnings per share		12,55	13,48	11,09
Diluted earnings per share		12,50	13,43	11,05

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

for reporting period:	01.01.2010-31.12.2010	01.01.2009-31.12.2009	01.01.2008-31.12.2008
Profit for the period	**916 855**	**985 294**	**809 165**
Other comprehensive income:			
Available-for sale financial assets valuation	8 669	57 459	2 445
Cash flow hedges valuation	97	26 590	(24 673)
Other comprehensive income for the period, net of income tax	**8 766**	**84 049**	**(22 228)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**925 621**	**1 069 343**	**786 937**

Notes presented on pages 15 – 93 constitute an integral part of these Financial Statements.

In thousands of PLN

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

	as at:	31.12.2010	31.12.2009	31.12.2008
ASSETS				
Cash and balances with central banks	Note 18	2 534 458	2 660 649	3 178 099
Loans and advances to banks	Note 19	601 637	648 743	1 348 421
Financial assets held for trading	Note 20	2 201 019	1 303 226	3 222 357
Hedging derivatives	Note 21	14 768	10 801	347
Loans and advances to customers	Note 22	31 952 599	32 624 992	32 653 674
Investment securities	Note 23, 24	13 355 858	13 265 805	12 894 385
Investments in subsidiaries, associates and joint ventures	Note 25	248 999	234 349	234 225
Intangible assets	Note 26	155 055	162 693	155 459
Property, plant and equipment	Note 27	533 443	581 132	618 705
Current income tax due		-	55 817	-
Net deferred tax assets	Note 28	242 949	228 156	168 141
Other assets	Note 29	193 971	169 918	337 243
Total assets		**52 034 756**	**51 946 281**	**54 811 056**
LIABILITIES				
Deposits from central bank	Note 30	-	1 519 208	1 242 574
Deposits from banks	Note 31	2 144 007	2 301 492	1 957 609
Hedging derivatives	Note 21	16 441	32 933	68 562
Financial liabilities held for trading	Note 20	578 611	815 071	3 253 289
Deposits from customers	Note 32	42 099 210	41 262 174	43 381 905
Subordinated liabilities	Note 33	395 230	-	-
Current income tax liabilities		74 197	-	10 971
Other liabilities	Note 34	619 287	540 947	475 588
Total liabilities		**45 926 983**	**46 471 825**	**50 390 498**
Equity				
Share capital	Note 35	730 760	730 760	729 603
Other reserve funds	Note 36	4 048 213	3 354 289	2 543 577
Revaluation reserve	Note 37	431 028	422 262	338 213
Retained earnings		(19 083)	(18 149)	-
Profit of the current period		916 855	985 294	809 165
Total equity		**6 107 773**	**5 474 456**	**4 420 558**
Total equity and liabilities		**52 034 756**	**51 946 281**	**54 811 056**

Notes presented on pages 15 – 93 constitute an integral part of these Financial Statements.

In thousands of PLN

Movements on equity of Bank Zachodni WBK S.A.

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

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

Movements on equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Total
Opening balance as at 31.12.2008	**729 603**	**2 543 577**	**338 213**	**809 165**	**4 420 558**
Adjustment due to changes in accounting policies	-	-	-	(18 149)	(18 149)
Adjusted balance as at 01.01.2009	**729 603**	**2 543 577**	**338 213**	**791 016**	**4 402 409**
Total comprehensive income	-	-	84 049	985 294	1 069 343
Share issue related to vesting the share incentive scheme	1 157	-	-	-	1 157
Share scheme charge	-	1 547	-	-	1 547
Transfer to other capital	-	809 165	-	(809 165)	-
As at 31.12.2009	**730 760**	**3 354 289**	**422 262**	**967 145**	**5 474 456**

As at the end of the period revaluation reserve in the amount of PLN 422 262 k comprises of debt securities of PLN 4 972 k and equity shares classified as available for sale of PLN 415 372 k and additionally cash flow hedge activities PLN 1 918 k. The revaluation reserve relates to the securities designated as available-for-sale.

Movements on equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Total
Opening balance as at 31.12.2007	**729 603**	**1 951 251**	**360 441**	**809 474**	**3 850 769**
Total comprehensive income	-	-	(22 228)	809 165	786 937
Share scheme charge	-	1 733	-	-	1 733
Dividend relating to 2007				(218 881)	(218 881)
Transfer to other capital	-	590 593	-	(590 593)	-
As at 31.12.2008	**729 603**	**2 543 577**	**338 213**	**809 165**	**4 420 558**

As at the end of the period revaluation reserve in the amount of PLN 338 213 k comprises of debt securities of PLN (51 895) k and equity shares classified as available for sale of PLN 414 781 k and additionally cash flow hedge activities PLN (24 673 k. The revaluation reserve relates to the securities designated as available-for-sale.

Notes presented on pages 15 – 93 constitute an integral part of these Financial Statements.

In thousands of PLN

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

for reporting period:	01.01.2010-31.12.2010	01.01.2009-31.12.2009	01.01.2008-31.12.2008
Profit before tax	**1 182 309**	**1 157 748**	**987 433**
Total adjustments:	**(1 108 291)**	**(1 999 993)**	**2 054 901**
Depreciation/amortisation	117 072	112 155	97 611
Impairment losses	48	(31)	(467)
Interests and similar charges	(48 622)	(5 398)	(103 005)
Dividend received	(131 375)	(337 553)	(218 331)
(Profit) loss from investing activities	(8 454)	4 161	(58 123)
Change in provisions	46 517	38 023	(36 205)
Change in trading portfolio financial instruments	(381 038)	(284 434)	395 987
Change in loans and advances to banks	-	-	21 828
Change in loans and advances to customers	672 393	28 682	(10 504 073)
Change in deposits from banks	(1 676 693)	620 517	54 788
Change in deposits from customers	441 006	(2 119 731)	13 117 171
Change in debt securities in issue	-	-	(99 348)
Change in other assets and liabilities	12 548	257 312	(446 188)
Paid income tax	(151 997)	(314 496)	(168 195)
Other adjustments	304	800	1 451
Net cash flow from operating activities	**74 018**	**(842 245)**	**3 042 334**
Inflows	**1 833 788**	**4 914 520**	**2 546 576**
Sale of shares or interests in subsidiaries, associates and joint ventures	-	-	**3 021**
Sale/maturity of investment securities	1 700 843	4 574 972	2 308 655
Sale of intangible assets and property, plant and equipment	1 560	1 985	16 559
Dividend received	131 375	337 553	218 331
Proceeds from other investments	10	10	10
Outflows	**(3 568 424)**	**(3 807 487)**	**(5 056 107)**
Purchase of subsidiaries, associates and joint ventures	(14 650)	(50)	(81 831)
Purchase of investment securities	(3 490 777)	(3 722 853)	(4 737 223)
Purchase of intangible assets and property, plant and equipment	(61 276)	(83 053)	(235 468)
Expenses from other investments	(1 721)	(1 531)	(1 585)
Net cash flow from investing activities	**(1 734 636)**	**1 107 033**	**(2 509 531)**
Inflows	**788 100**	**1 157**	**-**
Proceeds from issuing bonds / shares	-	1 157	-
Drawing of long-term loans	396 030	-	-
Increase of subordinated liabilities	392 070	-	-
Outflows	**(320 435)**	**(24 809)**	**(233 163)**
Dividends and other payments to shareholders	(292 304)	-	(218 881)
Other financing outflows	(28 131)	(24 809)	(14 282)
Net cash flow from financing activities	**467 665**	**(23 652)**	**(233 163)**
Total net cash flow	**(1 192 953)**	**241 136**	**299 640**
Cash at the beginning of the accounting period	**5 552 076**	**5 310 940**	**5 011 300**
Cash at the end of the accounting period*	**4 359 123**	**5 552 076**	**5 310 940**

*Cash components are presented in Note 44.

Notes presented on pages 15 – 93 constitute an integral part of these Financial Statements.

In thousands of PLN

Additional notes to financial statements

1. General information about issuer

Bank Zachodni WBK S.A. is a bank seated in Poland, 50-950 Wrocław, Rynek 9/11, TIN 896-000-56-73, National Official Business Register number (REGON) 930041341, registered in the District Court for Wrocław-Fabryczna, VI Economic Unit of the National Court Registry under 0000008723 number.
The direct parent of Bank Zachodni WBK SA is AIB European Investments Ltd. from Dublin (a subsidiary of Allied Irish Banks plc). The bank's ultimate parent company is Allied Irish Banks plc.

On 10 September 2010, the Board of AIB resolved to sell the entire stake in Bank Zachodni WBK and 50% of shares in BZ WBK AIB Asset Management S.A. to Banco Santander.
On 18 February 2011, the Polish Financial Supervision Authority (KNF) issued a decision stating that there were no grounds to object to the intended direct acquisition by Banco Santander of Bank Zachodni WBK shares representing more than 50% of voting rights at the General Meeting of Shareholders.

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

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

2. Basis of preparation of financial statements

Statement of compliance

The annual unconsolidated financial statements of Bank Zachodni WBK S.A. for the year ended 31 December 2010 have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and are in compliance with the respective regulations and the provisions of the Bank's Statutes that apply to the Bank's unconsolidated financial statements.

Changes in accounting policies

Correction of prior periods

As at 30 June 2010 Bank conducted analysis of a insurance premium recognition policy for income gained together with joint ventures entities. Aiming accurate presentation of the insurance product proceeds disclosed in the prior years, the Bank adjusted previously reported financial data in line with requirements of IAS 8. The potential adjustment was deemed to have an immaterial impact on the previous reporting periods. The table below presents reconciliation of adjustments applied to the consolidated statement of comprehensive income and consolidated statement of financial position:

		Fee and commission income	Profit before tax	Corporate income tax	Profit after tax	Deferred tax asset	Other liabilities	Equity
01.01.2009 - 31.12.2009	prior adjustment	1 160 141	1 158 900	(172 672)	986 228	-	-	-
	adjustment	(1 152)	(1 152)	218	(934)	-	-	-
	after adjustment	1 158 989	1 157 748	(172 454)	985 294	-	-	-
31.12.2009	prior adjustment	-	-	-	-	223 680	517 388	5 493 539
	adjustment	-	-	-	-	4 476	23 559	(19 083)
	after adjustment	-	-	-	-	228 156	540 947	5 474 456

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Comparability with results of previous periods

To ensure comparability, the following substantial change was made to the presentation of financial data:

a) in statement of financial position:

- As at result of changes in the Bank's policy concerning presentation of derivative instruments, as at 31.12.2009 the items 'Financial assets held for trading' and 'Financial liabilities held for trading' have been increased by the amount of PLN 2 189 k.

Changes in judgments and estimates

In 2010, Bank Zachodni WBK S.A. revised the spreads adopted for mark-to-market valuation of CIRS with a view to making fair value of these derivatives more accurate. The total fair value adjustment to these derivatives was PLN (14 469k) at the end of the reporting period. These instruments are a source of funding net FX assets and it is the Bank's intention to hold them until maturity. Their mark-to-market valuation will revert to zero on a case by case basis over their remaining life. Other significant judgement and key sources of estimation uncertainty have not been changed.

New standards and interpretations or changes to existing standards or interpretations, which can be applicable to the Bank and are not yet effective or have neither been implemented earlier

IFRS	Description of changes	Effective from	Impact on the Bank
IFRS 9 Financial Instruments	Changes in classification and measurement - the existing categories of financial instruments to be replaced by two measurement categories, i.e. amortised cost and fair value	1 January 2013	The Bank has not completed its analysis of changes
IAS 32 Financial Instruments: Presentation	The amendment pertains to the classification of rights issue	1 January 2011	Amendments will not have material impact over financial statement
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are "consideration paid" in accordance with IAS 39.41. The above described equity instruments shall be measured at the fair value and the difference between the carrying amount of the financial liability extinguished and the initial measurement of the equity instruments issued should be recognized in profit or loss	1 January 2011	Amendments will not have material impact over financial statement
IAS 24 Related Party Disclosures	Change relating to simplified definition of a related party and removal of certain internal inconsistencies	1 January 2011	Amendments will not have material impact over financial statement
IFRS 7 Financial instruments: disclosures	The change requires disclosure of information so that the readers of the financial statements may: understand the relation between the transferred financial asset which has not been fully excluded from the financial statements and the underlying financial obligations; assess the nature of the asset, associated risks and exposure towards the excluded asset. The change includes definition of "continous engagement" to ensure compliance with disclosure requirements.	1 July 2011	Amendments will not have material impact over financial statement
IFRS 7 Financial instruments: disclosures "Changes to the International Financial Reporting Standards 2010"	Amended requirements of quantitative credit risk disclosures	1 January 2011	Amendments will not have material impact over financial statement
IAS1 Presentation of financial reporting "Changes to the International Financial Reporting Standards 2010"	Amended method of presenting components of movements in equity	1 January 2011	Amendments will not have material impact over financial statement

IAS 34 Interim financial statements "Changes to the International Financial Reporting Standards 2010"	Guidelines to disclosing the following information: -circumstances that may affect fair value of financial instruments and their classification, -transfer of financial instruments in fair value hierarchy, -transfer of financial instruments in fair value hierarchy, -changes in asset and financial liabilities classification	1 January 2011	Amendments will not have material impact over financial statement
IFRIC 13 "Changes to the International Financial Reporting Standards 2010"	Fair value of loyalty points	1 January 2011	Amendments will not have material impact over financial statement

Basis of preparation

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

The financial statements are prepared on a fair value basis for derivative financial instruments, financial instruments measured at fair value through profit and loss account, and available-for-sale financial assets, except those for which a reliable measure of fair value is not available. Other financial assets and financial liabilities (including loans and advances) are recognized at amortised cost using the effective interest rate less impairment or purchase price less impairment.

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

Accounting policies

Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key estimates made by the bank

Loan impairment
The estimation of potential loan losses is inherently uncertain and depends upon many factors, including loan loss trends, portfolio grade profiles, economic climates, conditions in various industries to which Bank Zachodni WBK S.A. is exposed and other external factors such as legal and regulatory requirements. A provision is made against problem loans when, in the judgement of management, the estimated repayment realizable from the obligor, including the value of any security available, is likely to fall short of the amount of exposure outstanding on the obligor's loan or overdraft account. The amount of provision in the bank is intended to cover the difference between the assets' carrying value and the present value of estimated future cash flows discounted at the assets' original effective interest rates.
The management process for the identification of loans requiring provision is underpinned by independent tiers of review. Credit quality and loan loss provisioning are independently monitored by head office personnel on a regular basis. The bank uses a consistent system for grading advances according to agreed credit criteria with an important objective being the timely identification of vulnerable loans so that remedial action can be taken at the earliest opportunity. Credit rating is fundamental to the determination of provisioning in the bank; it triggers the process which results in the creation of provision on individual loans where there is doubt on recoverability. As experience shows, such claims exist in every credit portfolio.

IBNR (Incurred But Not Reported) provisions are also maintained to cover loans, which are impaired at the end of the reporting period and, while not separately identified, are known from experience to be present in any portfolio of loans. IBNR provisions are maintained at levels that are deemed appropriate by management having considered: credit grading profiles and grading movements, historic loan loss rates, changes in credit management, procedures, processes and policies, economic climates, portfolio sector profiles/industry conditions and current estimates of loss in the portfolio.

Estimates of loss take into account the following key factors:

- EP - Emergence period i.e. estimated time between the occurrence of event of default and its identification by the bank,
- PD - Probability of default ,based on historical observations together with EP is considered to be best indicator of incurred but not reported losses,
- LGD - Loss given default i.e. the fraction of the exposure amount that will be lost in the event of default,
- EAD - exposure at default,
- CCF - Credit Conversion Factor for the bank's contingent commitments (conversion of off-balance sheet items into on-balance sheet exposure).

The rating systems have been internally developed and are continually being enhanced, e.g. externally benchmarked to help underpin the aforementioned factors which determine the estimates of expected loss.

Impairment loss on non-financial assets

The measurement of fixed assets is reviewed at the end of the reporting period to specify whether there are reasons for write-down due to impairment. If there are such reasons, the recoverable value of assets should be determined.

Impairment is recognized if the book value of an asset exceeds its recoverable value and is presented in the profit and loss account.

For other receivables impairment amount is recognised considering the expected recoverable amounts, and for long term other receivables discounting is applied.

Assets held for sale are recorded at the lower of their carrying amount and estimated fair value less estimated costs to sell.

Fair value of financial instruments

Some of the bank's financial instruments are carried at fair value, including all derivatives, other financial assets measured at fair value through profit or loss and financial instruments available for sale. Financial instruments are either marked-to-market or priced by using a valuation model. Where the fair value is calculated using financial-markets pricing models, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. These models use as their basis independently sourced market parameters including, for example, interest rate yield curves, equities and commodities prices, option volatilities and currency rates. Most market parameters are either directly observable or are implied from instrument prices.

The calculation of fair value for any financial instrument may require adjustment of quoted price or model value to reflect the cost of credit risk (where not embedded in underlying models or prices used).

Other accounting estimates and judgements

Provisions for employee benefits paid on termination of employment, i.e. post-employment benefits, are estimated on the basis of an actuarial valuation. The actuarial valuation of those accruals is updated at least on an annual basis.
Provisions for legal claims have been estimated considering the expected loss arising on individual cases.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate applicable at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, are translated at the foreign exchange rate applicable at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate applicable at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the reporting currency at the foreign exchange rates ruling at the dates that the fair values were determined. Foreign exchange differences arising on translation are recognised in profit or loss except for differences arising on retranslation of available for sale equity instruments, which are recognised in other comprehensive income.

Financial assets and financial liabilities

Classification
The bank classifies its financial instruments into the following categories:

- financial assets or financial liabilities measured at fair value through profit or loss
- held-to-maturity investments;
- loans and receivables
- available-for-sale financial assets
- other financial liabilities.

Financial asset or financial liability at fair value through profit or loss
This is a financial asset or liability that meets either of the following conditions.

a) Classified as held for trading. A financial asset or financial liability is classified as held for trading if:
    i. it is acquired or incurred principally for the purpose of selling or repurchasing in the near term;
    ii. it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking;
    iii. derivatives are held for trading unless the derivative is a designated and effective hedging instrument.
b) Upon initial recognition it is designated by the bank at fair value through profit or loss. As at the balance sheet date the bank doesn't hold this category of financial instrument.

Held-to-maturity investments
These are non-derivative financial assets with fixed or determinable payments and fixed maturity that the bank's management has the positive intention and ability to hold to maturity. If the bank were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity, the entire category would be tainted and reclassified as available for sale and for a two year period the bank would not utilise the held to maturity classification.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

a) those that the entity intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
b) those that the entity upon initial recognition designates as available for sale;
c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

Loans and receivables comprise loans and advances to banks and customers including purchased receivables and investments in debt instruments provided that they are not quoted in an active market and receivables due to reverse repo transactions.

Available-for-sale financial assets
Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as:

a) loans and receivables
b) held-to-maturity investments
c) financial assets at fair value through profit or loss.

Other financial liabilities
Financial liabilities include financial liabilities not classified as those valued at fair value through profit and loss account. Those liabilities are valued at amortised cost and comprise: deposits from banks, deposits from customers, liabilities due to reverse repo transactions, borrowings, debt securities in issue and subordinated liabilities.

Recognition
The bank recognises a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes a party to the contractual provision of the instrument.

A regular way purchase of a financial asset is recognised in the statement of financial position as of the date of the transaction. This method is applied consistently for all purchases and sales of financial assets.

Loans are recognised in the statement of financial position when cash is advanced to the borrowers. At the time of signing the loan agreement, the loans are recognised as off-balance sheet commitments.

Derecognition

Financial assets are derecognised from the statement of financial position when the contractual rights to the cash flows from the financial assets expire or when the bank transfers the contractual rights to receive the cash flows in a transaction in which substantially all risk and rewards of ownership of the financial asset are transferred.

A regular way purchase of a financial asset is derecognised from the statement of financial position as of the date of the transaction. This method is applied consistently for all purchases and sales of financial assets.

The bank removes a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished – i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Measurement

When a financial asset or financial liability is recognised initially, it is measured at fair value plus (in the case of a financial asset or financial liability not classified at fair value through profit or loss) transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification) or based on a valuation technique whose variables include only data from observable markets.

After initial recognition, the bank measures financial assets, including derivatives that are assets, at their fair values, without any deduction for transaction costs it may incur on sale or other disposal, except for:

a) loans and receivables which shall be measured at amortised cost using the effective interest method;
b) held-to-maturity investments, which are measured at amortised cost using the effective interest rate;
c) investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The fair values of quoted financial instruments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities) the bank establishes fair value by using valuation techniques which include recent arms length market transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Where a fair value cannot be reliably estimated, unquoted instruments that do not have a quoted market price in an active market are measured at cost and periodically reviewed for impairment.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, except for:

a) financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are measured at fair value,
b) financial liabilities resulting from transferring a financial asset that is not to be derecognised.

Financial assets and financial liabilities that are designated as hedged items are subject to measurement under hedge accounting requirements.

Reclassification

A financial asset classified as available for sale may be reclassified out of this category if it meets the definition of loans and receivables and if the Bank has the intention and ability to hold the financial asset for the foreseeable future or until maturity. The fair value of the financial asset on the date of the reclassification becomes its new cost or new amortised cost.

For a financial asset which has a fixed maturity, gain or loss recognised in equity until the date of the reclassification is amortised and recognised in the statement of comprehensive income over the period remaining until maturity. Any difference between the new amortised cost and the amount of impairment is amortised over the period remaining until maturity of the financial instrument. Amortisation is based on the effective interest rate.

Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or financial liability that is not part of a hedging relationship is recognised, as follows:

- a gain or loss on a financial asset or financial liability classified at fair value through profit or loss is recognised in profit or loss,
- a gain or loss on an available-for-sale financial asset, except for impairment losses, is recognised in other comprehensive income, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the entity's right to receive payment is established.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when there is:

a) a legally enforceable right to set off the recognised amounts
b) and when there is an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Subsidiaries, associates and joint ventures

An investment in subsidiaries, associates and joint ventures is recognised at cost less impairment. Impairment is recognised in the income statement. A release of an impairment provision is recognised in a statement of comprehensive income if estimates used to calculate return on investment have changed.

Repurchase transactions

The bank also generates/invests funds by selling/purchasing financial instruments under repurchase/reverse repurchase agreements whereby the instruments must be repurchased/resold at the previously agreed price.

Securities sold subject to repurchase agreements ("repo transactions") are not derecognised from the statement of financial position at the end of the reporting period. The difference between sale and repurchase price is treated as interest cost and accrued over the life of the agreement.

Securities purchased subject to resale agreements ("reverse repo transactions") are not recognised in the statement of financial position at the end of the reporting period. The difference between purchase and resale price is treated as interest income and accrued over the life of the agreement.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value. After their initial recognition, derivatives are subsequently measured at their fair values without any deduction for transactions costs to be incurred on sale or disposal.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received).Certain derivatives embedded in other financial instruments shall be separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract and the host contract is not carried at fair value through profit or loss. Embedded derivatives are measured at fair value with changes recognised through the profit and loss account.

The bank uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments and recognised at fair value.

Hedge accounting

Hedge accounting recognises the offsetting effects on the statement of comprehensive income of changes in the fair values of the hedging instrument and the hedged item.

At the inception of the hedge there is formal designation and documentation of the hedging relationship and the bank's risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged. The bank also documents, at inception and on ongoing basis, an assessment of the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value.

The bank uses derivative financial instruments among others to hedge its exposure to interest rate risks arising from operational, financing and investment activities.

The bank discontinues hedge accounting when:

a) it is determined that a derivative is not, or has ceased to be, highly effective as a hedge;
b) the derivative expires, or is sold, terminated, or exercised;
c) the hedged item matures or is sold or repaid.

Fair value hedge

This is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the statement of comprehensive income.

A fair value hedge is accounted for as follows: the gain or loss from remeasuring the hedging instrument at fair value (for a derivative hedging instrument) shall be recognised in profit or loss; and the gain or loss on the hedged item attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognised in profit or loss. This applies also to the hedged item, which otherwise would be measured at amortised cost and presented as available-for-sale financial asset.

Cash flow hedge

This is a hedge of the exposure to variability in cash flows that

a) is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction and
b) could affect the statement of comprehensive income.

A cash flow hedge is accounted for as follows: the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognised directly in other comprehensive income and the ineffective portion of the gain or loss on the hedging instrument shall be recognised in profit or loss.

Interest income and expenses from cash flow hedge instruments are recognised as net interest income.

Impairment of financial assets

Assets carried at amortised cost – loans and receivables

The bank assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets, or off-balance sheet commitments are impaired. A financial asset or a group of financial assets, or contingent commitments are impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. It may not be possible to identify a single, discrete event that caused the impairment. Rather the combined effect of several events may have caused the impairment. Losses expected as a result of future events, no matter how likely, are not recognised. Objective evidence that a financial asset or group of assets is impaired includes observable data about the following loss events:

a) significant financial difficulty of the issuer or obligor;
b) a breach of contract, such as a default or delinquency in interest or principal payments;
c) the bank, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the bank would not otherwise consider;
d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
e) the disappearance of an active market for that financial asset because of financial difficulties; or
f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the bank, including:
    i. adverse changes in the payment status of borrowers in the bank,
    ii. national or local economic conditions that correlate with defaults on the assets in the bank.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If a loan or receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The carrying amount of the asset shall be reduced through establishing a provision. The amount of the loss shall be recognised in profit or loss.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs in obtaining and selling the collateral, whether or not foreclosure is probable.

The bank periodically reviews its loan portfolio to check whether there is any objective evidence that a financial asset or group of financial assets are impaired.

The analysis of impairment is carried out:

- with reference to individual credit exposures representing significant reporting items (those covered by commercial, property, local government or SME rating) – indyvidual approach
- with reference to the portfolio of credit exposures which individually are not significant – collective approach.

With regard to impairment, the review of individual loan exposures is carried out once a half year, once a quarter or more often, if needed. Impairment of individual loan exposures is based on the amount of prospective receivables (defined as the current value of expected cash flows discounted by the effective interest rate). Impairment for the portfolio, which is assessed jointly, is verified monthly. The bank carries out validation (so called 'back tests') of parameters which are used to calculate provisions under collective approach, on the basis of historical observations, at least once a year.

If the bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised by the bank are not included in a collective assessment of impairment.

For the purpose of the collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms (for example, on the basis of the bank's credit risk evaluation or the bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). The characteristics chosen are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows for a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status or other factors that are indicative of incurred losses in the bank and their magnitude). The bank reviews regularly the methodology and assumptions used for estimating future cash flows in order to reduce any differences between loss estimates and actual loss experience.

In the case of credit exposures for which no indications of impairment were identified, the bank carries out the impairment analysis based on the concept of losses already incurred but not yet reported and connected with loan impairment (IBNR – Incurred But Not Reported), which is estimated on the basis of the historical loss experience for loans with a similar risk profile, on the basis of estimated period between the occurrence of impairment and the identification as well as evidencing loss, and on the basis of historical data adjustments, as described above.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting the provision. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed.
The amount of the reversal is recognised in profit or loss.
When a loan has been subject to a specific provision and the prospects of recovery do not improve, I eventually it may be concluded that there is no real prospect of recovery. When this point is reached, the amount of the loan which is considered to be non-recoverable is written off against the related provision for loan impairment. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

Available-for-sale financial assets
For financial assets classified as available-for-sale for which there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in other comprehensive income shall be removed and recognised in profit or loss. The amount of the cumulative loss that is removed from other comprehensive income and recognised in profit or loss shall be the difference between the acquisition cost (net of any principal repayments and amortisation) and current fair value. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Held-to-maturity investments
If there is objective evidence of impairment of the held-to-maturity investments carried at amortised cost, the impairment loss is the difference between the balance sheet value of the asset and the present value of estimated future cash flows discounted using the original effective interest rate (i.e. the effective interest rate at the date of initial recognition). If the investment is a variable rate instrument, the discount rate used for estimation of impairment is the present effective interest rate set under the particular contract. The balance sheet value of the asset is reduced by recognising the applicable provisions in the bank's loss.

Contingent liabilities
The bank creates provisions for impairment of risk-bearing irrevocable conditional liabilities (irrevocable credit lines, financial guarantees, Letter of Credits, etc). The value of the provision is determined as the difference between the estimated amount of available conditional exposure and the current value of expected future cash flows under this exposure.

Property, plant and equipment

Owned assets
Property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses.

Leased assets
Leases for which the bank assumes substantially all the risks and rewards of ownership are classified as finance leases. Owner-occupied property acquired through finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Subsequent expenditure
The bank recognises in the carrying amount of of property, plant and equipment the cost of replacing part of such an asset when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the bank and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Depreciation
Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each asset. The estimated useful lives are as follows:

• buildings	40 years
• structures	22 years
• plant and equipment	3 – 14 years
• vehicles	4 years

Depreciation rates are verified annually. On the basis of this verification, depreciation periods might be changed.

Fixed assets held for sale
On initial date of classification of non-current assets as assets held-for-sale, the bank measures them at the lower of carrying amount and fair value less cost to sell.

Any initial or subsequent write-down of assets held-for-sale to fair value less cost to sell is recognised in the profit and loss account.

Intangible assets

Computer software
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the production of identifiable and unique software products controlled by the bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Other intangible assets
Other intangible assets that are acquired by the bank are stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure
Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation
Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are 3 to 5 years.

Depreciation rates are verified annually. On the basis of this verification, depreciation periods might be changed.

Other items of statement of financial position

Other trade and other receivables
Trade and other receivables are stated at cost less impairment losses.

Other liabilities
Liabilities, other than financial liabilities, are stated at cost.

Equity
Equity comprises capital and funds created in accordance with applicable law, acts and the Statutes. Equity also includes retained earnings and prior year losses carried forward.

Share capital is stated at its nominal value in accordance with the Statutes and the entry in the court register.
Supplementary capital is created from profit allocations and share issue premiums.
Reserve capital is created from profit allocations and is earmarked for covering balance sheet losses.

The result of valuation of profit sharing scheme is included in reserve capital (IFRS 2.53).
Revaluation reserve is comprised of adjustments relating to the valuation of available-for-sale financial assets and adjustments relating to the valuation of effective cash flow hedges taking into account deferred tax. The revaluation reserve is not distributable.

On derecognition of all or part of financial assets available for sale the total effects of periodical change in the fair value reflected in the revaluation reserve are reversed. Total or part of the previous revaluation charge increases or decreases the value of the given financial asset available for sale. The effects of the fair value changes are removed from the revaluation reserve with a corresponding change in the profit and loss account.

The net financial result for the accounting year is the profit disclosed in the profit and loss account of the current year adjusted by the corporate income tax charge.

Dividends

Dividends for a particular year, which have been declared and approved by the General Meeting of Shareholders but not paid at the at the end of the reporting period are recognised as dividend liabilities in “other liabilities” item.

Employee benefits

Short-term service benefits
The bank’s short-term employment benefits which include wages, bonuses, holiday pay and social insurance payments are recognised as an expense as incurred.

Long-term service benefits
The bank’s net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The accrual for retirement bonus granted under the provisions of the Collective Labour Agreement and terms of individual employee contract as well as the accrual for disability pension bonus is estimated using actuarial valuation methods. The valuation of those accruals is updated at least once a year.

Share based payments

The bank operates a share based compensation plan. For share options after 7 November 2002 (IFRS 2.53), the fair value of the employee services received is measured by reference to the fair value of awards granted on the day of the grant. The cost of the employee services received in exchange for awards granted is recognized in the income statement over the period during which the employees become unconditionally entitled to the share based payments, which is the vesting period. The amount expensed is determined by reference to the fair value of awards granted. The fair value of awards granted is determined using the share based payments pricing models, which take into account the exercise price of the award, the share price at date of grant, the risk free rate, the expected volatility of the share price over the life of the award and other relevant factors. The bank assesses probability of the programme vesting which affects the programme value in the costs of the reporting period.

Vesting conditions included in the terms of the grant are not taken into account in estimating fair value except where those terms are dependent on market conditions. Non-market vesting conditions are taken into account by adjusting the number of awards included in the measurement of the cost of employee services so that ultimately, the amount recognized in the income statement reflects the number of vested awards.

The expense related to share based payments is credited to shareholder's equity. Where the share based payment arrangements give rise to the issue of new shares, the proceeds of issue of the shares are credited to share capital (nominal amount) and share premium (if any) when awards are exercised.

Provisions

A provision is recognised in the balance sheet when the bank has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provisions for off balance sheet items such as guarantees, letters of credit, and unutilised irrevocable credit facilities are recognised in accordance with this policy.

Net interest income

Interest income and expenses for all financial instruments is recognised in the income statement at amortised cost using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the bank shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses.

The calculation includes all fees (e.g. arrangement, drawdown, renewal, restructure fees and fees for annexes which modify payments) and amounts paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

In case of impairment of a financial asset, interest income is accrued based on the carrying amount of the receivable (this is the value reduced by revaluation charge) using of the interest rate according to which future cash flows were discounted for impairment valuation.

Net commission income

Fees and commissions settled under effective interest rate are listed above.

Fees on overdrafts, revolving loans, credit cards and off balance sheet liabilities are recognized on a straight-line basis in the profit and loss account.

Other fees and charges, which are not settled according to the effective interest rate, are included in profit and loss account in accordance with accrual method.
Net commission income from FX transactions in the branch network includes elements of revaluation.

Net trading income and revaluation

Net trading income and revaluation include profits and losses resulting from changes in fair value of financial assets and liabilities classified as held for trading that are measured at fair value through profit and loss. Interest costs and incomes related to the debt instruments are also reflected in the net interest income.

Dividend income

Dividends are taken to the bank's profit at the moment of acquiring rights to them.

Profit on disposal of subsidiaries, associates and joint ventures

Profit on the sale of interests in subsidiaries is the difference between the net asset value and their sale price.
Profit on the sale of interests in associates and joint ventures is the difference between the carrying amount and their sale price.

Other operating income and costs

Other operating income and costs include expenses and revenues, which are not related directly to the statutory activity of the bank. These are primarily revenues and costs from the sale and liquidation of fixed assets, income from sale of other services, paid and received damages, penalties and fines.

Operating lease payments

Operating lease payments are taken to the bank's cost on a straight-line basis over the lease term.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Corporate income tax

Corporate income tax comprises current and deferred tax. Income tax is recognised in profit and loss except to the extent that it relates to items recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided, using the balance sheet method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is determined using tax rates based on legislation enacted or substantively enacted at the end of the reporting period and expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised where it is probable that future taxable profits will be available against which the temporary differences will be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred and current tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3. Risk management

Bank Zachodni WBK is exposed to a variety of risks in its ordinary business activities. The role of risk management is to ensure that the Bank continues to take risk in a controlled way in order to enhance shareholder value. Risk is a possibility that some events would materialise, which would impact the achievement of the Bank's strategic goals.

Risk management policies are designed to identify and measure those risks, define the most profitable return within the accepted risk level (risk-reward), and to continually set appropriate risk limits, which restrict the risk exposure. The Bank continues to modify and enhance its risk management practices to reflect changes in Bank's risk profile, economic environment, regulatory requirements and evolving best practice.

Risk management in Bank Zachodni WBK is governed by the „tone at the top" rule. This means that the Management Board and Supervisory Board set the business direction and actively support the risk management strategies. It is executed by the approval of the key risk management policies, risk committee membership of the Management Board Members, review and acceptance of the risks and reports on the risk level.

Supervisory Board continuously oversees the risk management system. The Supervisory Board approves the strategy, key risk management policies, the acceptable risk level and monitors the utilisation of the internal limits in relation to the current business strategy and macroeconomic environment. It conducts the reviews of the key risk areas, the identification of threats and the process of defining and monitoring of remedial actions. The Supervisory Board assesses if the Management Board control activities are effective and aligned with the Supervisory Board policy, including the assessment of the risk management system.

Audit Committee supports the Supervisory Board in its supervisory activities. The Committee annually reviews the internal controls in financial reporting, accepts the reports on independent internal audit unit and compliance units. The Committee receives the regular quarterly reports on the status of the implementation of audit recommendations as the basis of the assessment of the quality of management actions. The Audit Committee assesses the efficiency of the internal control system and the risk management system.

Risk Oversight Committee supports the Supervisory Board in assessment of the effectiveness of the internal control system and risk management system and the resources, which were accepted and planned in order to provide the efficient management of the material risks of the Bank.

Management Board is responsible for the effectiveness of the risk management. In particular, the Management Board introduces the organisational structure aligned with the level and profile of the risk being undertaken, split of the responsibilities providing the separation of the risk measurement and control function from the operational activity, is responsible for implementation and updating of the written risk management strategies, and transparency of the activities. The Management Board reviews the financial results of the Bank.

The Management Board established the suite of committees directly responsible for the development of the risk management methodology and monitoring of the level of risk exposure.

Risk Management Committee sets the direction of the risk management strategy in BZ WBK. The Risk Management Committee supervises the committees responsible for management of different risks. The Committee allows for integration of risks present in several areas, which supports a comprehensive and concise view of those risks and systematises the top management reporting on risk management across BZ WBK Group.

Credit Policy Forum undertakes key decisions on credit risk, approves credit policies, classification systems, credit risk limits and system of credit discretions.

Credit Risk Measurement Committee is responsible for direct oversight of the independent development and validation of credit risk models in Bank Zachodni WBK.

Credit Committee approves credit transactions exceeding the credit discretions allocated in BZ WBK.

Provisions Committee decides on the amount of impairment provisions for credit exposures and the legal provisions. The Committee approves the methodology and the parameters used for calculation of impairment charge on a portfolio level for BZ WBK.

Operational Risk Management Committee (ORMCo) sets the strategic activities within the operational risk management in BZ WBK, including business continuity management, information security and fraud prevention.

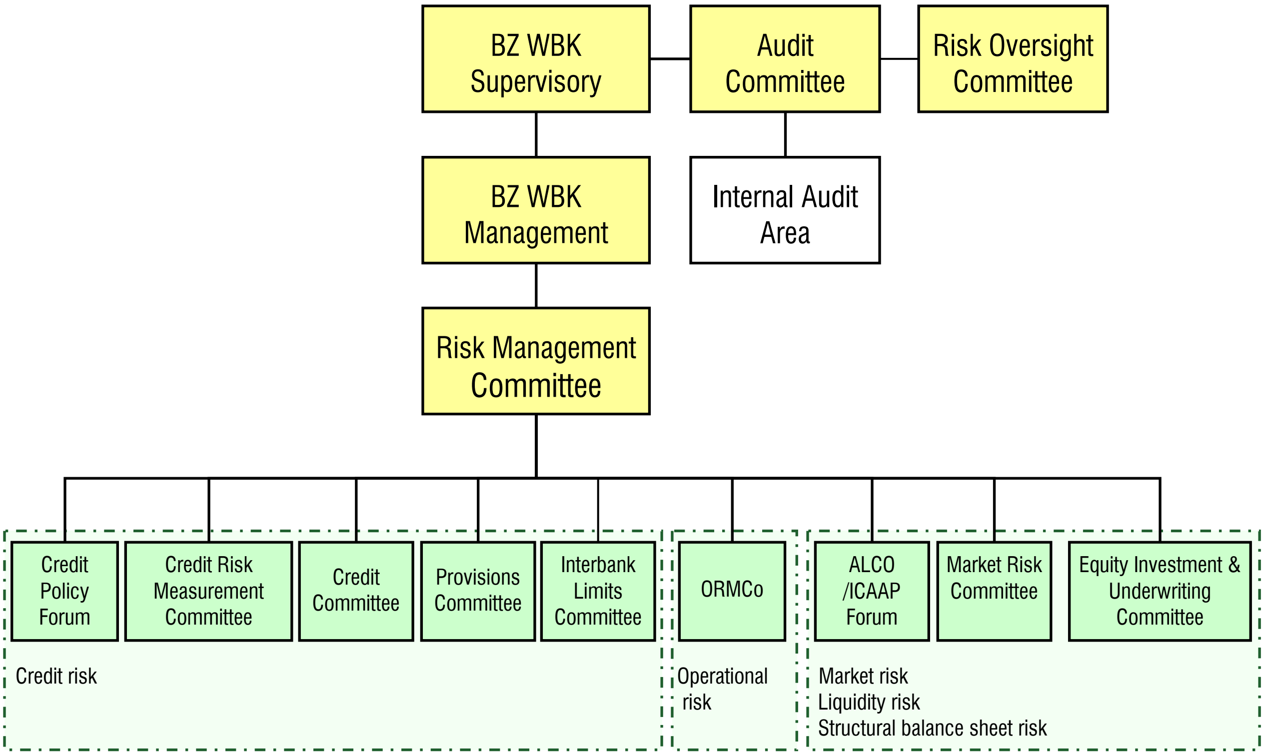
Market Risk Committee oversees the risk management and the policies on the market risk in BZ WBK , including the strategies on treasury and brokerage activities and monitors relevant parameters on market risk.

Equity Investment and Underwriting Committee accepts transactions on commercial equity investments and underwriting transaction and approves the policies on management and oversight of investment risk in BZ WBK .

Interbank Limits Committee formulates and recommends to the Management Board the policies on the credit risk arising from interbank activity. The Committee approves the maximum tenors and maximum exposure limits for the interbank market.

ALCO/ICAAP Forum supervises the policies on capital management and liquidity risk. The tasks related to capital strategy are executed by the ALCO sub-committee. When complemented with other representatives, the ALCO plays the role of ICAAP Forum. As ICAAP Forum the Committee is responsible for the internal capital adequacy assessment process (ICAAP) and supervision of the ICAAP process across BZ WBK .

The below picture presents the corporate governance in relation to the risk management process.



Risk management is consistent with risk profile resulting from agreed general risk appetite approved by the Risk Management Committee.

In Bank Zachodni WBK the level of acceptable risk has been defined in the form of quantitative limits constituting the „Risk Appetite Statement", approved by the Management Board and accepted by the Supervisory Board. Based on the global limits, adequate watch limits are defined as well as the risk management policies.

Bank Zachodni WBK is exposed to a variety of risks impacting the strategic goals. The Bank continuously analyses the risks, identifies their sources, creates the relevant risk management mechanisms including among others the measurement, control, mitigation and reporting. Within the risks of the most importance to the Bank are the following:

- credit risk,
- concentration risk,
- market risk,
- liquidity risk,
- operational risk,
- compliance risk.

Detailed principles, roles and responsibilities of the Bank have been described in relevant internal policies on the management of the particular risks.

Credit risk

Bank Zachodni WBK's credit activities focus on growing a high quality loan book with a good yield and customer satisfaction.

Credit risk is defined as the possibility of suffering a loss as a result that a borrower will fail to meet its credit obligation, including interest and fees. Credit risk arises from the impairment of credit assets and contingent liabilities, resulting from worsening of the borrower's credit quality. Credit risk measurement is based on the estimation of credit risk weighted assets, with the relevant risk weights representing both the probability of default and the potential loss given default of the borrower.

Credit risk arises mainly from lending activities on the retail, corporate and interbank markets. This risk is managed as part of the policy approved by the Management Board on the basis of the adopted credit procedures as well as on the basis of discretionary limits allocated to individual credit officers based on their knowledge and experience. The Bank's internal system of credit grading and monitoring allows for an early identification of likely defaults that might impair the loan book. Additionally the Bank uses large set of credit risk mitigation tools, both collaterals (financial and non-financial) and specific credit provisions and clauses (covenants).

The Bank continues to develop and implement risk based methods of grading loans, allocating capital and measuring returns. Risk valuation models based on EVA (Economic Value Added) are used for all significant credit portfolios.

Continued pro-active credit risk management is recognised as key to the Bank's performance in the volatile markets and deteriorating economic growth conditions. During 2010 the Bank has taken the following actions:

- the credit risk management structure has been reviewed resulting in implementation of the relevant changes enhancing the process and providing the better effectiveness of the risk oversight. The outcome of the review is the document „Responsible Lending" – governing the rules of the credit process and credit risk management in BZ WBK ,
- continuously verifying its approach to credit risk management by adopting methods of risk assessments to new parameters and adjusting existing credit policies,
- the Bank implemented new and refitted application models for credit risk assessment and models supporting collection and monitoring processes for cash loans,
- the Bank reviewed the requirements of the Recommendation T (issued by the Polish Financial Supervision Authority to improve the quality of retail credit risk management in Poland) and implemented necessary changes to the credit risk processes and credit risk assessment to provide solutions that optimally address the regulatory recommendations,
- the prudential management of the property loan portfolio has been continued, orientated at strict monitoring of credit risk limits and appropriate credit quality of the portfolio.

Credit Policy Forum

The credit risk oversight in Bank Zachodni WBK is performed by Credit Policy Forum (CPF). Its key responsibilities comprise development and approval of the best sectoral practice, analyses, credit policies as well as implementation of grading and assessment systems aimed at ensuring sustainable growth of the credit portfolio. Based on the current strategic goals of the Bank and the need to enhance the management processes, three sub-committees were established to be responsible for key customer segments: retail segment, Small-and Medium Entities segment and business and corporate segment.

Credit Risk Measurement Committee

The oversight of the credit risk models has been discharged to the newly created Credit Risk Measurement Committee. The Committee is responsible for the approval of the methodology of setting the credit risk limits, development of the rating systems, approval of the methodology and results of the credit risk stress tests and the approval of the EVA (Economic Value Added) methodology.

Credit Division

The main goal of the Credit Division is the effective management of the credit risk, aimed at providing robust and efficient credit process and the highest quality and growth of the loan portfolio. Within the Credit Division there are separate units responsible for creation and implementation of credit risk policies, ongoing monitoring and reporting of the loan portfolio quality, units responsible for credit grading and high-risk loans units.

Risk Management Division

Risk Management Division actively drives the Bank's risk management strategy. The main goal of the Risk Management Division in relation to credit risk is to propose optimal solutions supporting realisation of the Bank's goals through delivery of improved analyses, internal models and decision tools.

Credit Policies

Credit policies refer to particular business segments, loan portfolios, banking products and contain guidelines for the identification and assessment of areas where specific types of risks manifest themselves and also provide the methods of limiting those risks to the level acceptable to the Bank (e.g. "Loan-to-Value" ratios, FX risk in the case of foreign currency loans).

The Bank reviews and updates the credit policies on a regular basis, aiming to bring these guidelines up to date with the Bank's strategy, current macroeconomic situation, changes in legal framework and regulatory requirements.

Credit Decision Making Process

The credit decision-making process as part of the risk management policy is based upon Individual Credit Discretions vested in credit officers, commensurate with their knowledge and experience within the business segments. Credit exposures in excess of PLN 25 m are referred to the Credit Committee composed of senior management and top executives of Bank Zachodni WBK.

The Bank continually strives to ensure best quality credit service to meet the borrowers' expectations and satisfy relevant risk policy standards. To this end, the credit risk approval function has been separated from the sales function. Credit decision-making functions and sales functions are combined only at the Branch Banking level and these are limited to exposures up to a pre-defined ceiling. The responsibility for credit decisions and loan portfolio quality assurance lies with the Chief Credit Officer and reporting managers.

Credit Grading

Intensive work has been undertaken to further develop credit risk assessment tools to conform to the KNF requirements, International Accounting Standards/ International Financial Reporting Standards, and best market practices.

Bank Zachodni WBK uses credit risk grading models for its key credit portfolios, including corporate customers, SMEs, mortgage loans, property, cash loans, credit cards and retail overdrafts.

The Bank runs a systematic verification of credit grading pursuant to the rules described in the Credit Manuals. Additionally, for selected models automated process of credit grade verification is carried out based on the number of overdue days or behavioural features analysis. Credit grade may also be verified at subsequent credit assessments.

Credit Reviews

The Bank performs regular reviews to the quality of the credit portfolio, to confirm that adequate credit grading and provisioning processes are in place and to objectively assess professionalism in credit management. The reviews are performed by the Credit Review Department and Quality Assurance Department, which are a function independent of risk-taking units.

Collateral

Bank Zachodni WBK is operating the collateral process that appoints the Securities Centre as the unit responsible for proper functioning of the collateral management processes.

The Securities Centre is responsible for providing and monitoring of the collateral that are accurate and compliant with the credit policy for each business segment, for assuring that BZ WBK has consistent internal procedures on collateral management and efficient processes on collateral providing, monitoring and release in BZ WBK .

Additionally, the Securities Centre supports the credit units – in terms of collateral management – in the credit decisioning process and creation of the credit policies. The Securities Centre collects data on collateral and provides the relevant management information.

The tables below present different forms of collaterals that can be used against loans and advances to customers from non-banking sector.

Individual customers

Type of loan	Type of collateral
Cash loan	bills, guarantees, credit insurance
Credit on liquid assets	guaranty deposit, amounts frozen on account, investment funds
Student loan	sureties
Housing loan	mortgage, credit insurance, transfer of claim
Leasing	bills, guarantees, transfer of rights to bank's account; court registered pledge on movables; transfer of ownership, open mortgage, obligation of the leased asset supplier to buy the asset back (buy-back guarantee)

Business customers

Type of loan	Type of collateral
Commercial credit	guaranty deposit, registered pledge, bills
Revolving credit	assignment of credit, bills, guarantees, registered pledge
Building credit	mortgage
Investment credit	mortgage, sureties, warranty
Granted and with supplements	guarantees, warranty
Leasing	bills, guarantees, transfer of rights to bank's account; court registered pledge on movables; transfer of ownership, open mortgage, obligation of the leased asset supplier to buy the asset back (buy-back guarantee)

Collateral management process

Before credit decision is approved, the Securities Centre is responsible for assessment of the collateral quality:

- verification of the security valuation – assessment of the security value,
- assessment of the legal status of the security,
- assessment of the investment process for the properties,
- seeking legal advises on the proposed securities.

The Securities Centre actively participates in credit processes, executing tasks including:

- providing draft credit documentation,
- verification and assessment that the signed documentation is accurate and compliant,
- registering and verification of the data in information systems,
- collateral monitoring and reporting,
- releasing of the security.

In managing its receivables, Bank Zachodni WBK carries out the process of collateral execution. Selection of proper action towards execution of specific collateral depends on the type of the collateral (personal or tangible). In principle the Bank aims at voluntary proceedings in the course of collateral execution. When there is no evidence of cooperation with a collateral provider, the Bank's rights are fulfilled in compliance with the law and internal regulations in the bankruptcy and enforcement proceedings.

Credit risk stress testing

Stress testing is a part of the credit risk management process used to evaluate potential effects of specific events or movement of a set of financial and macroeconomic variables or change in risk profile on the Bank's condition. Stress tests are composed of assessment of potential changes in credit portfolio quality when faced with adverse conditions. The process also delivers management information about adequacy of agreed limit and internal capital allocation.

Calculation of Impairment

In Bank Zachodni WBK charges updating impairment are recognised in accordance with the International Accounting Standards/International Financial Reporting Standards (IAS/IFRS). The charges reflect credit impairment, which is recognised if the Bank presents objective evidence that such amounts cannot be recovered in line with the signed loan agreement. Objective evidences of impairment were defined in accordance with recommendation of Basel Committee and with the International Accounting Standards (IAS 39), which were described in the section on accounting policies concerning valuation of assets carried at amortised cost.

The impairment is calculated on the basis of the estimated recoverable amount. Impairments are analysed using both the individual (for individually significant exposures with objectively evidenced impairment) and collective approach (individually insignificant exposures with objectively evidenced impairment, and exposures of incurred but not reported losses).

In thousands of PLN

The Bank systematically compares the assumptions and parameters used for loss calculations with the actual situation. The comparison includes changes of economic conditions, amendments to Bank's credit policies and recovery process. The process provides assurance that impairments are recognized correctly. The responsibility for adequate level of charges rests with the Provisions Committee.

The tables below present the Bank's maximum exposure to credit risk, for presentation purposes grouped by classes, defined by provisions cover.

31.12.2010	Provision cover	Loans and advances to customers	Loans and advances to banks	Investment securities	Financial assets held for trading*
Individually impaired					
	up to 50%	736 985	-	-	-
	50% - 70%	122 204	-	-	-
	70% - 85%	67 465	-	-	-
	over 85%	63 284	-	-	-
Gross amount		**989 938**	**-**	**-**	**-**
Allowance for impairment		(344 949)	-	-	-
Net amount		**644 989**	**-**	**-**	**-**
Collectively impaired					
	up to 50%	507 363	-	-	-
	50% - 70%	223 697	-	-	-
	70% - 85%	391 800	-	-	-
	over 85%	77 786	-	-	-
Gross amount		**1 200 646**	**-**	**-**	**-**
Allowance for impairment		(601 749)	-	-	-
Net amount		**598 897**	**-**	**-**	**-**
IBNR portfolio					
	up to 0,10%	13 669 548	601 637	13 355 858	2 201 019
	0,10% - 0,30%	5 201 642	-	-	-
	0,30% - 0,65%	3 060 026	-	-	-
	over 0,65%	9 025 670	-	-	-
Gross amount		**30 956 886**	**601 637**	**13 355 858**	**2 201 019**
Allowance for impairment		(321 683)			
Net amount		**30 635 203**	**601 637**	**13 355 858**	**2 201 019**
Other receivables		**73 510**	**-**	**-**	**-**
Off-balance sheet exposures					
Financing granted		6 283 758	-	-	-
Guarantees		1 432 825	-	-	-
Nominal value of derivatives - purchased		-	-	-	42 470 461
Allowance for off-balance sheet exposures		(17 217)	-	-	-
Off-balance sheet exposures - total		**7 699 366**	**-**	**-**	**42 470 461**

*the value of financial assets held for trading includes adjustment of the fair value as described in Note 20

In thousands of PLN

31.12.2009	Provision cover	Loans and advances to customers	Loans and advances to banks	Investment securities	Financial assets held for trading*
Individually impaired					
	up to 50%	684 470	-	-	-
	50% - 70%	133 609	-	-	-
	70% - 85%	15 903	-	-	-
	over 85%	83 929	-	-	-
Gross amount		**917 911**	**-**	**-**	**-**
Charge due to impairment losses		(299 829)	-	-	-
Net amount		**618 082**	**-**	**-**	**-**
Collectively impaired					
	up to 50%	460 541	-	-	-
	50% - 70%	114 548	-	-	-
	70% - 85%	212 527	-	-	-
	over 85%	98 598	-	-	-
Gross amount		**886 214**	**-**	**-**	**-**
Charge due to impairment losses		(410 621)	-	-	-
Net amount		**475 593**	**-**	**-**	**-**
IBNR portfolio					
	up to 0,10%	9 503 969	648 743	13 265 805	1 303 226
	0,10% - 0,30%	5 899 110	-	-	-
	0,30% - 0,65%	4 895 743	-	-	-
	over 0,65%	11 516 762	-	-	-
Gross amount		**31 815 584**	**648 743**	**13 265 805**	**1 303 226**
Charge due to impairment losses		(365 002)	-	-	-
Net amount		**31 450 582**	**648 743**	**13 265 805**	**1 303 226**
Other receivables		**80 735**	**-**	**-**	**-**
Off-balance sheet exposures					
Financing granted		7 331 275	-	-	-
Guarantees		1 131 654	-	-	-
Nominal value of derivatives - purchased		-	-	-	37 730 770
Allowance for off-balance sheet exposures		(15 553)	-	-	-
Off-balance sheet exposures - total		**8 447 376**	**-**	**-**	**37 730 770**

*the value of financial assets held for trading includes adjustment of the fair value as described in Note 20

In thousands of PLN

31.12.2008	Provision cover	Loans and advances to customers	Loans and advances to banks	Investment securities	Financial assets held for trading*
Individually impaired					
	up to 50%	288 661	-	-	-
	50% - 70%	96 352	-	-	-
	70% - 85%	26 284	-	-	-
	over 85%	170 799	5 969	-	-
Gross amount		**582 096**	**5 969**	**-**	**-**
Charge due to impairment losses		(295 231)	(5 969)	-	-
Net amount		**286 865**	**-**	**-**	**-**
Collectively impaired					
	up to 50%	105 383	-	-	-
	50% - 70%	71 023	-	-	-
	70% - 85%	109 216	-	-	-
	over 85%	97 617	-	-	-
Gross amount		**383 239**	**-**	**-**	**-**
Charge due to impairment losses		(250 092)	-	-	-
Net amount		**133 147**	**-**	**-**	**-**
IBNR portfolio					
	up to 0,10%	8 730 796	1 348 421	12 894 385	3 222 357
	0,10% - 0,30%	6 992 635	-	-	-
	0,30% - 0,65%	6 999 737	-	-	-
	over 0,65%	9 308 798	-	-	-
Gross amount		**32 031 966**	**1 348 421**	**12 894 385**	**3 222 357**
Charge due to impairment losses		(304 554)	-	-	-
Net amount		**31 727 412**	**1 348 421**	**12 894 385**	**3 222 357**
Other receivables		**506 250**	**-**	**-**	**-**
Off-balance sheet exposures					
Financing granted		9 857 530	-	-	-
Guarantees		953 398	-	-	-
Nominal value of derivatives - purchased		-	-	-	116 147 308
Allowance for off-balance sheet exposures		(11 975)	-	-	-
Off-balance sheet exposures - total		**10 798 953**	**-**	**-**	**116 147 308**

*the value of financial assets held for trading includes adjustment of the fair value as described in Note 20

IBNR portfolio

	Loans and advances to customers		
	31.12.2010	31.12.2009	31.12.2008
Non-past due	**30 106 934**	**30 920 009**	**31 178 095**
Past-due	**849 952**	**895 575**	**853 871**
1-30 days	602 352	680 334	736 450
31-60 days	187 226	160 480	86 124
61-90 days	56 111	51 998	29 175
> 90 days	4 263	2 763	2 122
Gross amount	**30 956 886**	**31 815 584**	**32 031 966**

Portfolio of loans with incurred but not reported losses (IBNR) included loans that in the past had renegotiated terms of agreements. For the current reporting period it was PLN 2 041 355 k , as at 31.12.2009 it was PLN 560 150 k and PLN 100 926 k as at 31.12.2008.

In thousands of PLN

Allowances for impairment by classes

Provision cover		Loans and advances to customers			Loans and advances to banks		
		31.12.2010	31.12.2009	31.12.2008	31.12.2010	31.12.2009	31.12.2008
Individual allowance for impairment							
	up to 50%	(159 949)	(125 336)	(47 816)	-	-	-
	50% - 70%	(69 638)	(79 295)	(56 840)	-	-	-
	70% - 85%	(52 546)	(12 692)	(20 942)	-	-	-
	over 85%	(62 816)	(82 506)	(169 633)	-	-	(5 969)
Total individual allowance for impairment		**(344 949)**	**(299 829)**	**(295 231)**	**-**	**-**	**(5 969)**
Collective allowance for impairment							
	up to 50%	(87 174)	(85 790)	(23 762)	-	-	-
	50% - 70%	(134 781)	(67 400)	(42 981)	-	-	-
	70% - 85%	(302 218)	(163 156)	(87 211)	-	-	-
	over 85%	(77 576)	(94 275)	(96 138)	-	-	-
Total collective allowances for impairment		**(601 749)**	**(410 621)**	**(250 092)**	**-**	**-**	**-**
IBNR							
	up to 0,10%	(5 522)	(5 643)	(4 368)	-	-	-
	0,10%-0,30%	(10 278)	(10 478)	(13 169)	-	-	-
	0,30%-0,65%	(13 581)	(20 776)	(32 718)	-	-	-
	over 0,65%	(292 302)	(328 105)	(254 299)	-	-	-
Total IBNR		**(321 683)**	**(365 002)**	**(304 554)**	**-**	**-**	**-**
Total allowance for impairment		**(1 268 381)**	**(1 075 452)**	**(849 877)**	**-**	**-**	**(5 969)**

Credit risk concentration

Bank Zachodni WBK adheres to the standards provided for in the Banking Law with regard to the concentration of risk bearing exposures to a single entity or a group of entities connected in terms of capital or organisation. As at 31.12.2010, pursuant to art. 71 of the Banking Law Act, the maximum limits for the bank totalled:

- PLN 1 100 788 k (20% of Bank's own funds) in the case of exposures to subsidiary or dominant entities or to subsidiary entities of the entity dominant for the bank,
- PLN 1 375 985 k (25% of Bank's own funds) in other cases.

The policy pursued by the Bank aims at minimising the credit concentration risk, by for example applying more rigorous than regulatory rules in this respect, which are set out in the Large Exposures Policy. The effect of this policy is maintenance of high level of diversification of exposures towards individual customers.

The analysis of the Bank's exposures in terms of sector concentrations, carried out at the end of December 2010, proved that the Bank does not have any exposures in excess of the limits imposed by the regulator.

As at 31 December 2010, the Bank had credit exposures (balance sheet and off-balance sheet) exceeding 10% of its own funds attributable to 2 entities which accounted for 26.9% of own funds (against the permissible norm of 800%).

In thousands of PLN

A list of the 20 largest borrowers of Bank Zachodni WBK SA (performing loans) as at 31.12.2010.

Industry code (PKD)	Industry description	Total credit exposure	Balance sheet exposure	Committed credit lines, guarantees, treasury limits and capital investments
64	FINANCIAL SERVICES	1 562 187	942 459	619 728
64	FINANCIAL SERVICES	1 300 862	833 417	467 445
68	REAL ESTATE SERVICES	822 527	806 199	16 328
68	REAL ESTATE SERVICES	658 555	592 528	66 027
64	FINANCIAL SERVICES	412 000	316 776	95 224
41	CONSTRUCTION	377 810	316 646	61 164
68	REAL ESTATE SERVICES	344 273	300 480	43 793
68	REAL ESTATE SERVICES	297 815	297 815	-
66	OTHER FINANCIAL SERVICES	296 207	157	296 050
68	REAL ESTATE SERVICES	278 828	228 903	49 925
68	REAL ESTATE SERVICES	262 428	250 428	12 000
68	REAL ESTATE SERVICES	241 578	241 578	-
41	CONSTRUCTION	238 363	238 363	-
68	REAL ESTATE SERVICES	225 097	225 097	-
71	INDUSTRIAL CONSTRUCTION	223 861	47 459	176 402
68	REAL ESTATE SERVICES	223 511	208 011	15 500
68	REAL ESTATE SERVICES	222 554	211 445	11 109
59	MULTIMEDIA	218 393	105 770	112 623
19	RAFINERY	207 487	200 479	7 008
41	CONSTRUCTION	204 571	204 571	-
Total gross exposure		**8 618 907**	**6 568 581**	**2 050 326**

A list of the 20 largest borrowers of Bank Zachodni WBK SA (performing loans) as at 31.12.2009.

Industry code (PKD)	Industry description	Total credit exposure	Balance sheet exposure	Committed credit lines, guarantees, treasury limits and capital investments
64	FINANCIAL SERVICES	1 084 948	473 504	611 444
64	FINANCIAL SERVICES	1 058 871	426 924	631 947
68	REAL ESTATE SERVICES	861 388	840 436	20 952
68	REAL ESTATE SERVICES	708 252	639 764	68 488
64	FINANCIAL SERVICES	688 500	221 084	467 416
41	CONSTRUCTION	421 171	238 261	182 910
68	REAL ESTATE SERVICES	360 892	315 464	45 428
68	REAL ESTATE SERVICES	358 646	279 774	78 872
41	CONSTRUCTION	357 888	301 617	56 271
68	REAL ESTATE SERVICES	334 389	307 026	27 363
41	CONSTRUCTION	313 954	311 915	2 039
68	REAL ESTATE SERVICES	309 509	231 893	77 616
68	REAL ESTATE SERVICES	303 746	229 323	74 423
68	REAL ESTATE SERVICES	275 335	241 254	34 081
41	CONSTRUCTION	264 952	230 384	34 568
68	REAL ESTATE SERVICES	255 881	225 842	30 039
68	REAL ESTATE SERVICES	242 543	227 043	15 500
41	CONSTRUCTION	233 742	233 742	-
16	PRODUCTION	210 108	112 755	97 353
43	SPECIALISED CONSTRUCTION	207 035	67 308	139 727
Total gross exposure		**8 851 750**	**6 155 313**	**2 696 437**

In thousands of PLN

A list of the 20 largest borrowers of Bank Zachodni WBK SA (performing loans) as at 31.12.2008.

Industry code (PKD)	Industry description	Total credit exposure	Balance sheet exposure	Committed credit lines, guarantees, treasury limits and capital investments
68	REAL ESTATE SERVICES	777 827	730 160	47 667
68	REAL ESTATE SERVICES	704 508	293 348	411 160
68	REAL ESTATE SERVICES	739 376	664 461	74 915
68	REAL ESTATE SERVICES	485 726	266 084	219 642
41	CONSTRUCTION	367 666	181 266	186 400
41	CONSTRUCTION	363 697	286 947	76 750
68	REAL ESTATE SERVICES	313 764	169 548	144 216
11	BEVERAGE PRODUCTION	310 000	213 586	96 414
68	REAL ESTATE SERVICES	301 923	-	301 923
68	REAL ESTATE SERVICES	324 196	211 348	112 848
41	CONSTRUCTION	271 206	158 247	112 959
68	REAL ESTATE SERVICES	262 785	166 189	96 596
16	PRODUCTION	281 050	121 837	159 213
68	REAL ESTATE SERVICES	260 911	245 411	15 500
41	CONSTRUCTION	237 153	237 153	-
68	REAL ESTATE SERVICES	270 772	194 197	76 575
43	SPECIALISED CONSTRUCTION	219 462	164 603	54 859
41	CONSTRUCTION	211 950	189 467	22 483
68	REAL ESTATE SERVICES	209 049	147 268	61 781
70	MANAGEMENT SERVICES	197 517	174 214	23 303
Total gross exposure		**7 110 538**	**4 815 334**	**2 295 204**

Industry concentration

The credit policy of Bank Zachodni WBK assumes diversification of credit exposures. Risk of particular industry affects value of the exposure limit. In order to ensure adequate portfolio diversification and control the risk of overexposure to a single industry, the Bank provides funding to sectors and groups or capital units representing a variety of industries. As at 31.12.2010, the highest concentration level was recorded in the “property” sector (21% of the BZ WBK exposure), “manufacturing” (10%) and “distribution” (9%).

Groups of PKD by industries:

	Industry	Exposure 31.12.2010	31.12.2009	31.12.2008
	Property	7 087 907	7 155 425	6 821 977
	Manufacturing	3 469 662	4 554 195	4 663 122
	Distribution	3 120 222	3 873 451	4 450 316
	Construction	3 024 163	3 083 488	3 452 185
	Financial sector	2 590 704	1 740 490	1 704 692
	Agriculture	528 185	521 308	687 715
	Transportation	319 845	353 275	316 499
	Energy	277 095	338 314	411 468
	Other industries	1 346 463	1 425 977	1 279 031
A	**Total Business Loans**	**21 764 246**	**23 045 923**	**23 787 005**
B	**Retail (including mortgage loans)**	**11 383 224**	**10 573 786**	**9 210 296**
A+B	**BZWBK portfolio**	**33 147 470**	**33 619 709**	**32 997 301**
C	**Other receivables (commercial bonds, reverse repo)**	**73 510**	**80 735**	**506 250**
A+B+C	**Total BZ WBK**	**33 220 980**	**33 700 444**	**33 503 551**

Market risk

Market risk is defined as an adverse earnings impact of changes in interest rates, FX rates, share quotations, stock exchange indices, etc. It arises in trading activity as well as in the ordinary course of transacting business (exchange rate products, interest rate products, equity linked trackers).

Bank Zachodni WBK is exposed to market risk arising from its activity on money and capital markets and services provided to customers. Additionally the Bank undertakes the market risk related to the active management of balance sheet structure (assets and liabilities management).

The activity and strategies on market risk management are supervised by Market Risk Committee except for structured risk positions managed by ALCO.

General principles of market risk management

The key objective of the market risk policy pursued by the Bank is to reduce the impact of interest and FX rate changes on the Bank's profitability and market value as well as to grow income within the strictly defined risk limits while ensuring the Bank's liquidity.

Bank Zachodni WBK market risk policies establish a number of measurement and risk limitation parameters in the form of limits, mandatory and monitoring ratios. Risk limits are periodically reviewed to align them with the Bank's strategy and the current objectives of the Bank.

Interest rate and FX risks incurred in other Divisions of the Bank are transferred on to Treasury Division and managed centrally.

In order to reduce the structural balance sheet risk and ensure a stable income stream for the Bank, a special debt securities portfolio was established funded by a pool of net interest rate insensitive liabilities. Any decisions relating to the value or structure of this portfolio are taken by ALCO. Treasury Division as a unit managing Bank's centralized market risk exposure has the responsibility for the funding and liquidity management as well as executing deals on behalf of ALCO. For the above reason the market risk policies delegate market risk limits to the bank director in charge of Treasury Division. This limit is established in accordance with Treasury business strategy and approved at Market Risk Committee.

Additionally, in order to curtail losses on the trading portfolio, a stop-loss limit is in place, which allows trading positions to be closed in the event of losses exceeding the stated limit.

Within the Treasury Division, there is a dedicated market risk control unit responsible to ensure that the risk measurement methodologies used are appropriate for the risk being taken and that risk monitoring and control procedures are in place.

The structure of oversight of the market risk management in BZ WBK is supplemented by the independent monitoring performed by the Market Risk Monitoring Team in Risk Management Division. The Team is responsible for setting the market risk policy, proposing the methodology for risk measurement and stress testing, validation of market risk models and consistency of risk management process across in BZ WBK .

Measurement methods

BZWBK uses several risk measures to assets market risk exposure : Value at Risk (VaR), sensitivity measures and stress testing.

VaR is determined as a difference between the market value of positions calculated using the current market prices/rates and the market values based on "worst case" movements in market rates. VaR is calculated separately for interest rate, FX and price risk of equity instruments portfolio.

The limitations of VaR measurements are well known (among others VaR does not provide prediction of the maximum worst case losses, predicts future based on historical data, assumes static exposure over holding period). They stem from the need to make assumptions about the spread of likely future price and rate movements. BZWBK supplements its VaR methodology with sensitivity measures, which present how much the value of position could change for a given change in rates/prices. The sensitivity is measured at product, currency, desk and economic intent (trading, banking, hedging) levels. These measures can also be used to decide on hedging activities. A decision can be taken to close out positions when the level of sensitivity combined with the likelihood of a rate or price change exposes BZWBK to too high a potential loss in value. VaR and sensitivities measures provide estimates of probable maximum loss in normal market conditions. Stress tests are used to supplement these measures by estimating possible losses that may occur under extreme market conditions.

In thousands of PLN

Interest rate risk

The risk is that changes in interest rate will have adverse effects on earnings and on the value of BZWBK's assets and liabilities. The main source of interest rate risk are transactions entered in the bank's corporate centres or branches and transactions entered in the money market by the Treasury Division. Additionally, interest rate risk can be generated by transactions concluded by other units, e.g. through acquisition of municipal / commercial bonds, or the bank's borrowings in the interbank market. However all positions which generate a repricing risk are transferred by way of a system of internal contracts to the Treasury Division. Then the bank's dealers are responsible for entering into transactions in the Wholesale markets so as to manage the overall interest rate risk profile according to the desired risk strategy and in compliance with allocated risk limits.

Interest rate risk is managed by setting limits on Value at Risk from the open interest rate risk of Treasury Division. VaR is determined as a difference between the market value of the interest rate position calculated using the current profitability curve and the worst-case profitability curve, which is based on a volatility of interest rates at a 99% confidence level for a three-year interest rate history. Volatility is based on a one-month holding period. VaR is set both for the trading portfolio and the banking portfolio. The measurement excludes the securities portfolio managed by ALCO and used to hedge against the structural balance sheet risk. A stop-loss limit framework is also used to manage the risk of loss from positions that are subject to mark-to-market accounting. Stress tests are used to supplement above measures by estimating possible losses that may occur under extreme market conditions. These are based on current sensitivity reports and sets of assumed extreme 1-day and 1-month rates movements.
In managing interest rate risk, a distinction is made between trading and banking/investment activity. The trading book includes securities and derivatives that are held for trading purposes in Treasury. These are revalued daily at market prices and any changes in value are recognised in the profit and loss account. BZWBK's banking book consists of branch banking loans and deposits, Treasury investment portfolio and derivatives dedicated for hedge accounting purposes.

The table below presents risk levels in 2010, 2009 and 2008. (both measures assume 1 month holding time horizon):

Interest rate risk	VaR			Stress scenario		
1 month holding period	**31.12.2010**	**31.12.2009**	**31.12.2008**	**31.12.2010**	**31.12.2009**	**31.12.2008**
Average	31 098	30 520	20 995	145 635	137 162	142 177
High	40 360	39 996	28 596	188 689	185 874	177 608
Low	23 066	17 563	12 698	96 026	82 710	101 898
as at	**27 777**	**36 458**	**20 059**	**144 413**	**142 906**	**102 707**

The Treasury Division operates within an operational VaR risk limit, which amounted to PLN 59 405 k (EUR 15 000 k) at the end of 2010.

The tables below present the sensitivity of trading and banking portfolios at the end of December 2010 and comparable periods:

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

Interest Rate Risk (PLN k)	Sensitivity 31-12-2009		
parallel increase of yield curves by 1 bp	Trading book	Banking book	Total
0-3m	(10)	(53)	(63)
3m-1Y	(3)	77	74
1Y-5Y	(28)	(501)	(529)
over 5Y	5	(24)	(19)
Total	**(36)**	**(501)**	**(537)**

Interest Rate Risk (PLN k)	Sensitivity 31-12-2008		
parallel increase of yield curves by 1 bp	Trading book	Banking book	Total
0-3m	12	30	42
3m-1Y	5	(71)	(66)
1Y-5Y	(25)	(280)	(305)
over 5Y	2	(15)	(13)
Total	**(6)**	**(336)**	**(342)**

In thousands of PLN

Structural balance sheet risk

The structural balance sheet risk is defined as the Bank's sensitivity to income volatility in its non-trading activity arising from movements in interest rates. Interest rate volatility affects the Bank's income from the investment of capital and from free current account balances (net interest rate insensitive liabilities (NIRIL)). The key objective of such approach is to smooth level of Net Interest Income over time.

The supervisory role over that risk is an ALCO responsibility. The level of such risk is closely monitored and actively managed through separate assets portfolios (NIRIL Portfolios): capital NIRIL (funding of capital over the fixed assets), business NIRIL (funding of non interest bearing liabilities). The NIRIL Portfolios consists of safe and liquid assets (also treated as liquidity reserve) and interest rate derivatives. The decision maker role in relation to those portfolios is taken by ALCO and Treasury executes such decisions.

The following tables present interest rate sensitivities of each NIRIL portfolios at the end of 2010, 2009 and 2008:

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

Interest Rate Risk (PLN k)	Sensitivity 31-12-2009		
parallel increase of yield curves by 1 bp	Business portfolio	Capital portfolio	Total
0-3m	(9)	(7)	(16)
3m-1Y	(42)	(29)	(71)
1Y-5Y	(911)	(557)	(1 468)
over 5Y	-	(871)	(871)
Total	**(962)**	**(1 464)**	**(2 426)**

Interest Rate Risk (PLN k)	Sensitivity 31-12-2008		
parallel increase of yield curves by 1 bp	Business portfolio	Capital portfolio	Total
0-3m	-	-	-
3m-1Y	(52)	(26)	(78)
1Y-5Y	(1 036)	(590)	(1 626)
over 5Y	-	(471)	(471)
Total	**(1 088)**	**(1 087)**	**(2 175)**

FX risk

FX risk is the risk that adverse movements in foreign exchange rates will result in losses. This risk is managed by setting limits on the Value at Risk based on the total open FX position of the Bank. VaR is the potential loss on open FX positions at a 99% confidence level where open positions are maintained for 10 business days. Statistical parameters are set on the basis of a 3-year history of exchange rates. Stress tests are used to supplement the above measure by estimating possible losses that may occur under extreme market conditions. These are based on current FX exposure and assumed extreme rates movements' scenarios (calculations are provided for 1 day and 10 days holding periods). A stop-loss limit framework is also used to manage the risk of loss from trading position.

According to the policy, the Bank does not maintain open positions in FX options. Transactions concluded with clients are at the same time closed in the interbank market, thus the Bank is not exposed to market risk on its FX options portfolio.

In thousands of PLN

The table below presents risk levels in 2010, 2009 and 2008 (data for both measures are scaled to 1 month holding period to make it comparable):

FX risk	VaR			Stress scenario		
1 month holding period	**31.12.2010**	**31.12.2009**	**31.12.2008**	**31.12.2010**	**31.12.2009**	**31.12.2008**
Average	1 807	2 030	897	12 936	13 186	4 370
High	5 076	4 440	3 240	23 409	27 182	14 706
Low	426	435	160	2 938	3 388	842
as at	**1 842**	**2 163**	**886**	**15 048**	**14 725**	**6 228**

The Treasury Division operates within an operational VaR limit, which amounted to PLN 5 940 k (EUR 1 500 k) at the end of December 2010.

Similarly to interest rate risk the FX risk management strategy also was unchanged in 2010, therefore there was not significant differences of exposures in comparison to 2009 levels.

Fx Balance Sheet

In 2010, the profile Bank's FX loan assets and deposit liabilities remained relatively static. The FX gap is funded by the Treasury Division through the use of foreign exchange swaps and cross currency swaps. Additionally during 2010, the bank sourced term euro funding through a subordinated debt issue and through a financing facility designed to support lending to the SME sector. A key objective that was achieved during 2010 was to extend the maturity profile of the Bank's fx funding transactions. Additional limits were approved at ALCO to monitor the impact of this change in funding strategy.

The tables below present currency breakdown of selected items of consolidated statement of financial position as at 31.12.2010, 31.12.2009 and 31.12.2008.

31.12.2010	PLN	EUR	CHF	Other	Total
ASSETS					
Cash and balances with central banks	2 383 887	87 140	5 222	58 209	2 534 458
Loans and advances to banks	51 429	469 752	21 985	58 471	601 637
Loans and advances to customers	20 984 845	8 023 487	2 346 606	597 661	31 952 599
Investment securities	12 786 375	417 691	-	151 792	13 355 858
Selected assets	**36 206 536**	**8 998 070**	**2 373 813**	**866 133**	**48 444 552**
LIABILITIES					
Deposits from banks	1 682 500	302 134	48 495	110 878	2 144 007
Deposits from customers	37 526 134	3 484 603	30 350	1 058 123	42 099 210
Subordinated liabilities	-	395 230	-	-	395 230
Selected liabilities	**39 208 634**	**4 181 967**	**78 845**	**1 169 001**	**44 638 447**

31.12.2009	PLN	EUR	CHF	Other	Total
ASSETS					
Cash and balances with central banks	2 486 433	101 876	4 785	67 555	2 660 649
Loans and advances to banks	169 307	371 693	26 592	81 151	648 743
Loans and advances to customers	20 789 146	8 949 246	2 281 999	604 601	32 624 992
Investment securities	12 669 044	442 183	-	154 578	13 265 805
Selected assets	**36 113 930**	**9 864 998**	**2 313 376**	**907 885**	**49 200 189**
LIABILITIES					
Deposits from central bank	1 519 208	-	-	-	1 519 208
Deposits from banks	1 436 109	520 272	34 828	310 283	2 301 492
Deposits from customers	37 421 686	2 786 368	31 004	1 023 116	41 262 174
Selected liabilities	**40 377 003**	**3 306 640**	**65 832**	**1 333 399**	**45 082 874**

31.12.2008	PLN	EUR	CHF	Other	Total
ASSETS					
Cash and balances with central banks	2 798 689	256 638	7 954	114 818	3 178 099
Loans and advances to banks	1 074 138	134 905	2 430	136 948	1 348 421
Loans and advances to customers	20 705 544	8 733 388	2 424 298	790 444	32 653 674
Investment securities	12 156 115	655 238	-	83 032	12 894 385
Selected assets	**36 734 486**	**9 780 169**	**2 434 682**	**1 125 242**	**50 074 579**
LIABILITIES					
Deposits from central bank	1 242 574	-	-	-	1 242 574
Deposits from banks	800 932	938 945	56 040	161 692	1 957 609
Deposits from customers	39 180 665	2 945 924	41 482	1 213 834	43 381 905
Selected liabilities	**41 224 171**	**3 884 869**	**97 522**	**1 375 526**	**46 582 088**

Liquidity risk

Liquidity risk is defined as a risk of failure to meet all conditional and unconditional obligations towards customers and counterparties due to financial cash flows mismatches.

Liquidity Risk Management

The BZ WBK Liquidity Management Policy is designed to:

- ensure availability of funds to meet claims arising from asset commitments and liability demands, both current and future, at an economic price;
- manage the structural mismatch on the balance sheet;
- set a scale of liquidity risk appetite in the form of various internal limits;
- ensure proper organization of the liquidity management process across BZ WBK;
- prepare the organization for emergence of adverse factors, either external or internal;
- ensure compliance with regulatory requirements, both qualitative and quantitative.

The general principle adopted by BZ WBK in the liquidity management process is that all outflows occurring within 1 month in respect of deposits, current funds, loan drawdowns, guarantee payments, settlements of transactions should be at least fully covered by the anticipated inflows or Qualified Liquid Assets (QLA) assuming normal or predictable conditions for the Bank's operations. The key categories of Qualified Liquid Assets (QLA) recognized in BZWBK are: cash on hand, cash deposited with NBP (National Bank of Poland), securities which may be sold or pledged under repo transactions or NBP lombard loans.

In addition, the Policy's aim is to ensure an adequate structure of funding the growing scale of BZWBK business by maintaining the medium-term and long-term liquidity ratios at a pre-defined level. Therefore, apart from the limits defined above, a set of observation ratios is monitored on a daily basis (i.e. loan/deposit ratio, wholesale dependency ratio). As for long-term liquidity, internal controls are supported by a regulatory limit, pursuant to which the capital and stable sources of financing must fully cover the value of the credit portfolio and non-liquid assets (e.g. fixed assets).

Management and Reporting

ALCO has overall responsibility for the supervision of liquidity risk and advises the Management Board on appropriate strategies and policies for strategic liquidity management.

Day-to-day management of current (up to 7 days) and short-term liquidity (up to 30 days) is delegated to the Treasury Division. The responsibility for mid- (above 1 month) and long-term (above 1 year) liquidity management rests jointly with the Head of Finance Division and the Head of Treasury Division. Assets and Liabilities Management Department in the Finance Division are responsible for developing and maintaining appropriate strategies and also for liquidity risk measurement and reporting.

The Bank has a scenario-based contingency plan approved by the Management Board to cater for unexpected liquidity problems, whether caused by external or internal factors.

Risk Assessment

Liquidity is calculated by a modified liquidity gap, which is determined separately for PLN and FX positions. According to the Liquidity Policy, the reported contractual positions are subject to various modifications based on statistical behaviour of deposit and credit base, possibility of selling or establishing pledge over State Treasury securities under repo transactions or NBP Lombard loan, possibility of rolling over transactions on the interbank market. The actual liquidity gap is used to determine liquidity ratios, i.e. relationship between the projected consolidated outflows and inflows in a given period. The Liquidity Policy sets minimum values of ratios for periods of up to one week and one month. The ratios are set both for PLN and FX. In case of shortage of PLN or FX, PLN or FX surplus may be converted accordingly to cover the shortages. However, the value of such conversion is limited by the assessed current capacity of the wholesale market.

At the same time, liquidity is measured in accordance with Resolution no. 386/2008 of KNF (Polish Financial Supervision Authority) on liquidity standards applying to banks.

Liquidity measurement is supplemented with liquidity stress tests, which are used to assess the exposure to liquidity risk and maximum funding requirement if the assumed scenarios materialise over a medium and longer term.

Contractual Gap Analysis based on remaining time maturity as at 31.12.2010, 31.12.2009 and 31.12.2008:

In thousands of PLN

31.12.2010	up to 1 month	from 1 to 3 months	from 3 to 12 months	from 1 to 3 years	from 3 to 5 years	over 5 years	rate insensitive	Total
Cash and balances with central banks	2 534 458	-	-	-	-	-	-	2 534 458
Loans and advances to banks	601 637	-	-	-	-	-	-	601 637
Financial assets held for trading	1 237 429	65 409	422 305	294 920	92 691	88 176	89	2 201 019
Loans and advances to customers	2 836 309	1 993 612	6 268 335	6 756 851	7 163 430	8 202 443	(1 268 381)	31 952 599
Investment securities	-	-	2 659 697	5 037 038	2 506 002	2 505 004	648 117	13 355 858
Other items	-	-	-	-	-	-	1 389 185	1 389 185
Long position	**7 209 833**	**2 059 021**	**9 350 337**	**12 088 809**	**9 762 123**	**10 795 623**	**769 010**	**52 034 756**
Deposits from Central Bank and banks	2 142 679	1 328	-	-	-	-	-	2 144 007
Financial liabilities held for trading	35 197	64 532	95 007	188 412	92 036	103 427	-	578 611
Deposits from customers	28 008 106	5 963 458	6 923 319	808 115	164	396 048	-	42 099 210
Subordinated liabilities	3 160	-	-	-	-	392 070	-	395 230
Other items	-	-	-	-	-	-	6 817 698	6 817 698
Short position	**30 189 142**	**6 029 318**	**7 018 326**	**996 527**	**92 200**	**891 545**	**6 817 698**	**52 034 756**
Gap-balance sheet	**(22 979 309)**	**(3 970 297)**	**2 332 011**	**11 092 282**	**9 669 923**	**9 904 078**	**(6 048 688)**	
Contingent liabilities- sanctioned								
Financing related	167 154	576 473	3 410 667	891 876	891 572	346 016	(16 151)	**6 267 607**
Guarantees	17 900	110 042	275 495	710 688	279 665	39 035	(1 066)	**1 431 759**
Derivatives settled in gross terms								
Inflows	2 371 246	3 876 195	3 007 334	1 380 745	1 591 161	1 287 992	-	**13 514 673**
Outflows	2 382 221	3 861 964	2 993 185	1 390 384	1 613 287	1 379 910	-	**13 620 951**
Gap – off-balance sheet	**(196 029)**	**(672 284)**	**(3 672 013)**	**(1 612 203)**	**(1 193 363)**	**(476 969)**	**17 217**	

In thousands of PLN

31.12.2009	up to 1 month	from 1 to 3 months	from 3 to 12 months	from 1 to 3 years	from 3 to 5 years	over 5 years	rate insensitive	Total
Cash and balances with central banks	2 660 649	-	-	-	-	-	-	2 660 649
Loans and advances to banks	648 743	-	-	-	-	-	-	648 743
Financial assets held for trading	488 469	139 474	283 023	182 351	119 975	90 994	(1 060)	1 303 226
Loans and advances to customers	2 345 221	1 837 961	7 436 975	8 101 061	5 548 231	8 430 995	(1 075 452)	32 624 992
Investment securities	49 876	1 743 454	1 589 739	4 475 703	2 771 513	1 992 640	642 880	13 265 805
Other items	-	-	-	-	-	-	1 442 866	1 442 866
Long position	**6 192 958**	**3 720 889**	**9 309 737**	**12 759 115**	**8 439 719**	**10 514 629**	**1 009 234**	**51 946 281**
Deposits from Central Bank and banks	2 246 770	1 038 928	535 002	-	-	-	-	3 820 700
Financial liabilities held for trading	52 811	111 817	420 788	110 481	60 952	58 222	-	815 071
Deposits from customers	26 849 629	8 233 007	5 245 918	920 089	11 243	2 288	-	41 262 174
Other items	-	-	-	-	-	-	6 048 336	6 048 336
Short position	**29 149 210**	**9 383 752**	**6 201 708**	**1 030 570**	**72 195**	**60 510**	**6 048 336**	**51 946 281**
Gap-balance sheet	**(22 956 252)**	**(5 662 863)**	**3 108 029**	**11 728 545**	**8 367 524**	**10 454 119**	**(5 039 102)**	
Contingent liabilities- sanctioned								
Financing related	244 621	857 168	3 468 585	1 862 470	613 787	284 644	(13 909)	**7 317 366**
Guarantees	54 862	106 121	436 132	276 680	253 051	4 808	(1 644)	**1 130 010**
Derivatives settled in gross terms								
Inflows	4 905 568	2 042 795	3 730 157	655 913	786 025	902 592	-	**13 023 050**
Outflows	4 854 745	2 053 791	3 910 551	654 662	740 246	902 350	-	**13 116 345**
Gap – off-balance sheet	**(248 660)**	**(974 285)**	**(4 085 111)**	**(2 137 899)**	**(821 059)**	**(289 210)**	**15 553**	

In thousands of PLN

31.12.2008	up to 1 month	from 1 to 3 months	from 3 to 12 months	from 1 to 3 years	from 3 to 5 years	over 5 years	rate insensitive	Total
Cash and balances with central banks	3 178 099	-	-	-	-	-	-	3 178 099
Loans and advances to banks	1 207 079	141 342	-	-	-	-	-	1 348 421
Financial liabilities held for trading	396 878	580 752	1 589 705	408 902	106 352	139 768	-	3 222 357
Loans and advances to customers	1 947 378	1 884 200	7 064 739	7 953 736	4 576 451	10 077 047	(849 877)	32 653 674
Investment securities	15 956	599 846	2 604 010	3 437 478	4 080 804	1 518 129	638 162	12 894 385
Other items	-	-	-	-	-		1 514 120	1 514 120
Long position	**6 745 390**	**3 206 140**	**11 258 454**	**11 800 116**	**8 763 607**	**11 734 944**	**1 302 405**	**54 811 056**
Deposits from Central Bank and banks	1 953 985	1 246 198	-	-	-	-	-	3 200 183
Financial liabilities held for trading	739 379	570 716	1 155 256	612 213	92 033	83 692	-	3 253 289
Deposits from customers	31 300 941	8 842 327	2 673 585	418 241	146 799	12	-	43 381 905
Other items	-	-	-	-	-	-	4 975 679	4 975 679
Short position	**33 994 305**	**10 659 241**	**3 828 841**	**1 030 454**	**238 832**	**83 704**	**4 975 679**	**54 811 056**
Gap-balance sheet	**(27 248 915)**	**(7 453 101)**	**7 429 613**	**10 769 662**	**8 524 775**	**11 651 240**	**(3 673 274)**	
Contingent liabilities- sanctioned								
Financing related	256 219	616 947	3 851 779	2 902 112	649 283	1 581 190	(9 569)	**9 847 961**
Guarantees	62 889	120 928	263 473	362 939	137 475	5 694	(2 406)	**950 992**
Derivatives settled in gross terms								
Inflows	7 883 443	4 026 456	6 462 310	2 190 333	44 325	364 073	-	**20 970 940**
Outflows	8 205 177	4 170 829	6 517 716	2 515 655	38 059	364 208	-	**21 811 644**
Gap – off-balance sheet	**(640 842)**	**(882 248)**	**(4 170 658)**	**(3 590 373)**	**(780 492)**	**(1 587 019)**	**11 975**	

In thousands of PLN

Liquidity Policy Report – Modified Liquidity Gap:

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

Liquidity risk	<1W	<1M	>1M
31-12-2009			
Qualifying Liquid Assets	11 023 232	-	1 931 412
Treasury inflows	2 098 604	3 797 865	7 163 425
Other inflows	1 451 558	593 711	33 840 436
Treasury outflows	(3 247 340)	(3 782 486)	(9 292 350)
Other outflows	(3 441 017)	(317 267)	(41 819 783)
GAP	**7 885 037**	**291 823**	**(8 176 860)**
Cumulative GAP	**7 885 037**	**8 176 860**	**-**

Liquidity risk	<1W	<1M	>1M
31-12-2008			
Qualifying Liquid Assets	11 382 962	566 552	1 300 540
Treasury inflows	2 476 074	6 961 845	12 223 334
Other inflows	629 768	249 314	36 286 296
Treasury outflows	(2 263 818)	(7 564 051)	(14 016 408)
Other outflows	(5 284 242)	(516 776)	(42 431 390)
GAP	**6 940 744**	**(303 116)**	**(6 637 628)**
Cumulative GAP	**6 940 744**	**6 637 628**	**-**

At the end of 2010 there was an increase in the duration of retail deposits, which was reflected in the contractual gap. Level of liquid assets was not significantly changed y/y.

In 2010 and in comparable periods all the regulatory measures have been kept at the required levels.

Operating Risk

Bank Zachodni WBK adopted the definition of operational risk from the Basel Banking Supervision Committee which states that an operational risk is exposure to losses resulting from inadequate internal processes or systems, human errors or external factors.

Operational risk is inherent in almost all the Bank's business activities, including the outsourced functions or services delivered jointly with third parties. Each organisational unit in the Bank is fully responsible for identification and management of the operational risks pertaining to its operations. The objective of the operational risk management is to minimise the likelihood of unexpected adverse events.

In order to manage operational risk, Bank Zachodni WBK maintains an operational risk policy and operational risk framework, both of which are subject to regular review. In addition, detailed procedures and guidelines are used to define how risks are identified, estimated, monitored and mitigated.

The Operational Risk Management Committee (ORMCo) appointed by the Management Board set the strategic direction for operational risk activities, including in the area of BCM, information security and fraud prevention. ORMCo is a forum for official discussions on operational risk, determines and monitors operational risk management objectives and sets priorities with regard to high risks. The effects of this work are reported to the Risk Management Committee.

BZ WBK Information Security Management System has been certified by ISO 27001:2005.

To ensure adequate risk management and identification of the key threats, the following processes are employed:

- Identification and estimation of operational risk

In their self-assessment process, organisational units identify risks present in their processes, systems or products, assess inherent and residual risks for their likelihood and consequences, and describe the existing controls. As part of the self-assessment review, potential threats to the bank's business are identified. The risks with high residual rating have proper action plans developed on which progress is reviewed quarterly by ORMCo.

- Reporting on operational incidents and lessons learned

Each organizational unit is required to report operational incidents on a monthly basis. The data are used to carry out a root-cause analysis of the incidents with a view to ensuring that lessons learned are captured and preventive and corrective measures are actioned. The lessons learned process is a tool aimed to reinforce and facilitate operational risk management; it ensures also that decisive steps are taken if operational incidents materialize.

- Analysis of risk indicators

Risk indicators are financial and operational indicators which depict the risk level present in Bank Zachodni WBK , and provide early warning of emerging threats and operational losses.

- Business continuity management

Each organizational unit is required to develop and update their business continuity management plans to ensure that critical business processes remain uninterrupted following an unplanned disruption because of unavailability of systems, locations and staff. Business continuity plans must be tested at least annually to ensure that it is possible to restore critical business processes at the required service level and within the agreed timeframe. There are backup locations where critical processes can be restored and continued should an incident occur.

- Regular reporting to the Risk Management Committee and Supervisory Board

Operational risk issues are reported to the Risk Management Committee and Supervisory Board, including: operational risk incidents and losses, risk indicators, operational risk self-assessment.

- Insurance

The bank's insurance cover includes the following insurance lines: Bankers' Bond, Computer Crime and Officers & Directors.

Legal & compliance risk

Legal and regulatory (compliance) risk is defined – in line with the Basel Committee recommendation and the definition adopted by the strategic shareholder – as risk of regulatory sanctions, material financial loss or loss to reputation that may be incurred by Bank Zachodni WBK as a result of failure to comply with the applicable laws, standards or codes of conduct applicable to its activities.

Risk Identification and Assessment
Within Bank Zachodni WBK several bodies have been assigned to manage legal and regulatory (compliance) risk.

The scope of the Legal and Compliance Division responsibilities relates to "conduct of business'" compliance obligations, including protection of the clients' rights, anti-money laundering, protection of sensitive information and personal data. The identification, interpretation and communication roles relating to other legal and regulatory obligations have been assigned to functions with specialist knowledge in those areas.

All issues regarding compliance with employment law is assigned to HR Management Division, taxation law and reporting requirements to Financial Division and prudential regulation to Financial Division and Risk Management Division in respective aspects.

Every six months, the BZWBK Compliance Area coordinates assessment process of the key legal and compliance risks. During the process, risks and their potential impact on the business are assessed, and effectiveness of appropriate controls that may be applied to mitigate these risks is evaluated. Legal and regulatory (compliance) risk reviews take into account any risks the Group may be exposed to within the following three years, including upstream risks in the form of new regulations, increased regulatory scrutiny and increasing demand of the stakeholders.

Risk management and mitigation

The Bank Management Board adopted a policy statement on compliance with legal and regulatory obligations, which was then approved by the Supervisory Board. The policy mandates the Compliance Area and ensures it's sufficient independence to support management in effective compliance risk management. Every six months, the Audit Committee reviews key compliance risks to assess the extent to which they are being managed effectively.

The Risk Management Committee ensures execution of applicable regulations and approves principles of internal control and compliance policy framework. It also ensures independence & sufficient resources of the Compliance Area. In particular, the compliance unit major responsibilities include (with the provision of the specific responsibility of Finance Division, Risk Management Division and HR Division):

- independent identification, assessment and monitoring of compliance risk the Bank is exposed to,
- providing advice and reporting to the Risk Management Committee, Bank's Management Board and Audit Committee on the effectiveness of the processes established to ensure compliance with laws and regulations within its scope,
- providing advice and guidance to management and staff on compliance risks and on appropriate policies and procedures to mitigate this risk.

Legal and regulatory (compliance) risk management is coordinated by the Legal and Compliance Division reporting to the Management Board Member.

Risk monitoring & reporting

The Compliance Area undertakes risk-based monitoring of compliance with relevant policies, procedures, regulatory obligations and best practices. Monitoring can be undertaken by dedicated Risk and Compliance Monitoring Office, the AML Office and Compliance Officers in indicated units and capital market subsidiaries, as well as staff of other controlling units acting on behalf of the Compliance Area (for branch network).

Risk prioritised annual compliance monitoring plans are prepared based on the risk assessment process. The monitoring is focused particularly on processes but may also refer to particular organizational units. The annual monitoring plan, accepted by the Audit Committee, is reviewed on a regular basis and updated to reflect changes in the risk profile from emerging risks, changes in risk assessments and new regulatory 'hotspots'. Issues emerging from compliance monitoring are escalated for management attention, and action plans and implementation dates are agreed with the Legal and Compliance Division. The implementation of these action plans is monitored by the Legal and Compliance Division.

4. Capital Management

Introduction

It is the policy of the Bank Zachodni WBK to maintain equity at a level appropriate to the size and type of its business and the risk it is exposed to, in compliance with the Polish Banking Law and regulations issued by the Polish Financial Supervision Authority (KNF) which transpose the New Capital Accord of the Basel Committee (Basel II) into Polish law.

Basel II defines the approach to measurement of the minimum regulatory capital requirement (Pillar 1) and introduced measurement of internal capital (Pillar 2) where in-house models are applied by banks in day-to-day risk management. Internal capital is more sensitive to risk and should be subject to prudent and detailed review to facilitate correct measurement. Calculation of internal capital is an integral part of the bank management.

In addition, the level of capital maintained by the Bank is determined by ultimate external ratings and results of stress tests of individual material risks.

The Management Board is accountable for capital management, calculation and maintenance processes, including assessment of capital adequacy vis a vis different economic conditions and evaluations of stress tests results and their impact on internal capital and capital adequacy. Responsibility for general oversight over estimation of internal capital rests with the Supervisory Board.

The Management Board delegated on-going capital management to ALCO/ICAAP Forum. This body is responsible for tracking the actual and required capital levels and initiates transactions affecting these levels (e.g. by recommending the value of dividends to be paid). The ALCO/ICAAP Forum is the first body in the bank to define capital policy and rules for assessment of capital adequacy for the bank. It also approves capital plans and sets out rules underpinning allocation of capital into individual segments when estimating profitability of the same. However, any ultimate decisions regarding increase or decrease of capital are taken by relevant authorities of the bank in accordance with the applicable law and the bank's Statutes.

In thousands of PLN

Capital Policy

The solvency ratio, which shows the relation between capital requirements for particular risks to the Bank's total capital, after mandatory deductions, recognised in keeping with the Banking Law and the requirements of the Polish Financial Supervision Authority, is one of the basic measures used for capital management in Bank Zachodni WBK. Under the Banking Law, solvency ratio may not be lower than 8%, both at the Bank and the Group level.

The Bank's capital management policy envisages the target solvency ratio at 10% both for the Bank and the Group.

At the same time Tier 1 capital ratio (core equity capital to Risk Weighted Assets for credit, market and operational risk) should be maintained at a minimum level of 8% both for the Bank and the Group (an additional requirement may be also applied here, as part of SREP process of Pillar 2).

Regulatory Capital

The risks under Pillar 1 and the minimum capital required for such risks are assessed in a quantitative method. The bank uses regulatory approaches to the measurement of these risks, applying precisely defined rules and parameters to calculate the capital requirement needed to cover the risks. BZ WBK uses following methods with regard to particular risks:

- credit risk - the standardised approach;
- operational risk –the standardised approach;
- market risk - the basic measurement methods.

The capital requirement for individual risks is aggregated directly to determine the overall capital requirement (Pillar 1).

The tables below show capital requirement for the Bank as of 31 December 2010, 31 December 2009 and 31 December 2008.

	PLN k	31.12.2010	31.12.2009	31.12.2008
I	**Total Capital requirement**	**2 880 685**	**3 042 079**	**3 220 737**
II	**Own funds after reductions**	**5 503 939**	**4 693 367**	**3 948 080**
	CAD [II/(I*12.5)]	**15,29%**	**12,34%**	**9,81%**

Internal Capital

Bank Zachodni WBK defines internal capital as the capital required to safeguard the bank against the impact of major unexpected losses which may jeopardise the bank's solvency.

A key element of Pillar 2 is the internal capital adequacy assessment process (ICAAP). Under this process the bank is required to estimate (determine), allocate and maintain the required level of internal capital to ensure secure conduct of its banking business, taking into account the bank's risk profile set out in the Risk Appetite Statement.

The key objective of the ICAAP is to create a link between the risk profile, risk management, risk mitigation and internal capital level. The bank has an appropriate process in place to assess all the key elements of capital planning and management (including aggregation of capital for different risk types). The process ensures that the bank's capital will be sufficient to cover all the particular risks. The internal capital estimation process is adjusted to the type, scale and complexity of the bank's business.

The current approach is to aggregate the capital for Pillar 1 risks and then to add the estimated capital for all the other Pillar 2 risks that the bank is or may be exposed to. Quantitative risk measurement methods are applied where feasible and practicable. Other Pillar 2 risks are assessed and managed qualitatively, by way of adequate processes for risk management, tracking and mitigation. This is a very conservative approach as it assumes that there are no correlations between risks.

Subordinated liabilities

Subordinated liabilities include the amount of issued subordinated debt securities with 10-year maturity term, floating interest rate, fully paid by European Bank of Reconstruction and Development on 5th August 2010.

On 13th October 2010 Bank obtained an approval of KNF for the inclusion of the funds raised through the issue of debt securities dated 5th August 2010 into the Bank's supplementary funds. Based on the decision of KNF, the funds raised from this issue amounting to EUR 99 000 k have been included in the calculation of the Bank's adequacy ratio.

Detailed information on subordinated liabilities is presented in Note 33.

In thousands of PLN

5. Net interest income

Interest income	01.01.2010 -31.12.2010	01.01.2009 -31.12.2009	01.01.2008 -31.12.2008
Loans and advances to enterprises	1 191 526	1 298 567	1 418 005
Loans and advances to individuals, of which:	958 818	916 596	742 834
Home mortgage loans	*299 295*	*285 682*	*302 790*
Debt securities incl.:	750 059	738 991	602 504
Investment portfolio held to maturity	*362 229*	*376 940*	*90 252*
Investment portfolio available for sale	*301 964*	*316 042*	*487 697*
Trading portfolio	*85 866*	*46 009*	*24 555*
Loans and advances to banks	59 104	71 930	174 576
Other from public sector	17 072	18 744	32 170
Reverse repo transactions	7 003	14 948	42 906
Interest recorded on hedging IRS	(11 934)	(16 320)	4 126
Total	**2 971 648**	**3 043 456**	**3 017 121**
Interest expense	**01.01.2010 -31.12.2010**	**01.01.2009 -31.12.2009**	**01.01.2008 -31.12.2008**
Deposits from individuals	(773 118)	(969 558)	(783 506)
Deposits from enterprises	(358 237)	(416 667)	(465 542)
Repo transactions	(95 976)	(131 037)	(107 823)
Public sector	(56 834)	(94 687)	(98 335)
Deposits from banks	(11 026)	(15 968)	(65 030)
Debt securities in issue	(8 180)	-	(5 418)
Total	**(1 303 371)**	**(1 627 917)**	**(1 525 654)**
Net interest income	**1 668 277**	**1 415 539**	**1 491 467**

As at 31.12.2010 net interest income includes interest on impaired loans of PLN 102 588 k (as at 31.12.2009 - PLN 83 249 k, as at 31.12.2008 - PLN 51 230 k).

In thousands of PLN

6. Net fee and commission income

Fee and commission income	01.01.2010 -31.12.2010	01.01.2009 -31.12.2009	01.01.2008 -31.12.2008
eBusiness & payments	357 535	370 651	313 280
Current accounts and money transfer	252 052	251 571	233 747
Foreign exchange commissions	201 745	226 534	235 013
Credit commissions	94 668	89 309	68 921
Distribution fees	83 460	65 414	92 092
Credit cards	63 626	68 250	54 734
Insurance commissions	59 968	65 743	71 519
Issue arrangement	13 211	6 147	9 307
Off-balance sheet guarantee commissions	12 405	12 390	12 786
Other commissions	5 576	2 980	4 220
Total	**1 144 246**	**1 158 989**	**1 095 619**
Fee and commission expense	**01.01.2010 -31.12.2010**	**01.01.2009 -31.12.2009**	**01.01.2008 -31.12.2008**
eBusiness & payments	(77 197)	(97 450)	(76 470)
Commissions paid to credit agents	(23 105)	(18 534)	(25 264)
Credit cards	(7 597)	(7 084)	(8 054)
Other commissions	(14 480)	(14 163)	(11 689)
Total	**(122 379)**	**(137 231)**	**(121 477)**
Net fee and commission income	**1 021 867**	**1 021 758**	**974 142**

Included above is fee and commission income on credits, credit cards and off-balance sheet guarantee commissions of PLN 170 699 k (2009: PLN 169 949 k, 2008: PLN 136 441 k) and fee and commission expenses on credits cards and paid to credit agents of PLN (30 702) k (2009: PLN (25 618) k, 2008: PLN (33 318) k) other than fees included in determining the effective interest rate), relating to financial assets and liabilities not carried at fair value through profit or loss.

7. Dividend income

Dividend income	01.01.2010 -31.12.2010	01.01.2009 -31.12.2009	01.01.2008 -31.12.2008
Dividends from subsidiaries and joint ventures	78 645	243 446	150 082
Dividends from investment portfolio entities	52 730	94 107	68 249
Total	**131 375**	**337 553**	**218 331**

8. Net trading income and revaluation

Net trading income and revaluation	01.01.2010 -31.12.2010	01.01.2009 -31.12.2009	01.01.2008 -31.12.2008
Profit on interbank FX transactions	111 398	151 481	59 177
Profit/(loss) on derivative instruments	126 172	88 377	(33 146)
Other FX related income	25 301	26 589	17 131
Profit on debt instruments	1 101	2 487	2 181
Total	**263 972**	**268 934**	**45 343**

Net trading income and revaluation includes the write-back of adjustments of derivatives resulting from counterparty risk in the amount of PLN 5 994 k for 2010 and adjustments of derivatives resulting from counterparty risk in the amount of PLN (28 843) k for 2009 and PLN (80 996) k for 2008.

In 2010, Bank Zachodni WBK S.A. revised the spreads adopted for mark-to-market valuation of CIRS with a view to making fair value of these derivatives more accurate. The total fair value adjustment to these derivatives was PLN (14 469 k) at the end of the reporting period. These instruments are a source of funding net FX assets and it is the Bank's intention to hold them until maturity. Their mark-to-market valuation will revert to zero on a case by case basis over their remaining life.

In thousands of PLN

9. Gains (losses) from other financial securities

Gains (losses) from other financial securities	01.01.2010 -31.12.2010	01.01.2009 -31.12.2009	01.01.2008 -31.12.2008
Profit on equity shares	3 056	3 386	66 122
Profit on debt securities	5 657	(7 223)	(13 103)
Charge due to impairment losses	(48)	-	71
Total profit (losses) on financial instruments	**8 665**	**(3 837)**	**53 090**
Change in fair value of hedging instruments	(2 034)	26 550	(37 803)
Change in fair value of underlying hedged positions	2 167	(28 852)	40 603
Total profit (losses) on hedging and hedged instruments	**133**	**(2 302)**	**2 800**
Total	**8 798**	**(6 139)**	**55 890**

10. Net gain/(loss) on sale of subsidiaries and associates

Net gain on sale of subsidiaries and associates	01.01.2010 -31.12.2010	01.01.2009 -31.12.2009	01.01.2008 -31.12.2008
Sale of subsidiaries	-	-	982
Sale of associates	-	-	(756)
Total	**-**	**-**	**226**

Additional information about acquisitions and disposals of investments is available in note 48.

11. Other operating income

Other operating income	01.01.2010 -31.12.2010	01.01.2009 -31.12.2009	01.01.2008 -31.12.2008
Income on sale of services	19 702	20 141	31 609
Insurance indemnity received	8 499	2 280	1 957
Reimbursements of BGF charges	5 678	5 826	1 657
Release of provision for legal cases and other assets	3 687	11 691	5 150
Recovery of other receivables	1 149	3 981	2 529
Bailiff reimbursement	702	826	860
Received compensations, penalties alnd fines	211	224	404
Other	7 312	4 715	10 117
Total	**46 940**	**49 684**	**54 283**

12. Impairment losses on loans and advances

Impairment losses on loans and advances	01.01.2010 -31.12.2010	01.01.2009 -31.12.2009	01.01.2008 -31.12.2008
Collective and individual impairment charge	(425 614)	(402 312)	(179 418)
Incurred but not reported losses charge	43 045	(61 349)	(176 257)
Recoveries of loans previously written off	20 252	17 458	10 205
Off balance sheet credit related items	(1 671)	(3 497)	(6 419)
Total	**(363 988)**	**(449 700)**	**(351 889)**

In thousands of PLN

13. Employee costs

Employee costs	01.01.2010 -31.12.2010	01.01.2009 -31.12.2009	01.01.2008 -31.12.2008
Salaries and bonuses	(709 253)	(650 474)	(639 146)
Salary related costs	(107 740)	(103 129)	(94 791)
Staff benefits costs	(19 181)	(19 480)	(19 613)
Professional trainings	(12 710)	(8 431)	(21 677)
Retirement fund, holiday provisions and other employee-related costs	(4 689)	1 122	(10 636)
Total	**(853 573)**	**(780 392)**	**(785 863)**

14. General and administrative expenses

General and administrative expenses	01.01.2010 -31.12.2010	01.01.2009 -31.12.2009	01.01.2008 -31.12.2008
Maintenance and rentals of premises	(207 154)	(194 986)	(152 388)
IT systems costs	(77 440)	(80 479)	(84 348)
Marketing and representation	(71 633)	(68 741)	(94 546)
Postal and telecommunication costs	(42 688)	(49 217)	(49 883)
Other external services	(33 298)	(23 405)	(31 310)
Car, transport expenses, carriage of cash	(31 026)	(30 730)	(32 180)
Bank Guarantee Fund, Polish Financial Supervision Authority	(22 681)	(24 809)	(14 282)
Consulting fees	(19 781)	(12 489)	(29 702)
Stationery, cards, cheques etc.	(17 654)	(18 256)	(23 213)
Data transmission	(14 807)	(16 205)	(16 198)
Sundry taxes	(14 552)	(14 007)	(15 190)
Security costs	(13 616)	(12 281)	(12 440)
KIR, SWIFT settlements	(11 662)	(11 974)	(11 156)
Costs of repairs	(5 743)	(5 424)	(17 363)
Other	(9 787)	(8 255)	(16 745)
Total	**(593 522)**	**(571 258)**	**(600 944)**

15. Other operating expenses

Other operating expenses	01.01.2010 -31.12.2010	01.01.2009 -31.12.2009	01.01.2008 -31.12.2008
Charge of provisions for legal cases and other assets	(18 967)	(4 965)	(4 949)
Debt recovery costs	(3 353)	(1 889)	(1 415)
Donation paid	(1 720)	(1 531)	(1 585)
Costs of legal proceedings	(656)	(534)	(677)
Costs of purchased services	(1 517)	(1 193)	(281)
Losses from past-due receivables	(115)	(1 143)	(1 093)
Voluntary membership fees	(610)	(685)	(692)
Paid compensations, penalties and fines	(268)	(881)	(1 056)
Other	(3 559)	(3 255)	(4 194)
Total	**(30 765)**	**(16 076)**	**(15 942)**

In thousands of PLN

16. Corporate income tax

Corporate income tax	01.01.2010 -31.12.2010	01.01.2009 -31.12.2009	01.01.2008 -31.12.2008
Current tax charge	(282 302)	(247 925)	(217 115)
Deferred tax	16 848	75 471	38 847
Total	**(265 454)**	**(172 454)**	**(178 268)**

Corporate total tax charge information	01.01.2010 -31.12.2010	01.01.2009 -31.12.2009	01.01.2008 -31.12.2008
Profit before tax	1 182 309	1 157 748	987 433
Tax rate	19%	19%	19%
Tax calculated at the tax rate	(224 639)	(219 972)	(187 612)
Non-deductible expenses	(3 727)	(3 264)	(4 959)
Sale of receivables	(31 294)	(11 872)	(6 958)
Non-taxable income (dividends)	24 952	64 122	28 520
Non-tax deductible bad debt provisions	(13 849)	(1 468)	(7 259)
Adjustment of deferred tax asset on interest on debt securities	(16 897)	-	-
Total income tax expense	**(265 454)**	**(172 454)**	**(178 268)**

Deferred tax recognised directly in equity	31.12.2010	31.12.2009	31.12.2008
The amount of deferred tax recognised directly in equity totaled:			
Relating to equity securities available-for-sale	(95 978)	(97 433)	(97 294)
Relating to debt securities available-for-sale	(4 654)	(1 166)	12 173
Relating to cash flow hedging activity	(473)	(450)	5 787
Total	**(101 105)**	**(99 049)**	**(79 334)**

17. Earning per share

Net earnings per share (PLN/share)	01.01.2010 -31.12.2010	01.01.2009 -31.12.2009	01.01.2008 -31.12.2008
Profit attributable to ordinary shares	916 855	985 294	809 165
Weighted average number of ordinary shares	73 076 013	73 076 013	72 960 284
Net earnings per share (PLN)	**12,55**	**13,48**	**11,09**
Profit attributable to ordinary shares	916 855	985 294	809 165
Weighted average number of ordinary shares	73 076 013	73 076 013	72 960 284
Weighted average number of potential ordinary shares	272 003	311 397	298 400
Diluted earnings per share (PLN)	**12,50**	**13,43**	**11,05**

18. Cash and balances with central banks

Cash and balances with central banks	31.12.2010	31.12.2009	31.12.2008
Current accounts in central banks	1 712 907	1 697 190	2 004 861
Cash	821 551	963 456	1 173 235
Equivalents of cash	-	3	3
Total	**2 534 458**	**2 660 649**	**3 178 099**

BZ WBK holds an obligatory reserve on a current account in the National Bank of Poland. The figure is calculated as a fixed percentage of the monthly average balance of the customers' deposits. As at 31.12.2010 the rate was 3.5%, as at 31.12.2009 - 3%, as at 31.12.2008 - 3.5%. In accordance with the applicable regulations, the amount of the calculated provision is reduced by the equivalent of EUR 500 k.

In thousands of PLN

19. Loans and advances to banks

Loans and advances to banks	31.12.2010	31.12.2009	31.12.2008
Loans and advances	293 919	347 482	640 209
Sell buy-back transaction	-	-	518 826
Current accounts	307 718	301 261	195 355
Gross receivables	**601 637**	**648 743**	**1 354 390**
Impairment write down	-	-	(5 969)
Total	**601 637**	**648 743**	**1 348 421**

Fair value of loans and advances to banks is presented in note 40.

Movements in impairment losses on receivables from banks	31.12.2010	31.12.2009	31.12.2008
Balance at 1 January	-	(5 969)	(5 969)
Write off	-	5 969	-
Balance at the end of the period	**-**	**-**	**(5 969)**

20. Financial assets and liabilities held for trading

The fair value of derivative financial instruments is determined using market quotations, discounted cash flow models and options valuation models, as appropriate.
Option contracts are stated at fair value using the market quotations or the option valuation models, as appropriate.

Financial assets and liabilities held for trading	31.12.2010		31.12.2009		31.12.2008	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Trading derivatives	**474 730**	**568 153**	**716 129**	**815 071**	**2 353 774**	**3 253 289**
Interest rate operations	**238 727**	**236 968**	**291 869**	**306 888**	**906 745**	**886 948**
Options	68	68	-	-	8	8
IRS	236 277	235 422	283 477	297 410	664 337	640 766
FRA	2 382	1 478	8 392	9 478	242 400	246 174
FX operations	**236 003**	**331 185**	**424 260**	**508 183**	**1 447 029**	**2 366 341**
CIRS	76 215	171 730	134 662	368 189	63 259	507 120
Forward	25 765	9 937	58 527	29 198	352 024	210 347
FX Swap	90 193	105 658	165 554	46 239	683 470	1 259 958
Spot	1 363	1 393	1 003	1 325	4 182	3 787
Options	42 467	42 467	64 514	63 232	344 094	385 129
Debt and equity securities	**1 726 289**	**-**	**587 097**	**-**	**868 583**	**-**
Debt securities	**1 726 289**	**-**	**587 097**	**-**	**868 583**	**-**
Government securities:	526 989	-	187 369	-	868 583	-
- bills	206 799	-	71 808	-	549 120	-
- bonds	320 190	-	115 561	-	319 463	-
Central Bank securities:	1 199 300	-	399 728	-	-	-
- bills	1 199 300	-	399 728	-	-	-
Short sale	**-**	**10 458**	**-**	**-**	**-**	**-**
Total financial assets/liabilities	**2 201 019**	**578 611**	**1 303 226**	**815 071**	**3 222 357**	**3 253 289**

In 2010, Bank Zachodni WBK S.A. revised the spreads adopted for mark-to-market valuation of CIRS with a view to making fair value of these derivatives more accurate. The total fair value adjustment to these derivatives was PLN (14 469 k) at the end of the reporting period. These instruments are a source of funding net FX assets and it is the Bank's intention to hold them until maturity. Their mark-to-market valuation will revert to zero on a case by case basis over their remaining life. Other significant judgement and key sources of estimation uncertainty have not been changed.

Interest income from debt instruments and other fixed rate instruments is disclosed under “interest income”.

In thousands of PLN

Profit and loss from fair value changes of financial assets and liabilities held for trading are disclosed under net trading income and revaluation in the consolidated income statement.

All financial assets measured at fair value through profit and loss are assigned to this category due to the trading character of the transactions. At 31.12.2010 and in comparable periods there were no cases of instruments designated to financial assets measured at fair value through profit and loss at initial recognition.

Financial assets and liabilities held for trading – trading derivatives include value adjustments resulting from counterparty risk in the amount of PLN (42 773) k as at 31.12.2010, PLN (95 915) k as at 31.12.2009 and PLN (80 996) k as at 31.12.2008.

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

	Derivatives' nominal values	31.12.2010	31.12.2009	31.12.2008
1.	**Term derivatives (hedging)**	**1 669 876**	**1 773 682**	**2 704 674**
a)	Single-currency interest rate swaps	975 320	573 682	1 854 674
b)	Macro cash flow hedge	694 556	1 200 000	850 000
2.	**Term derivatives (trading)**	**55 920 431**	**51 914 663**	**140 560 049**
a)	Interest rate operations	28 191 317	22 520 179	91 617 349
	Single-currency interest rate swaps	22 765 701	18 510 338	47 257 128
	FRA - purchased amounts	5 400 000	4 000 000	44 350 000
	Options	25 616	9 841	10 221
b)	FX operations	27 729 114	29 394 484	48 942 700
	FX swap – purchased amounts	7 840 597	7 219 044	14 425 872
	FX swap – sold amounts	7 839 580	7 094 264	14 983 627
	Forward- purchased amounts	1 008 250	1 345 501	3 696 166
	Forward- sold amounts	993 640	1 309 044	3 538 979
	Cross-currency interest rate swaps – purchased amounts	4 198 117	5 035 054	3 062 275
	Cross-currency interest rate swaps – sold amounts	4 319 990	5 288 891	3 502 177
	FX options -purchased	764 470	1 051 343	2 866 802
	FX options -sold	764 470	1 051 343	2 866 802
3.	**Currency transactions- spot**	**935 449**	**1 119 621**	**957 290**
	spot-purchased	467 710	559 649	478 844
	spot-sold	467 739	559 972	478 446
	Total	**58 525 756**	**54 807 966**	**144 222 013**

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

21. Hedging derivatives

Hedging derivatives	31.12.2010		31.12.2009		31.12.2008	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
IRS hedging fair value	579	12 848	1 325	6 982	347	31 700
IRS hedging cash flow	14 189	3 593	9 476	25 951	-	36 862
Total hedging derivatives	**14 768**	**16 441**	**10 801**	**32 933**	**347**	**68 562**

In thousands of PLN

22. Loans and advances to customers

Loans and advances to customers	31.12.2010	31.12.2009	31.12.2008
Loans and advances to enterprises	21 699 899	22 995 582	23 756 833
Loans and advances to individuals, of which:	11 409 798	10 600 060	9 208 514
Home mortgage loans	*6 926 647*	*6 062 546*	*5 450 515*
Loans and advances to public sector	101 082	83 106	85 653
Sell buy-back transaction	147	10 083	441 783
Other	10 054	11 613	10 768
Gross receivables	**33 220 980**	**33 700 444**	**33 503 551**
Impairment write down	(1 268 381)	(1 075 452)	(849 877)
Total	**31 952 599**	**32 624 992**	**32 653 674**

As at 31.12.2010 the fair value adjustment due to hedged risk on corporate loans was PLN 887 k (as at 31.12.2009 – PLN 1 565 k and 31.12.2008 - PLN 1 607 k).
Fair value of "loans and advances to customers" is disclosed in note 40.

Movements on impairment losses on loans and advances to customers	31.12.2010	31.12.2009	31.12.2008
Individual and collective impairment			
As at the beginning of the period	(710 450)	(545 323)	(424 481)
Charge/write back of current period	(425 614)	(402 312)	(179 418)
Write off/Sale of receivables	184 215	244 476	63 514
Transfer	1 871	(10 866)	480
F/X differences	3 280	3 575	(5 418)
Balance at the end of the period	**(946 698)**	**(710 450)**	**(545 323)**
IBNR			
As at the beginning of the period	(365 002)	(304 554)	(131 612)
Charge/write back of current period	43 045	(61 349)	(176 257)
Transfer	10	-	3 723
F/X differences	264	901	(408)
Balance at the end of the period	**(321 683)**	**(365 002)**	**(304 554)**
Impairment write down	**(1 268 381)**	**(1 075 452)**	**(849 877)**

23. Investment securities available for sale

Investment securities available for sale	31.12.2010	31.12.2009	31.12.2008
Available for sale investments - measured at fair value			
Debt securities	**6 958 333**	**5 953 370**	**5 867 946**
Government securities:	6 880 858	5 869 399	5 088 651
- bills	-	1 105 854	1 369 842
- bonds	6 880 858	4 763 545	3 718 809
Central Bank securities:	-	-	599 731
- bonds	-	-	599 731
Commercial securities:	77 475	83 971	179 564
- bonds	77 475	83 971	179 564
Equity securities	**605 732**	**602 661**	**596 732**
- listed	7 372	14 626	13 552
- unlisted	598 360	588 035	583 180
Investment certificates	**42 385**	**40 219**	**41 430**
Total	**7 606 450**	**6 596 250**	**6 506 108**

In thousands of PLN

As at 31.12.2010 fixed interest rate debt securities measured at fair value amount to PLN 5 536 721 k, variable interest rate securities amount to PLN 1 421 612 k.
As at 31.12.2009 fixed interest rate debt securities measured at fair value amount to PLN 5 208 458 k, variable interest rate securities amount to PLN 744 912 k.
As at 31.12.2008 fixed interest rate debt securities measured at fair value amount to PLN 4 244 739 k, variable interest rate securities amount to PLN 1 623 207 k.
As at 31.12.2010 fair value adjustment resulting from fair value hedge on available for sale bonds totaled PLN 1 336 k (as at 31.12.2009 PLN (1 510) k, 31.12.2008: PLN 27 300 k).

Unlisted equity investments classified as available-for-sale for which no active market exists are recognized at cost and tested for impairment or their fair value is assessed based on valuation models. The Bank performs the review of the fair value of its unlisted available-for-sale financial instruments at each balance sheet date. The review did not reveal any material changes in the disclosed carrying amounts of the instruments. Fair value of the investments into the companies from the Aviva Polska Group was determined for two key investments. Valuation was conducted using the multiplier valuation method (Price/Book Value, P/E) as well as dividend discount model.

Over the past several months the Polish government has been considering changes to the pension system, specifically reduction of the contributions to the open-ended pension funds.
Implementation of the changes might have an adverse impact on the price of PTE Aviva shares held by the bank. At present, it is not possible to determine if and in what shape the changes will be implemented. The bank's stake in PTE was valued as at 31 December 2010 based on the legal conditions and the system solutions existing at that date and its carrying value amounts to PLN 199 999 k .

Fair value of „Investment securities available for sale" is presented in note 40.

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

Movements on investment securities available for sale	Debt securities	Financial instruments representing equity rights	Total
As at 1 January 2009	**5 867 946**	**638 162**	**6 506 108**
Additions	4 341 806	6 457	4 348 263
Disposals (sale and maturity)	(4 275 978)	(5 856)	(4 281 834)
Fair value adjustment (AFS)	28 284	3 328	31 612
Movements on interest accrued	17 203	-	17 203
F/X differences	(25 891)	789	(25 102)
As at 31 December 2009	**5 953 370**	**642 880**	**6 596 250**

Movements on investment securities available for sale	Debt securities	Financial instruments representing equity rights	Total
As at 1 January 2008	**9 047 923**	**650 384**	**9 698 307**
Additions	5 127 467	24 822	5 152 289
Transfers	-	975	975
Disposals (sale and maturity)	(2 261 845)	(44 649)	(2 306 494)
Fair value adjustment (AFS)	78 786	5 909	84 695
Movements on interest accrued	134 109	-	134 109
Provision for impairment	-	(125)	(125)
F/X differences	148 079	846	148 925
Reclassification*	(6 406 573)	-	(6 406 573)
As at 31 December 2008	**5 867 946**	**638 162**	**6 506 108**

BZ WBK S.A. for 2010 In thousands of PLN

*In October 2008 the bank has changed the classification of State Treasury bonds from the Available For Sale category into the Held To Maturity category. The carrying value of reclassified financial instruments amounted to PLN 6 406 573 k. The change of classification results in the adoption of valuation principles impacting net profit and equity, which are more consistent with the purpose of the instruments. The primary purpose of the portfolio of financial instruments is to manage the structure of the statement of financial position, in particular equity and non-interest bearing current accounts. The bank's intention is to hold these instruments until maturity.

24. Financial assets held to maturity

Financial assets held to maturity	31.12.2010	31.12.2009	31.12.2008
Government securities:	**5 749 408**	**6 669 555**	**6 388 277**
- bonds	5 749 408	6 669 555	6 388 277
Total	**5 749 408**	**6 669 555**	**6 388 277**

Fair value of „Financial assets held to maturity" is presented in note 40.

Movements on financial assets held to maturity	31.12.2010	31.12.2009	31.12.2008
Balance at 1 January	**6 669 555**	**6 388 277**	**-**
Additions	-	553 616	-
Maturity	(955 378)	(300 361)	-
Reclassification*	-	-	6 406 573
Fair value amortisation	12 190	13 498	3 049
Movements on interest accrued	23 041	14 525	(21 345)
As at end of reporting period	**5 749 408**	**6 669 555**	**6 388 277**

*In October 2008 the bank has changed the classification of State Treasury bonds from the Available For Sale category into the Held To Maturity category. The carrying value of reclassified financial instruments amounted to PLN 6 406 573 k. The change of classification results in the adoption of valuation principles impacting net profit and equity, which are more consistent with the purpose of the instruments. The primary purpose of the portfolio of financial instruments is to manage the structure of the statement of financial position, in particular equity and non-interest bearing current accounts. The bank's intention is to hold these instruments until maturity.

25. Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures	31.12.2010	31.12.2009	31.12.2008
Subsidiaries	207 468	192 818	192 694
Associates	8 000	8 000	8 000
Joint ventures	33 531	33 531	33 531
Total	**248 999**	**234 349**	**234 225**

Fair value of "Investment in associates and joint ventures" is presented in note 40.

In thousands of PLN

Investments in subsidiaries, associates and joint ventures as at 31.12.2010

Name of entity	BZ WBK Inwestycje Sp. z o.o.	BZ WBK Finanse Sp. z o.o.	Dom Maklerski BZ WBK S.A.	BZ WBK Nieruchomości S.A.	BZ WBK AIB Asset Management S.A.	POLFUND - Fundusz Poręczeń Kredytowych S.A.*	BZ WBK Aviva Towarzystwo Ubezpieczeń na Życie S.A.	BZ WBK Aviva Towarzystwo Ubezpieczeń Ogólnych S.A.	Total
Registered office	Poznań	Poznań	Poznań	Poznań	Poznań	Szczecin	Poznań	Poznań	
Type of connection	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Associate	Joint venture	Joint venture	
% of holding**	100,00	100,00	99,99	99,99	50,00	50,00	50,00	50,00	
Balance sheet value	36 000	118 094	45 925	694	6 755	8 000	15 015	18 516	**248 999**
Total assets	48 735	118 067	1 065 020	792	220 440	82 255	434 886	163 610	**2 133 805**
Own funds of entity, of which:	48 497	118 048	157 996	775	203 516	73 573	24 791	40 201	**667 397**
Share capital	*100*	*1 050*	*44 974*	*750*	*13 500*	*16 000*	*21 750*	*27 000*	***125 124***
Other own funds, of which:	*48 397*	*116 998*	*113 022*	*25*	*190 016*	*57 573*	*3 041*	*13 201*	***542 273***
from previous years	-	-	*5 304*	-	-	*603*	*(2 656)*	-	***3 251***
net profit (loss)	*6 310*	*16*	*46 787*	*68*	*132 633*	*1 636*	*(1 951)*	*6 364*	***191 863***
Liabilities of entity	238	19	907 024	17	16 924	8 682	410 095	123 409	**1 466 408**
Revenue	6 694	289	191 229	559	165 731	6 922	231 605	82 248	**685 277**

*selected financial information as at end of November 2010

** states percentage share of associates or joint ventures profits

Name of entity	Business
BZ WBK Inwestycje Sp. z o.o.	trading in shares of commercial companies as well as other securities; seeking investors for companies
BZ WBK Finanse Sp. z o.o.	centralised managemet of the bank's subsidiaries: BZ WBK Finanse&Leasing S.A, BZ WBK Leasing S.A. and BZ WBK Faktor Sp. z o.o.
Dom Maklerski BZ WBK S.A.	offering securities on the primary market, buying and selling securities on customers' account, buying and selling securities on one's own account in order to perform duties related to organization of the regulated market
BZ WBK Nieruchomości S.A.	organisation of various events, catering and hotel services, agency services
BZ WBK AIB Asset Management S.A.	brokerage activities: managing customer's share portfolios (listed and not listed)
POLFUND - Fundusz Poręczeń Kredytowych S.A.	providing lending guarantees, investing and managing funds invested in companies, management
BZ WBK Aviva Towarzystwo Ubezpieczeń na Życie S.A.	life insurance
BZ WBK Aviva Towarzystwo Ubezpieczeń Ogólnych S.A.	property and personal insurance

In thousands of PLN

Investments in subsidiaries, associates and joint ventures as at 31.12.2009

Name of entity	BZ WBK Inwestycje Sp. z o.o.	BZ WBK Finanse Sp. z o.o.	Dom Maklerski BZ WBK S.A.	BZ WBK Nieruchomości S.A.	BZ WBK AIB Asset Management S.A.	POLFUND - Fundusz Poręczeń Kredytowych S.A.*	BZ WBK Aviva Towarzystwo Ubezpieczeń na Życie S.A.	BZ WBK Aviva Towarzystwo Ubezpieczeń Ogólnych S.A.	Total
Registered office	Poznań	Poznań	Poznań	Poznań	Poznań	Szczecin	Poznań	Poznań	
Type of connection	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Associate	Joint venture	Joint venture	
% of holding**	100,00	100,00	99,99	99,99	50,00	50,00	50,00	50,00	
Balance sheet value	21 350	118 094	45 925	694	6 755	8 000	15 015	18 516	**234 349**
Total assets	24 129	118 046	1 032 107	758	138 944	79 575	239 349	145 609	**1 778 517**
Own funds of entity, of which:	24 086	118 032	163 565	707	120 883	72 746	25 744	36 809	**562 572**
Share capital	*50*	*1 050*	*44 974*	*750*	*13 500*	*16 000*	*21 750*	*27 000*	*125 074*
Other own funds, of which:	*24 036*	*116 982*	*118 591*	*(43)*	*107 383*	*56 746*	*3 994*	*9 809*	*437 498*
from previous years	-	-	*5 602*	*(106)*	-	-	*(1 014)*	*(2 414)*	*2 068*
net profit (loss)	*146*	*12*	*52 012*	*14*	*94 420*	*1 827*	*(2 641)*	*3 205*	*148 995*
Liabilities of entity	43	14	868 542	51	18 061	6 829	213 605	108 800	**1 215 945**
Revenue	175	165	191 764	372	212 114	7 893	176 768	62 213	**651 464**

*selected financial information as at end of November 2009

** states percentage share of associates or joint ventures profits

Name of entity	Business
BZ WBK Inwestycje Sp. z o.o.	trading in shares of commercial companies as well as other securities; seeking investors for companies
BZ WBK Finanse Sp. z o.o.	centralised managemet of the bank's subsidiaries: BZ WBK Finanse & Leasing S.A, BZ WBK Leasing S.A. and BZ WBK Faktor Sp. z o.o.
Dom Maklerski BZ WBK S.A.	offering securities on the primary market, buying and selling securities on customers' account, buying and selling securities on one's own account in order to perform duties related to organization of the regulated market
BZ WBK Nieruchomości S.A.	organisation of various events, catering and hotel services, agency services
BZ WBK AIB Asset Management S.A.	brokerage activities: managing customer's share portfolios (listed and not listed)
POLFUND - Fundusz Poręczeń Kredytowych S.A.	providing lending guarantees, investing and managing funds invested in companies, management
BZ WBK Aviva Towarzystwo Ubezpieczeń na Życie S.A.	life insurance
BZ WBK Aviva Towarzystwo Ubezpieczeń Ogólnych S.A.	property and personal insurance

In thousands of PLN

Investments in associates and joint ventures as at 31.12.2008

Name of entity	BZ WBK Inwestycje Sp. z o.o.	BZ WBK Faktor Sp. z o.o.	BZ WBK Finanse& Leasing S.A.	BZ WBK Leasing S.A.	Dom Maklreski BZ WBK S.A.	BZ WBK Nierucho-mości S.A.	BZ WBK AIB Asset Managment S.A.	POLFUND - Fundusz Poręczeń Kredytowych S.A.*	BZ WBK CU Towarzystwo Ubezpieczeń na Życie S.A.*	BZ WBK CU Towarzystwo Ubezpieczeń Ogólnych S.A.*	Total
Registered office	Poznań	Warszawa	Poznań	Poznań	Poznań	Poznań	Poznań	Szczecin	Poznań	Poznań	
Type of connection	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Associate	Joint venture	Joint venture	
% of holding**	100,00	100,00	99,99	99,99	99,99	99,99	50,00	50,00	50,00	50,00	
Balance sheet value	21 350	6 200	50 513	61 257	45 925	694	6 755	8 000	15 015	18 516	**234 225**
Total assets	24 397	314 106	1 332 761	1 957 472	753 531	742	343 549	75 781	104 209	61 354	**4 967 902**
Own funds of entity, of which:	24 081	13 714	108 539	169 682	166 909	693	321 167	21 929	30 064	34 164	**890 942**
Share capital	*50*	*50*	*50 500*	*121 692*	*44 974*	*750*	*13 500*	*16 000*	*21 750*	*27 000*	296 266
Other own funds, of which:	*24 031*	*13 664*	*58 039*	*47 990*	*121 935*	*(57)*	*307 667*	*5 929*	*8 314*	*7 164*	594 676
from previous years	-	-	-	-	*3 697*	*(228)*	-	*2 638*	-	-	6 107
net profit (loss)	*764*	*4 896*	*12 087*	*22 585*	*58 085*	*133*	*278 679*	*2 817*	*1 049*	*(1 854)*	379 241
Liabilities of entity	316	300 392	1 224 222	1 787 790	586 622	49	22 382	53 852	74 145	27 190	**4 076 960**
Revenue	2 401	40 407	96 986	157 463	219 433	852	325 038	5 961	58 090	42 428	**949 059**

*selected financial information as at end of November 2008

** states percentage share of associates or joint ventures profits

Name of entity	Business
BZ WBK Inwestycje Sp. z o.o.	trading in shares of commercial companies as well as other securities; seeking investors for companies
BZ WBK Faktor Sp. z o.o.	financial services, granting credit, market research and public opinion survey, business consulting, holding management
BZ WBK Finanse& Leasing S.A.	leasing and renting of fixed assets
BZ WBK Leasing S.A.	whole- and retail sales of vehicles, sales of spare parts and accessories for vehicles, financial leasing, renting cars, other means of transportation, machines and equipment
Dom Maklreski BZ WBK S.A.	organization of the regulated market
BZ WBK Nieruchomości S.A.	organisation of various events, catering and hotel services, agency services
BZ WBK AIB Asset Managment S.A.	brokerage activities: managing customer's share portfolios (listed and not listed)
POLFUND - Fundusz Poręczeń Kredytowych S.A.*	providing lending guarantees, investing and managing funds invested in companies, management
BZ WBK CU Towarzystwo Ubezpieczeń na Życie S.A.*	life insurance
BZ WBK CU Towarzystwo Ubezpieczeń Ogólnych S.A.*	property and personal insurance

In thousands of PLN

26. Intangible assets

Intangible assets Year 2010	Licences, patents etc.	Other (know-how)	Capital expenditures	Total
Gross value - beginning of the period	**571 539**	**6 019**	**70 565**	**648 123**
Additions from:				
- purchases	-	-	27 268	**27 268**
- intangible assets taken for use	57 640	-	-	**57 640**
Disposals from:				
- liquidation	(1 087)	-	(194)	**(1 281)**
- intangible assets taken for use	-	-	(57 640)	**(57 640)**
- transfers	-	-	(58)	**(58)**
Gross value - end of the period	**628 092**	**6 019**	**39 941**	**674 052**
Accumulated depreciation - beginning of the period	**(479 459)**	**(5 971)**	**-**	**(485 430)**
Additions/disposals from:				
- current year	(34 490)	(48)	-	**(34 538)**
- liquidation	971	-	-	**971**
Accumulated depreciation- end of the period	**(512 978)**	**(6 019)**	**-**	**(518 997)**
Balance sheet value				
Purchase value	628 092	6 019	39 941	**674 052**
Accumulated depreciation	(512 978)	(6 019)	-	**(518 997)**
As at 31 December 2010	**115 114**	**-**	**39 941**	**155 055**

In thousands of PLN

Intangible assets Year 2009	Licences, patents etc.	Other (know-how)	Capital expenditures	Total
Gross value - beginning of the period	**518 571**	**6 019**	**88 946**	**613 536**
Additions from:				
- purchases	-	-	34 661	**34 661**
- intangible assets taken for use	52 968	-	-	**52 968**
Disposals from:				
- intangible assets taken for use	-	-	(52 968)	**(52 968)**
- transfers	-	-	(74)	**(74)**
Gross value - end of the period	**571 539**	**6 019**	**70 565**	**648 123**
Accumulated depreciation - beginning of the period	**(452 236)**	**(5 841)**	**-**	**(458 077)**
Additions/disposals from:				
- current year	(27 223)	(130)	-	**(27 353)**
Accumulated depreciation- end of the period	**(479 459)**	**(5 971)**	**-**	**(485 430)**
Balance sheet value				
Purchase value	571 539	6 019	70 565	**648 123**
Accumulated depreciation	(479 459)	(5 971)	-	**(485 430)**
As at 31 December 2009	**92 080**	**48**	**70 565**	**162 693**

Intangible assets Year 2008	Licences, patents etc.	Other (know-how)	Capital expenditures	Total
Gross value - beginning of the period	**485 583**	**6 019**	**50 663**	**542 265**
Additions from:				
- purchases	-	-	73 166	**73 166**
- intangible assets taken for use	34 794	-	-	**34 794**
Disposals from:				
- liquidation	(1 806)	-	-	**(1 806)**
- intangible assets taken for use	-	-	(34 794)	**(34 794)**
- transfers	-	-	(89)	**(89)**
Gross value - end of the period	**518 571**	**6 019**	**88 946**	**613 536**
Accumulated depreciation - beginning of the period	**(433 648)**	**(5 711)**	**-**	**(439 359)**
Additions/disposals from:				
- current year	(18 630)	(130)	-	**(18 760)**
- liquidation	42	-	-	**42**
Accumulated depreciation- end of the period	**(452 236)**	**(5 841)**	**-**	**(458 077)**
Balance sheet value				
Purchase value	518 571	6 019	88 946	**613 536**
Accumulated depreciation	(452 236)	(5 841)	-	**(458 077)**
As at 31 December 2008	**66 335**	**178**	**88 946**	**155 459**

In thousands of PLN

27. Property, plant and equipment

Property, plant & equipment Year 2010	Land and buildings	Equipment	Transportation means	Other fixed assets	Capital expenditures	Total
Gross value - beginning of the period	**647 478**	**309 644**	**35 322**	**304 876**	**27 910**	**1 325 230**
Additions from:						
- purchases	-	-	-	-	34 008	**34 008**
- leasing	-	-	2 571	-	-	**2 571**
- fixed assets taken for use	7 029	13 310	-	18 471	-	**38 810**
- transfers	-	-	-	-	58	**58**
Disposals from:						
- sale, liquidation, donation	(1 769)	(27 886)	(1 533)	(3 837)	(140)	**(35 165)**
- fixed assets taken for use	-	-	-	-	(38 809)	**(38 809)**
Gross value - end of the period	**652 738**	**295 068**	**36 360**	**319 510**	**23 027**	**1 326 703**
Accumulated depreciation - beginning of the period	**(268 637)**	**(248 372)**	**(18 949)**	**(208 140)**	**-**	**(744 098)**
Additions/disposals from:						
- current year	(27 108)	(22 296)	(8 476)	(24 654)	-	**(82 534)**
- sale, liquidation, donation	780	27 720	1 533	3 623	-	**33 656**
- transfers	(6)	-	(277)	(1)	-	**(284)**
Accumulated depreciation- end of the period	**(294 971)**	**(242 948)**	**(26 169)**	**(229 172)**	**-**	**(793 260)**
Balance sheet value						
Purchase value	652 738	295 068	36 360	319 510	23 027	**1 326 703**
Accumulated depreciation	(294 971)	(242 948)	(26 169)	(229 172)	-	**(793 260)**
As at 31 December 2010	**357 767**	**52 120**	**10 191**	**90 338**	**23 027**	**533 443**

In thousands of PLN

Property, plant & equipment Year 2009	Land and buildings	Equipment	Transportation means	Other fixed assets	Capital expenditures	Total
Gross value - beginning of the period	**607 517**	**296 041**	**39 369**	**283 983**	**79 563**	**1 306 473**
Additions from:						
- purchases	-	-	-	-	48 392	**48 392**
- leasing	-	-	1 915	-	-	**1 915**
- fixed assets taken for use	45 672	29 449	-	24 761	-	**99 882**
- transfers	-	-	-	-	74	**74**
Disposals from:						
- sale, liquidation, donation	(5 711)	(15 846)	(5 962)	(3 868)	(237)	**(31 624)**
- fixed assets taken for use	-	-	-	-	(99 882)	**(99 882)**
Gross value - end of the period	**647 478**	**309 644**	**35 322**	**304 876**	**27 910**	**1 325 230**
Accumulated depreciation - beginning of the period	**(245 165)**	**(241 401)**	**(15 182)**	**(186 020)**	**-**	**(687 768)**
Additions/disposals from:						
- current year	(27 451)	(22 704)	(8 859)	(25 788)	-	**(84 802)**
- sale, liquidation, donation	3 979	15 733	5 892	3 637	-	**29 241**
- transfers	-	-	(800)	-	-	**(800)**
Write down/Reversal of impairment write down	-	-	-	31	-	**31**
Accumulated depreciation- end of the period	**(268 637)**	**(248 372)**	**(18 949)**	**(208 140)**	**-**	**(744 098)**
Balance sheet value						
Purchase value	647 478	309 644	35 322	304 876	27 910	**1 325 230**
Accumulated depreciation	(268 637)	(248 372)	(18 949)	(208 140)	-	**(744 098)**
As at 31 December 2009	**378 841**	**61 272**	**16 373**	**96 736**	**27 910**	**581 132**

Property, plant & equipment Year 2008	Land and buildings	Equipment	Transportation means	Other fixed assets	Capital expenditures	Total
Gross value - beginning of the period	**567 644**	**277 934**	**30 742**	**248 024**	**54 181**	**1 178 525**
Additions from:						
- purchases	-	-	-	-	162 302	**162 302**
- leasing	-	-	17 744	-	-	**17 744**
- fixed assets taken for use	52 478	40 282	-	44 139	-	**136 899**
- transfers	-	10	-	267	89	**366**
Disposals from:						
- sale, liquidation, donation	(12 605)	(22 185)	(9 117)	(8 447)	-	**(52 354)**
- fixed assets taken for use	-	-	-	-	(136 899)	**(136 899)**
- transfers	-	-	-	-	(110)	**(110)**
Gross value - end of the period	**607 517**	**296 041**	**39 369**	**283 983**	**79 563**	**1 306 473**
Accumulated depreciation - beginning of the period	**(225 170)**	**(240 148)**	**(14 491)**	**(170 689)**	**-**	**(650 498)**
Additions/disposals from:						
- current year	(23 839)	(22 983)	(8 278)	(23 751)	-	**(78 851)**
- sale, liquidation, donation	3 844	21 725	8 872	8 106	-	**42 547**
- transfers	-	5	(1 285)	(81)	-	**(1 361)**
Write down/Reversal of impairment write down	-	-	-	395	-	**395**
Accumulated depreciation- end of the period	**(245 165)**	**(241 401)**	**(15 182)**	**(186 020)**	**-**	**(687 768)**
Balance sheet value						
Purchase value	607 517	296 041	39 369	283 983	79 563	**1 306 473**
Accumulated depreciation	(245 165)	(241 401)	(15 182)	(186 020)	-	**(687 768)**
As at 31 December 2008	**362 352**	**54 640**	**24 187**	**97 963**	**79 563**	**618 705**

In thousands of PLN

28. Net deferred tax assets

Deferred tax asset	31.12.2010	31.12.2009	31.12.2008
Provisions for loans	205 300	200 861	150 113
Unrealized liabilities due to derivatives	78 191	100 051	283 261
Other provisions which are not yet taxable costs	56 624	47 928	45 919
Deferred income	69 246	63 993	45 255
Unrealized interest on deposit and securities	48 617	31 851	31 957
Additional deferred tax assets resulting from art. 38 a of Corporate Tax Act	-	-	7 399
Other	794	1 133	3 265
Total	**458 772**	**445 817**	**567 169**

Deferred tax liability	31.12.2010	31.12.2009	31.12.2008
Revaluation of financial instruments available for sale*	(100 633)	(98 599)	(85 121)
Unrealised receivables on derivatives	(60 750)	(70 737)	(260 417)
Unrealised interests from loans, securities and interbank deposits	(49 038)	(44 143)	(55 194)
Provision due to application of investment relief	(2 647)	(2 778)	(2 967)
Cash flow hedges valuation*	(473)	(450)	5 787
Other	(2 282)	(954)	(1 116)
Total	**(215 823)**	**(217 661)**	**(399 028)**

Net deferred tax assets	242 949	228 156	168 141

*Changes in deferred tax liabilities were recognised in the statement of comprehensive income.

As at 31 December 2010 the calculation of deferred tax asset did not include purchased receivables of PLN 15 625 k and loans that will not be realised of PLN 65 478 k. As at 31 December 2009 the calculation of deferred tax asset did not include purchased receivables of PLN 19 982 k and loans that will not be realised of PLN 39 833 k. As at 31 December 2008 the calculation of deferred tax asset did not include purchased receivables of PLN 20 216 k and loans that will not be realised of PLN 41 698 k

Movements on net deferred tax	31.12.2010	31.12.2009	31.12.2008
As at the beginning of the period	228 156	168 141	124 080
Changes in accounting policies	-	4 258	-
Changes recognised in income statement	16 848	75 471	38 847
Changes recognised in other net comprehensive income	(2 055)	(19 714)	5 214
As at end of the period	**242 949**	**228 156**	**168 141**

Temporary differences recognised in equity comprise deferred tax on available for sale securities and cash flow hedges.
Temporary differences recognised in the income statement comprise provision for impairment of loans andreceivables and assets in the course of business.

29. Other assets

Other assets	31.12.2010	31.12.2009	31.12.2008
Sundry debtors	119 011	98 484	131 585
Interbank and interbranch settlements	42 844	41 998	175 679
Prepayments	29 562	26 883	27 421
Assets held for sale	2 502	2 502	2 502
Other	52	51	56
Total	**193 971**	**169 918**	**337 243**

In thousands of PLN

Assets held for sale - BZ WBK

31 December 2010	Gross amount	Amortisation	Net amount
Land and buildings	4 224	(1 815)	2 409
Equipment	436	(343)	93
Total	**4 660**	**(2 158)**	**2 502**

In the comparable reporting periods there were no changes in the value of assets held for sale.

30. Deposits from central bank

Deposits from central bank	31.12.2010	31.12.2009	31.12.2008
Repo transactions	-	1 519 208	1 242 574
Total	**-**	**1 519 208**	**1 242 574**

Fair value of "Deposits from central bank" is presented in note 40.

31. Deposits from banks

Deposits from banks	31.12.2010	31.12.2009	31.12.2008
Repo transactions	1 927 368	1 531 795	1 358 084
Term deposits	119 663	740 954	568 972
Current accounts	96 976	28 743	30 553
Total	**2 144 007**	**2 301 492**	**1 957 609**

Fair value of "Deposits from banks" is presented in note 40.

32. Deposits from customers

Deposits from customers	31.12.2010	31.12.2009	31.12.2008
Deposits from individuals	24 617 755	24 988 922	23 817 147
Term deposits	*12 731 704*	*14 149 033*	*13 122 765*
Current accounts	*11 850 386*	*10 807 044*	*10 621 036*
Repo transactions	*-*	*-*	*1 927*
Other	*35 665*	*32 845*	*71 419*
Deposits from enterprises	15 347 635	13 948 852	16 059 686
Term deposits	*9 552 614*	*9 101 280*	*11 700 253*
Current accounts	*5 109 883*	*4 594 813*	*4 074 077*
Credits	*396 284*	*-*	*-*
Repo transactions	*-*	*-*	*1 827*
Other	*288 854*	*252 759*	*283 529*
Deposits from public sector	2 133 820	2 324 400	3 505 072
Term deposits	*1 015 651*	*781 613*	*1 958 735*
Current accounts	*1 117 286*	*1 542 230*	*1 545 806*
Other	*883*	*557*	*531*
Total	**42 099 210**	**41 262 174**	**43 381 905**

As at 31.12.2010 deposits held as collateral totalled PLN 206 115 k (as at 31.12.2009 – 165 882 k , 31.12.2008 - PLN 232 325 k).
Fair value of "Deposits from customers" is presented in note 40.

In thousands of PLN

33. Subordinated liabilities

Subordinated liabilities	Nominal value	Currency	Redemption date	As at the end of the period
Subordinated liabilities	100 000	EUR	05-08-2020	395 230
As at 31 December 2010				**395 230**

Movements in Subordinated Liabilities	31.12.2010	31.12.2009	31.12.2008
As at the beginning of the period	-	-	-
Increase (due to:)	**403 965**	-	-
- subordinated loan raised	396 030	-	-
- interest on subordinated loan	7 935	-	-
- foreign exchange differences	-	-	-
Decrease (due to):	**(8 735)**	-	-
- capital repayment	-	-	-
- interest repayment	(4 756)	-	-
- foreign exchange differences	(19)	-	-
- subscription price	(3 960)		
Subordinated liabilities as at the end of the period	**395 230**	-	-
Short-term	3 160	-	-
Long-term (over 1 year)	392 070	-	-

BZ WBK issued subordinated debt to mitigate FX rate sensitivity and increase efficiency of own funding. In line with the KNF decision subordinated liabilities have been recognised as the supplementary capital and since Q4 2010 are included in the solvency ratio calculations. Other details on these liabilities are disclosed in Note 4.

34. Other liabilities

Other liabilities	31.12.2010	31.12.2009	31.12.2008
Provisions:	209 090	162 573	124 550
Employee provisions	*174 515*	*130 021*	*87 062*
Provisions for legal claims	*17 358*	*17 000*	*25 512*
Provisions for off balance sheet credit facilities	*17 217*	*15 552*	*11 976*
Interbank and interbranch settlements	165 690	133 380	131 255
Other deferred and suspended income	88 446	87 509	38 964
Sundry creditors	74 532	64 596	73 004
Accrued liabilities	49 049	58 736	72 980
Public and law settlements	32 480	34 153	34 835
Total	**619 287**	**540 947**	**475 588**

The Bank raises provisions for disputable or expected, certain or highly probable, future liabilities that can be reliably estimated. The liabilities arise from past events and an outflow of resources embodying economic benefits will be required to settle the present obligation.

Employee related provisions and accruals consists of items outlined in note 50.

In thousands of PLN

Change in provisions	31.12.2010	31.12.2009	31.12.2008
As at the beginning of the period	**162 573**	**124 550**	**160 755**
Employee provisions	130 021	87 062	131 660
Provisions for legal claims	17 000	25 512	27 979
Provisions for off balance sheet credit facilities	15 552	11 976	1 116
Provision charge	**220 068**	**171 039**	**136 280**
Employee provisions	173 800	114 451	105 538
Provisions for legal claims	2 401	1 906	1 793
Provisions for off balance sheet credit facilities	43 867	54 682	28 949
Utilization	**(127 239)**	**(67 608)**	**(150 277)**
Employee provisions	(125 491)	(67 218)	(150 061)
Provisions for legal claims	(1 742)	(469)	(454)
Provisions for off balance sheet credit facilities	(6)	79	238
Write back	**(46 312)**	**(65 408)**	**(26 411)**
Employee provisions	(3 815)	(4 274)	(75)
Provisions for legal claims	(301)	(9 949)	(3 806)
Provisions for off balance sheet credit facilities	(42 196)	(51 185)	(22 530)
Transfer	**-**	**-**	**4 203**
Employee provisions	-	-	-
Provisions for legal claims	-	-	-
Provisions for off balance sheet credit facilities	-	-	4 203
Balance at the end of the period	**209 090**	**162 573**	**124 550**
Employee provisions	**174 515**	**130 021**	**87 062**
Provisions for legal claims	**17 358**	**17 000**	**25 512**
Provisions for off balance sheet credit facilities	**17 217**	**15 552**	**11 976**

35. Share capital

31.12.2010

Series/issue	Type of share	Type of preferences	Limitation of rights to shares	Number of shares	Nominal value of series/issue
A	bearer	none	none	5 120 000	51 200
B	bearer	none	none	724 073	7 241
C	bearer	none	none	22 155 927	221 559
D	bearer	none	none	1 470 589	14 706
E	bearer	none	none	980 393	9 804
F	bearer	none	none	2 500 000	25 000
G	bearer	none	none	40 009 302	400 093
H	bearer	none	none	115 729	1 157
				73 076 013	**730 760**

Nominal value of one share is 10 PLN. All shares in issue are fully paid.

The shareholder having a minimum 5% of the total number of votes at the BZWBK Annual General Meeting of Shareholders was Dublin-based AIB European Investments Ltd., a wholly-owned subsidiary of Allied Irish Banks p.l.c. (AIB Bank). The company's interest in the share capital and the voting power of Bank Zachodni WBK is 70.4%. The remaining shares are in free float.

In thousands of PLN

31.12.2009

Series/issue	Type of share	Type of preferences	Limitation of rights to shares	Number of shares	Nominal value of series/issue
A	bearer	none	none	5 120 000	51 200
B	bearer	none	none	724 073	7 241
C	bearer	none	none	22 155 927	221 559
D	bearer	none	none	1 470 589	14 706
E	bearer	none	none	980 393	9 804
F	bearer	none	none	2 500 000	25 000
G	bearer	none	none	40 009 302	400 093
H	bearer	none	none	115 729	1 157
				73 076 013	**730 760**

Nominal value of one share is 10 PLN. All shares in issue are fully paid.

The shareholder having a minimum 5% of the total number of votes at the BZWBK Annual General Meeting of Shareholders was Dublin-based AIB European Investments Ltd., a wholly-owned subsidiary of Allied Irish Banks p.l.c. (AIB Bank). The company's interest in the share capital and the voting power of Bank Zachodni WBK is 70.4%. The remaining shares are in free float.

Increase of the bank's share capital by PLN 1 157 k results from vesting of the first edition of BZWBK Incentive Scheme introduced in 2006. Details are presented in note 51.

31.12.2008

Series/issue	Type of share	Type of preferences	Limitation of rights to shares	Number of shares	Nominal value of series/issue
A	bearer	none	none	5 120 000	51 200
B	bearer	none	none	724 073	7 241
C	bearer	none	none	22 155 927	221 559
D	bearer	none	none	1 470 589	14 706
E	bearer	none	none	980 393	9 804
F	bearer	none	none	2 500 000	25 000
G	bearer	none	none	40 009 302	400 093
				72 960 284	**729 603**

Nominal value of one share is 10 PLN. All shares in issue are fully paid.

The shareholder having a minimum 5% of the total number of votes at the BZWBK Annual General Meeting of Shareholders was Dublin-based AIB European Investments Ltd., a wholly-owned subsidiary of Allied Irish Bank p.l.c. (AIB Bank). The company's interest in the share capital and the voting power of Bank Zachodni WBK was 70.5%. The remaining shares are in free float.

36. Other reserve funds

Other reserve funds	31.12.2010	31.12.2009	31.12.2008
General banking risk fund	649 810	649 810	529 810
Share premium	261 699	261 699	261 699
Other reserves of which:	3 136 704	2 442 780	1 752 068
Reserve capital	3 025 032	*2 331 108*	*1 640 396*
Supplementary capital	111 672	*111 672*	*111 672*
Total	**4 048 213**	**3 354 289**	**2 543 577**

In thousands of PLN

Share (issue) premium is created from surplus over the nominal value of shares sold less costs of share issuance and constitutes the Bank's supplementary capital.

As at 31.12.2010 and 31.12.2009 reserve capital including share scheme charge of PLN 17 429 k, as at 31.12.2008 of PLN 15 882 k.

Other movements of other reserve funds are presented in "movements on consolidated equity" for 2010, 2009 and 2008.

Statutory reserve (supplementary) capital is created from profit allocations in line with the prevailing banking legislation and the Bank's statute. The capital is not subject to split and is earmarked for covering balance sheet losses. Allocations from profit of the current year to reserve capital should amount to at least 8 % of profit after tax and are made until supplementary capital equals at least one third of the Bank's share capital. The amount of allocations is adopted by the General Meeting of Shareholders.
Reserve capital is created from profit allocations in the amount adopted by the General Meeting of Shareholders. The decision on reserve capital use is taken by the General Meeting of Shareholders.

37. Revaluation reserve

Revaluation reserve	31.12.2010	31.12.2009	31.12.2008
As at 31 December	422 262	338 213	360 441
Net change in available for sale investments, of which:	18 366	66 374	32 221
Increase:	32 326	77 334	41 411
- related to debt investments purchased before current reporting period	32 326	50 873	32 420
- related to equity investments purchased before current reporting period	-	3 392	5 817
-net change in available for sale investments matured in the period	-	23 069	3 031
-transferred from associates	-	-	143
Decrease:	(13 960)	(10 960)	(9 190)
- related to equity investments purchased before current reporting period	(5 654)	-	-
-related to debt investmentspurchased/assigned in the period	(4 100)	-	(9 162)
-net change in available for sale investments matured in the period	(4 206)	(10 960)	(28)
Gross valuation related to cash flow hedge	119	32 827	(30 460)
Decrease in revaluation reserve related to sale of investments	(7 662)	4 562	(29 203)
Deferred tax adjustment	(2 057)	(19 714)	5 214
Total	**431 028**	**422 262**	**338 213**

The revaluation reserve is comprised of adjustments relating to the valuation of available-for-sale financial assets and adjustments relating to the valuation of effective cash flow hedges taking into account deferred tax and is not distributable.

As at 31.12.2010 the revaluation reserve includes the amortization of fair value of financial assets reclassified in prior period from 'Available for sale' category to 'Held to maturity' (see note 24) of PLN (10 206) k and as at 31.12.2009 of PLN (22 396) k., as at 31.12.2008 of PLN (35 893) k.

38. Hedge accounting

The Bank applies hedge accounting in line with the risk management assumptions described in note 3 of the annual financial statements.

Fair value hedge

Hedging transactions are arranged using interest rate swaps. Their purpose is to mitigate the risk of fair value in hedged instruments stemming from changes in market interest rates. These transactions are not designed to hedge against the effects of fair value changes due to credit risk. BZWBK applies fair value hedge accounting (in current and in comparable period), in relation to the following classes of financial instruments:

- Fixed rate loans denominated in foreign currency recognised as a financial asset,
- Fixed rate debt securities denominated in PLN, forming a group of assets covered with an interest rate hedge.
- Fixed rate debt securities denominated in American dollars, forming a group of assets covered with an interest rate hedge.

In thousands of PLN

The hedging items are measured at fair value. Hedged items are measured at amortised cost including fair value adjustment due to hedged risk.

The tables below contain details about individual groups of hedge transactions for 2010 and comparative periods:

31.12.2010	IRS hedging corporate loans	IRS hedging bonds
Nominal value of hedged position in PLN k	36 757	938 564
Fair value adjustment of hedging instrument asset/(liability) in PLN k	(884)	(1 207)
Fair value adjustment of hedged instrument due to hedged risk asset/(liability) in PLN k	887	1 336
Hedged risk	Movements in the fair value of the underlining instrument arising from changes in market interest rates	
Period over which the instruments have an impact on the bank's results	up to 2011	up to 2018

31.12.2009	IRS hedging corporate loans	IRS hedging bonds
Nominal value of hedged position in PLNk	39 670	534 012
Fair value adjustment of hedging instrument asset/(liability) in PLN k	(1 561)	1 587
Fair value adjustment of hedged instrument due to hedged risk asset/(liability) in PLN k	1 565	(1 510)
Hedged risk	Movements in the fair value of the underlining instrument arising from changes in market interest rates	
Period over which the instruments have an impact on the bank's results	up to 2011	up to 2018

31.12.2008	IRS hedging corporate loans	IRS hedging bonds
Nominal value of hedged position in PLNk	287 674	1 567 000
Fair value adjustment of hedging instrument asset/(liability) in PLN k	(1 545)	(24 979)
Fair value adjustment of hedged instrument due to hedged risk asset/(liability) in PLN k	1 607	27 300
Hedged risk	Movements in the fair value of the underlining instrument arising from changes in market interest rates	
Period over which the instruments have an impact on the bank's results	up to 2011	up to 2017

Cash flow hedging

In 2008, Bank Zachodni WBK started to apply cash flow hedging. Hedging relationships are constructed using interest rate swaps. Their purpose is to mitigate the risk of cash flow volatility in hedged instruments stemming from changes in market interest rates. Cash flow hedges are used in relation to PLN deposits, taking into account their roll-over at variable rates, and to PLN and FX loans with variable interest rates.

Hedged items are measured at amortised cost. The hedging items are measured at fair value. When hedge effectiveness conditions are met, change in fair value adjustment of hedging instruments is recognised in equity.

As in 2010 financial markets regained stability, the bank decided to reduce its pricing of term deposits. In effect, interest expense fell below the rates offered in the interbank market. For this reason, in November 2010, the bank decided to dispense with application of hedge accounting for selected hedging relationships and to retain PLN 780 k in the revaluation reserve. This amount will be amortised over consecutive periods.

In thousands of PLN

As at 31 December 2010 the nominal value of hedging instruments amounted to PLN 694 556 k (PLN 1 200 000 k as at 31.12.2009, and PLN 850 000 k as at 31.12.2008). Fair value adjustment of hedging instrument amounts to PLN 2 487 k (PLN 2 367 k as at 31.12.2009, and PLN (30 460) k as at 31.12.2008). The same amount, net of deferred tax, is reflected in revaluation reserve. Hedging instruments are contracted to the year 2016.

39. Sell-buy-back and buy-sell-back transactions

The Bank raises funds by selling financial instruments under agreements to repay the funds by repurchasing the instruments at future dates at a predetermined price.
As at 31 December 2010, the statement of financial position, on liabilities side, contains treasury bills and bonds traded under sell-buy-back transactions amounting of PLN 1 927 368 k (PLN 3 051 003 k as at 31.12.2009; PLN 2 604 412 k as at 31.12.2008).
A related item being the deposit representing obligations in respect the repo transactions is held on the assets side of the statement of financial position and amounts to PLN 1 928 537 k (PLN 3 218 246 k as at 31.12.2009; PLN 2 655 853 k as at 31.12.2008).
As at 31.12.2010, in the statement of financial position, buy-sell-back transactions amount to PLN 147 k (31.12.2009 – PLN 10 083 k; 31.12.2008 – PLN 960 609 k).

All risks and rewards related to the holding of the underlying debt securities in the sell-buy-back transactions remains with the Bank, as well as power to dispose them.
Financial instruments held as security for (reverse) repurchase agreements may be sold or repledged under standard agreements, the obligation to return these to the counterparty on maturity of the transaction.

As at 31.12.2010 and 31.12.2009 there were no financial instruments that would be treated as security for the repo transactions whose maturity date is earlier or equal to the maturity date of the underlying transaction. Such instruments were recognised in 2008 in an amount of PLN 10 000 k.

40. Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction other than in a forced or liquidation sale, and is best reflected by the market price, if available.

Below is a summary of the book values and fair values of the individual groups of assets and liabilities.

	31.12.2010		31.12.2009		31.12.2008	
Assets	**Book Value**	**Fair Value**	**Book Value**	**Fair Value**	**Book Value**	**Fair Value**
Cash and balances with central banks	2 534 458	2 534 458	2 660 649	2 660 649	3 178 099	3 178 099
Loans and advances to banks	601 637	601 641	648 743	647 572	1 347 832	1 347 993
Financial assets held for trading	2 201 019	2 201 019	1 303 226	1 303 226	3 222 357	3 222 357
Hedging derivatives	14 768	14 768	10 801	10 801	347	347
Loans and advances to customers	31 952 599	32 456 521	32 624 992	32 250 127	32 654 263	31 917 744
Investment securities	13 355 858	13 455 442	13 265 805	13 347 045	12 894 385	12 952 850
Investments in subsidiaries, associates and joint ventures	248 999	248 999	234 349	234 349	234 225	234 225
Liabilities						
Deposits from central bank	-	-	1 519 208	1 519 208	1 242 574	1 242 574
Deposits from banks	2 144 007	2 144 007	2 301 492	2 301 485	1 957 609	1 957 161
Hedging derivatives	16 441	16 441	32 933	32 933	68 562	68 562
Financial liabilities held for trading	578 611	578 611	815 071	815 071	3 253 289	3 253 289
Subordinated liabilities	395 230	395 230	-	-	-	-
Deposits from customers	42 099 210	42 099 705	41 262 174	41 265 071	43 381 905	43 379 477

Below is a summary of the key methods and assumptions used in the estimation of fair values of the financial instruments shown in the table above.

Financial assets and liabilities not carried at fair value in the statement of financial position

The Bank has financial instruments which in accordance with the IFRS are not carried at fair value in the accounts. The fair value of such instruments is measured using the following methods and assumptions.

Loans and advances to banks: The fair value of deposits and placements is measured using discounted cash flows at the current money market interest rates for receivables of similar credit risk, maturity and currency.

Loans and advances to customers: Carried at net value after impairment charges. Fair value is calculated as the discounted value of the expected future cash flows in respect of principal and interest payments. It is assumed that loans and advances will be repaid at their contractual maturity date. The estimated fair value of the loans and advances reflects changes in the credit risk from the moment of sanction (margins) and changes in interest rates.

Financial assets not carried at fair value: The Bank does not use fair valuation for the State Treasury bonds classified as instruments held to maturity or as equity securities of unlisted companies for which the fair value cannot be reliably established. In the statement of financial position, equity instruments are presented at cost less impairment. Debt instruments are measured at amortised cost.
In the case of held-to-maturity securities, for the purpose of this disclosure fair value is established on the basis of market quotations.

Investments in associates and joint ventures: The financial assets representing investments in associates and joint ventures are measured using the equity method. The Management Board of the parent company believes that this is the most accurate estimation of fair value of these instruments.

Deposits from banks and deposits from customers: Fair value of the deposits with maturity exceeding 6 months was estimated based on the cash flows discounted by the current market rates for the deposits with similar maturity dates. In the case of demand deposits without a fixed maturity date or with maturity up to 6 months, it is assumed that their fair value is not significantly different than their book value. The process of fair value estimation for these instruments is not affected by the long-term nature of the business with depositors.

Debt securities in issue and subordinated liabilities: The securities are measured at amortised cost less adjustments in hedge accounting. Subordinated liabilities are measured at amortised cost.

Financial assets and liabilities carried at fair value in the statement of financial position

As at 31 December 2010 and in the comparable periods the Bank made the following classification of its financial instruments measured at fair value in the statement of financial position:

Level I (active market quotations) : debt, equity and derivative financial instruments which at the balance sheet date were measured using the prices quoted in the active market. The Bank allocates to this level fixed-rate State Treasury bonds, treasury bills, Eurobonds of the German government, Eurobonds of the American government, shares of listed companies and WIG 20 futures.

Level II (the measurement methods based on market-derived parameters): This level includes derivative instruments except IRS, CIRS, FX forward and FX swap and options contracts with non-bank counterparties as well as debt securities measured using discounted cash flow models (except those securities for which the Bank independently estimates the credit spread for the counterparty risk).
Apart from these derivatives, level II also classifies variable-rate State Treasury bonds and variable rate NBP bonds. These bonds were measured using discounted cash flow models based on the discount curve derived from the market of fixed-rate treasury bonds.

Level III (measurement methods using material non-market parameters): The level includes equity securities that are not quoted in the active market, measured using the expert valuation model; investment certificates measured at the balance sheet date at the price announced by the mutual fund; debt securities (commercial and municipal bonds), derivative instruments excluded from the level I and II (i.e. IRS, CIRS, FX forward and FX swap and options contracts with non-bank counterparties for which the Bank independently estimates the credit spread for counterparty risk).
In 2009, the Bank transferred IRS, CIRS and fx swap transactions with non-bank clients from II to III fair value Level due to the fact that the counter-party risk has been included in fair value measurement.

As at 31 December 2010 and in the comparable period the Bank classified its financial instruments to the following fair value levels.

In thousands of PLN

31.12.2010	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	461 723	1 538 049	201 247	2 201 019
Hedging derivatives	-	14 768	-	14 768
Financial investment assets - debt securities	5 459 246	1 421 612	77 475	6 958 333
Financial investment assets - equity securities	7 372	-	640 745	648 117
Total	**5 928 341**	**2 974 429**	**919 467**	**9 822 237**
Financial liabilities				
Financial liabilities held for trading	10 458	518 352	49 801	578 611
Hedging derivatives	-	16 441	-	16 441
Total	**10 458**	**534 793**	**49 801**	**595 052**

31.12.2009	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	133 392	748 340	421 494	1 303 226
Hedging derivatives	-	10 801	-	10 801
Financial investment assets - debt securities	5 208 457	660 942	83 971	5 953 370
Financial investment assets - equity securities	13 127	-	629 753	642 880
Total	**5 354 976**	**1 420 083**	**1 135 218**	**7 910 277**
Financial liabilities				
Financial liabilities held for trading	-	611 574	203 497	815 071
Hedging derivatives	-	32 933	-	32 933
Total	**-**	**644 507**	**203 497**	**848 004**

31.12.2008	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	814 327	1 711 912	696 118	3 222 357
Hedging derivatives	-	347	-	347
Financial investment assets - debt securities	4 244 739	1 443 643	179 564	5 867 946
Financial investment assets - equity securities	13 552	-	624 610	638 162
Total	**5 072 618**	**3 155 902**	**1 500 292**	**9 728 812**
Financial liabilities				
Financial liabilities held for trading	-	2 657 813	595 476	3 253 289
Hedging derivatives	-	68 562	-	68 562
Total	**-**	**2 726 375**	**595 476**	**3 321 851**

As at 31 December 2010 and in the comparable period there were no transfers between the first and the second fair value level.

In 2008 the Bank reclassified T-bonds to held-to-maturity portfolio. As at 31 December 2008 fair value of those instruments amounted to PLN 6 482 636 k and the carrying value amounted to PLN 6 388 277 k.
As at 31 December 2009 fair value of those instruments amounted to PLN 6 750 795 k and the carrying value amounted to PLN 6 669 555 k.
The fair value gain that would be recognised in total comprehensive income if the financial asset had not been reclassified, amounts to PLN 89 378 k as at 31 December 2010, PLN 58 844 k as at 31 December 2009 and PLN 58 465 k as at 31 December 2008.
As at 31 December 2008 interest income on financial assets classified as held-to-maturity recognised in profit or loss amounted to PLN 90 252 k, whereas at 31 December 2009 amounted to PLN 376 940 k.

Gain on derivative financial instruments classified by the Bank to the III Level and still kept in the portfolio as at the end of the reporting period amounted to PLN 151 446 k.

The tables below show reconciliation of changes in the balance of financial instruments whose fair value is established by means of the valuation methods using material non-market parameters.

In thousands of PLN

Level III	Financial assets			Financial liabilities
31.12.2010	Financial assets held for trading	Financial investment assets - debt securities	Financial investment assets - equity securities	Financial liabilities held for trading
Beginning of the period	421 494	83 971	629 753	(203 497)
	-	-	-	-
Profit or losses	-	-	-	-
recognised in income statement	34 445	1 486	-	18 547
recognised in equity	-	-	(3 873)	-
Purchase	-	-	14 865	-
Sale	-	(7 982)	-	-
Matured	(211 919)	-	-	135 149
Impairment	(42 773)	-	-	-
At the period end	**201 247**	**77 475**	**640 745**	**(49 801)**

Level III	Financial assets			Financial liabilities
31.12.2009	Financial assets held for trading	Financial investment assets - debt securities	Financial investment assets - equity securities	Financial liabilities held for trading
Beginning of the period	696 118	179 564	624 610	(595 476)
	-	-	-	-
Profit or losses	-	-	-	-
recognised in income statement	(6 895)	-	337	(3 712)
recognised in equity	-	1 872	(1 214)	-
Purchase	-	87 774	6 458	-
Sale	-	(56 075)	(438)	-
Matured	(566 182)	(129 164)	-	506 758
Transfer	298 453	-	-	(111 067)
At the period end	**421 494**	**83 971**	**629 753**	**(203 497)**

Level III	Financial assets			Financial liabilities
31.12.2008	Financial assets held for trading	Financial investment assets - debt securities	Financial investment assets - equity securities	Financial liabilities held for trading
Beginning of the period	73 850	252 935	627 119	(120 173)
	-	-	-	-
Profit or losses	-	-	-	-
recognised in income statement	634 207	-	-	(673 689)
recognised in equity	-	(866)	2 942	-
Purchase	-	6 906	16 923	-
Sale	-	-	(22 249)	-
Impairment	-	-	(125)	-
Matured	(11 939)	(79 411)	-	198 386
At the period end	**696 118**	**179 564**	**624 610**	**(595 476)**

In thousands of PLN

41. Contingent liabilities

Significant court proceedings conducted by Bank Zachodni WBK S.A

As at 31 December 2010, no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the Bank amounting to a minimum of 10% of the Bank's equity.

The value of all litigation amounts to PLN 158 768 k, which is ca. 2.6 % of the Bank's equity. This amount includes PLN 29 254 k claimed by the Bank, PLN 129 433 k in claims against the Bank and PLN 81 k are Bank's receivables due to bankruptcy or arrangement cases.

As at 31 December 2009, no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the Bank amounting to a minimum of 10% of the Bank's equity.

The value of all litigation amounts to PLN 225 185 k, which is ca. 4.1 % of the Bank's equity. This amount includes PLN 26 751 k claimed by the Bank, PLN 70 470 k in claims against the Bank and PLN 127 964 k are Bank's receivables due to bankruptcy or arrangement cases.

As at 31 December 2008, no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the Bank amounting to a minimum of 10% of the Bank's equity.

The value of all litigation amounts to PLN 244 677 k, which is ca. 5.53 % of the Bank's equity. This amount includes PLN 54 896 k claimed by the Bank, PLN 54 381 k in claims against the Bank and PLN 135 400 k are Bank's receivables due to bankruptcy or arrangement cases.

The Bank raises provisions for legal risk where an internal risk assessment for a particular case indicates a possible outflow of cash. Provisions for cases disputed in court are presented in Note 34.

Off balance sheet liabilities

The break-down of contingent liabilities and off-balance transactions into categories are presented below. The values of guarantees and letters of credit as set out in the table below represent the maximum possible loss that would be disclosed as at the balance sheet day if the customers did not meet any of their obligations towards third parties.

Contingent liabilities - sanctioned	31.12.2010	31.12.2009	31.12.2008
Liabilities sanctioned			
- financial	**6 267 607**	**7 317 366**	**9 847 961**
- credit lines	5 389 126	6 414 737	8 726 066
- credit cards debits	818 961	845 493	879 874
- import letters of credit	55 105	29 203	60 021
- term deposits with future commencement term	4 415	27 933	182 000
- guarantees	**1 431 759**	**1 130 010**	**950 992**
Total	**7 699 366**	**8 447 376**	**10 798 953**

42. Assets and liabilities pledged as collateral

A guaranteed protection fund established by the Bank Zachodni WBK S.A. is collateralized by the debt securities.
Under the Bank Guarantee Fund Act, the bank calculated this fund using 0.4% rate of the annual contribution base which is defined the same as for calculating the obligatory reserve.

Accordingly, as at 31 December 2010 Bank Zachodni WBK S.A. pledged as collateral PLN 170 698 k of debt securities (PLN 167 100 k as at 31.12.2009, PLN 150 561 k as at 31.12.2008).

In 2010 a deposit for PLN 267 731 k was placed with another bank as a collateral for the day-to-day Treasury business (in 2009 it was PLN 239 958 k, in 2008 it was PLN 182 306 k).
In 2010 BZ WBK hold a deposit for PLN 9 667 k (in 2009 it was 4 724 k) as a collateral for the day-to-day Treasury business.

Other assets pledged as collateral are disclosed in notes 32 and 39.

In thousands of PLN

43. Finance and operating leasing

Financial leases

Bank Zachodni WBK S.A. acts as a lessee in finance lease agreements where the lessor side is represented by BZWBK leasing subsidiaries. The leasing contracts finance purchase of cars.

Finance leases gross liabilities (maturity)	31.12.2010	31.12.2009	31.12.2008
less than 1 year	4 156	903	1 514
between 1 and 5 years	17 024	25 676	32 300
Total	**21 180**	**26 579**	**33 814**

Present value of minimum lease payments - maturity	31.12.2010	31.12.2009	31.12.2008
less than 1 year	2 136	596	1 153
between 1 and 5 years	8 716	16 705	24 115
Total	**10 852**	**17 301**	**25 268**

Reconciliation between the gross investment and the present value of minimum lease payments	31.12.2010	31.12.2009	31.12.2008
Finance leases gross liabilities	21 180	26 579	33 814
Unearned financial costs	(10 328)	(9 278)	(8 546)
Present value of minimum lease payments	**10 852**	**17 301**	**25 268**

Operating leases

The BZWBK leases offices in compliance with operational leasing agreements. As a standard, agreements are concluded for 5-10 years. A small part of the offices is subleased outside the Bank. In 2010, 2009 and 2008 rentals totalled PLN 141 301 k, PLN 136 449 k and PLN 97 690 k respectively. These payments are presented in the profit and loss account under “operating expenses”.

The table below shows the total obligations under irrevocable operating lease agreements concluded by the Bank (including the value of perpetual usufruct of land).

Payments - maturity	31.12.2010	31.12.2009	31.12.2008
less than 1 year	146 193	142 291	119 302
between 1 and 5 years	446 363	456 484	374 372
over 5 years	306 347	325 885	311 110
Total	**898 903**	**924 660**	**804 784**

44. Statement of cash flow- additional information

Table below specifies components of cash balances of Bank Zachodni WBK S.A.

Cash components	31.12.2010	31.12.2009	31.12.2008
Cash and balances with central banks	2 534 458	2 660 649	3 178 099
Debt investment financial instruments	-	1 793 330	615 802
Deposits in other banks, current account	601 637	648 743	1 348 421
Debt secutities held for trading	1 223 028	449 354	168 618
Total	**4 359 123**	**5 552 076**	**5 310 940**

Bank Zachodni WBK S.A. holds restricted cash. The balance of secured credit receivables is presented in Note 32.

In thousands of PLN

45. Related party disclosures

The tables below present intercompany transactions. They are effected between subsidiaries, associates, joint ventures and parent entity. Most of the transactions are banking transactions made as part of ordinary business activities and mainly include loans, deposits and guarantees.

Transactions with subsidiaries	31.12.2010	31.12.2009	31.12.2008
ASSETS	**2 110 548**	**1 134 672**	**856 331**
Financial assets held for trading	10 741	6 145	155
Loans and advances to customers	2 093 090	1 121 872	852 828
Other assets	6 717	6 655	3 348
LIABILITIES	**1 125 137**	**1 129 222**	**1 227 740**
Financial liabilities held for trading	-	79 021	99 356
Deposits from customers	1 114 294	1 032 909	1 103 139
Other liabilities	10 843	17 292	25 245
INCOME	**167 703**	**128 855**	**157 143**
Interest income	49 479	37 347	44 600
Fee and commission income	90 458	68 180	97 187
Other operating income	9 681	8 926	7 863
Net trading income and revaluation	18 085	14 402	7 493
EXPENSES	**49 931**	**52 572**	**77 454**
Interest expense	46 449	49 110	75 707
Fee and commission expense	880	1 364	90
Operating expenses incl.:	2 602	2 098	1 657
Bank's staff, operating expenses and management costs	*2 583*	*2 064*	*1 608*
Other	*19*	*34*	*49*
CONTINGENT LIABILITIES	**1 177 664**	**1 611 499**	**605 784**
Sanctioned:	1 177 664	1 611 499	605 784
- financing-related	*931 446*	*1 356 686*	*555 510*
- guarantees	*246 218*	*254 813*	*50 274*
DERIVATIVES' NOMINAL VALUES	**337 331**	**1 743 660**	**1 337 456**
Cross-currency interest rate swaps – purchased amounts	167 200	818 730	562 013
Cross-currency interest rate swaps – sold amounts	158 412	895 588	652 981
Single-currency interest rate swaps	11 719	29 342	122 462

Transactions with associates and joint ventures	31.12.2010	31.12.2009	31.12.2008
LIABILITIES	**357 222**	**95 442**	**124 712**
Deposits from customers	357 222	95 442	124 712
INCOME	**59 776**	**67 425**	**15 813**
Interest income	1 000	-	-
Fee and commission income	59 516	67 268	15 755
Other operating income	260	157	58
EXPENSES	**23 796**	**8 324**	**6 620**
Interest expense	21 908	6 183	5 073
Fee and commission expense	183	-	-
Operating expenses incl.:	1 705	2 141	1 547
General and administrative expenses	*1 705*	*2 141*	*1 547*

In thousands of PLN

Transactions with AIB Group	31.12.2010	31.12.2009	31.12.2008
ASSETS	**130 968**	**495 162**	**575 145**
Loans and advances to banks, incl:	93 399	376 170	254 035
deposits	-	*376 075*	*253 549*
current accounts	*93 399*	*95*	*486*
Financial assets held for trading	36 968	117 274	187 878
Investment securities	-	-	129 164
Other assets	601	1 718	4 068
LIABILITIES	**462 481**	**1 097 926**	**1 738 320**
Deposits from banks incl.:	325 764	811 523	1 050 572
repo transactions	*289 270*	*305 653*	*588 159*
deposits	*36 494*	*505 870*	*462 413*
Hedging derivatives	887	1 564	1 489
Financial liabilities held for trading	124 466	272 417	671 136
Other liabilities	11 364	12 422	15 123
INCOME	**(41 430)**	**67 969**	**(306 982)**
Interest income	1 957	4 375	19 057
Fee and commission income	28	30	33
Other operating income	1 917	2 951	17 206
Net trading income and revaluation	(46 009)	60 686	(340 410)
Gains (losses) from other financial securities	677	(73)	(2 868)
EXPENSES	**27 048**	**40 208**	**70 974**
Interest expense	1 818	8 139	40 969
Operating expenses incl.:	25 230	32 069	30 005
Bank's staff, operating expenses and management costs	*25 230*	*32 069*	*30 005*
CONTINGENT LIABILITIES	**-**	**44 319**	**188 563**
Sanctioned:	-	7 419	165 000
- financing-related	-	*7 419*	*165 000*
Received:	-	36 900	23 563
- financing-related	-	*36 900*	*23 563*
DERIVATIVES' NOMINAL VALUES	**4 611 239**	**11 062 622**	**13 161 424**
Cross-currency interest rate swaps – purchased amounts	372 205	1 337 015	480 590
Cross-currency interest rate swaps – sold amounts	362 070	1 402 642	590 082
Single-currency interest rate swaps	3 092 517	3 364 991	3 954 781
FRA - purchased amounts	-	-	150 000
Options	25 616	9 841	10 221
FX swap – purchased amounts	186 807	1 961 714	2 441 470
FX swap – sold amounts	205 653	1 927 627	2 465 307
FX options -purchased	122 520	507 319	1 226 585
FX options -sold	127 976	547 364	1 761 203
spot-purchased	58 387	2 055	39 224
spot-sold	57 488	2 054	41 961

In thousands of PLN

Transactions with Members of Management and Supervisory Boards

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

31.12.2010

Remuneration paid to the members of Bank Zachodni WBK Supervisory Board:

First and last name	Position	Period	PLN k
Aleksander Szwarc	Chairman of the Supervisory Board	01.01.2010-31.12.2010	221,6
Gerald Byrne	Vice-Chairman of the Supervisory Board	01.01.2010-30.11.2010	141,4
Waldemar Frąckowiak	Member of the Supervisory Board	01.01.2010-31.12.2010	167,3
Aleksander Galos	Member of the Supervisory Board	01.01.2010-31.12.2010	167,3
Jacek Ślotała	Member of the Supervisory Board	01.01.2010-31.12.2010	151,3
John Power	Member of the Supervisory Board	01.01.2010-31.12.2010	191,7
Piotr Partyga	Member of the Supervisory Board	21.04.2010-31.12.2010	95,8
Anne Maher	Member of the Supervisory Board	21.04.2010-31.12.2010	68,1

In 2010 Mr Maeliosa OhOgartaigh decided not to receive remuneration for his membership in the Supervisory Board.
Mr John Power received remuneration of PLN 61 k from subsidiaries for his membership in their Supervisory Boards

Remuneration and any additional benefits paid to the members of Bank Zachodni WBK Management Board:

First and last name	Position	Period	Renumeration	Additional benefits
Mateusz Morawiecki	President of the Management Board	01.01.2009-31.12.2009	1459,81	73,84
Paul Barry*	Member of the Managemet Board	01.01.2009-31.12.2009	682,37	764,84
Andrzej Burliga	Member of the Managemet Board	01.01.2009-31.12.2009	859,84	77,61
Declan Flynn*	Member of the Managemet Board	01.01.2009-31.12.2009	940,48	457,82
Justyn Konieczny	Member of the Managemet Board	01.01.2009-31.12.2009	1 057,82	70,92
Janusz Krawczyk	Member of the Managemet Board	01.01.2009-31.12.2009	898,24	59,75
Jacek Marcinowski	Member of the Managemet Board	01.01.2009-31.12.2009	842,18	54,9
Michael McCarthy *	Member of the Managemet Board	01.02.2009-31.12.2009	1 020,60	665,7
Marcin Prell	Member of the Managemet Board	01.01.2009-31.12.2009	842,87	69,28
Mirosław Skiba	Member of the Managemet Board	01.01.2009-31.12.2009	860,05	76,05
Feliks Szyszkowiak	Member of the Managemet Board	01.01.2009-31.12.2009	895,61	67,18

*Messrs Barry's, Flynn's and McCarthy's remunerations (on assignment to BZWBK from Allied Irish Banks plc, Dublin, Ireland) cover payment of salaries in their home country currency as well as additional benefits i.e. pension contributions, medical insurance cover and other benefits. Costs in respect of accommodation and school fees are also paid by BZ WBK in specific cases.

In 2010, none of the Members of the Management Board of Bank Zachodni WBK received any remuneration from subsidiaries or associated entities.

Members of the Management Board have signed non-competition agreements which remain in force after they step down from their function. If a Member of the Management Board is removed from their function or not appointed for another term, he/she is entitled to a once-off severance pay. The severance pay does not apply if the person accepts another function in the Bank.

In thousands of PLN

31.12.2009

Remuneration paid to the members of Bank Zachodni WBK Supervisory Board:

First and last name	Position	Period	PLN k
Aleksander Szwarc	Chairman of the Supervisory Board	01.01.2009-31.12.2009	203,7
Waldemar Frąckowiak	Member of the Supervisory Board	01.01.2009-31.12.2009	163,7
Aleksander Galos	Member of the Supervisory Board	01.01.2009-31.12.2009	163,7
Jacek Ślotała	Member of the Supervisory Board	01.01.2009-31.12.2009	139,7
John Power	Member of the Supervisory Board	01.01.2009-31.12.2009	205,6
James O'Leary	Member of the Supervisory Board	01.01.2009-21.04.2009	53,7

Messrs Gerry Byrne and Maeliosa OhOgartaigh decided not to be remunerated for their membership in the Supervisory Board.
Mr John Power received remuneration of PLN 11 k from a subsidiary for his membership in its Supervisory Board.

Remuneration and any additional benefits paid to the members of Bank Zachodni WBK Management Board:

First and last name	Position	Period	Renumeration	Additional benefits
Mateusz Morawiecki	President of the Management Board	01.01.2009-31.12.2009	1217,74	324,2
Paul Barry*	Member of the Managemet Board	01.01.2009-31.12.2009	715,89	854,57
Andrzej Burliga	Member of the Managemet Board	01.01.2009-31.12.2009	622,87	73,57
Declan Flynn*	Member of the Managemet Board	01.01.2009-31.12.2009	947,35	642,63
Justyn Konieczny	Member of the Managemet Board	01.01.2009-31.12.2009	859,13	70,83
Janusz Krawczyk	Member of the Managemet Board	01.01.2009-31.12.2009	750,66	103,48
Jacek Marcinowski	Member of the Managemet Board	01.01.2009-31.12.2009	725,31	55,34
Michael McCarthy *	Member of the Managemet Board	01.02.2009-31.12.2009	989,6	782
Marcin Prell	Member of the Managemet Board	01.01.2009-31.12.2009	723,36	93,43
Mirosław Skiba	Member of the Managemet Board	01.01.2009-31.12.2009	562,55	132,75
Feliks Szyszkowiak	Member of the Managemet Board	01.01.2009-31.12.2009	739,32	122,22

*Messrs Barry's, Flynn's and McCarthy's remunerations (on assignment to BZWBK from Allied Irish Banks plc, Dublin, Ireland) cover payment of salaries in their home country currency as well as additional benefits i.e. pension contributions, medical insurance cover and other benefits. Costs in respect of accommodation and school fees are also paid by BZ WBK in specific cases.

In 2009, none of the Members of the Management Board of Bank Zachodni WBK received any remuneration from subsidiaries or associated entities.
Members of the Management Board have signed non-competition agreements which remain in force after they step down from their function. If a Member of the Management Board is removed from their function or not appointed for another term, he/she is entitled to a once-off severance pay. The severance pay does not apply if the person accepts another function in the Bank.

31.12.2008

Remuneration paid to the members of Bank Zachodni WBK Supervisory Board:

First and last name	Position	Period	PLN k
Aleksander Szwarc	Chairman of the Supervisory Board	01.01.2008-31.12.2008	201,7
Waldemar Frąckowiak	Member of the Supervisory Board	01.01.2008-31.12.2008	177,2
Aleksander Galos	Member of the Supervisory Board	01.01.2008-31.12.2008	163,0
Jacek Ślotała	Member of the Supervisory Board	01.01.2008-31.12.2008	119,0
John Power	Member of the Supervisory Board	01.01.2008-31.12.2008	214,8
James O'Leary	Member of the Supervisory Board	01.01.2008-31.12.2008	93,6

Messrs Gerry Byrne and Maeliosa OhOgartaigh decided not to be remunerated for their membership in the Supervisory Board.

In thousands of PLN

Remuneration and any additional benefits paid to the members of Bank Zachodni WBK Management Board:

First and last name	Position	Period	Remuneration	Additional benefits
Mateusz Morawiecki	President of the Management Board	01.01.2008-31.12.2008	1214,64	638,1
Paul Barry*	Member of the Managemet Board	01.10.2008-31.12.2008	189,37	272,73
Andrzej Burliga	Member of the Managemet Board	01.01.2008-31.12.2008	566,47	59,56
Declan Flynn*	Member of the Managemet Board	01.01.2008-31.12.2008	995,91	792,85
Michał Gajewski	Member of the Managemet Board	01.01.2008-31.05.2008	415,29	29,02
Justyn Konieczny	Member of the Managemet Board	01.01.2008-31.12.2008	854,28	69,99
Janusz Krawczyk	Member of the Managemet Board	01.01.2008-31.12.2008	762,57	45,3
Jacek Marcinowski	Member of the Managemet Board	01.01.2008-31.12.2008	729,29	56,24
James Murphy*	Member of the Managemet Board	01.01.2008-30.09.2008	518,58	439
Marcin Prell	Member of the Managemet Board	01.01.2008-31.12.2008	729,02	70,83
Mirosław Skiba	Member of the Managemet Board	22.07.2008-31.12.2008	252,28	17,8
Feliks Szyszkowiak	Member of the Managemet Board	01.01.2008-31.12.2008	732,45	64,2

*Messrs Barry's, Flynn's and Murphy's remunerations (on assignment to BZWBK from Allied Irish Banks plc, Dublin, Ireland) cover payment of salaries in their home country currency as well as additional benefits i.e. pension contributions, medical insurance cover and other benefits. Costs in respect of accommodation and school fees are also paid by BZ WBK in specific cases.

In 2008, none of the Members of the Management Board or the Supervisory Board of Bank Zachodni WBK received any remuneration from subsidiaries or associated entities.

Members of the Management Board have signed non-competition agreements which remain in force after they step down from their function. If a Member of the Management Board is removed from their function or not appointed for another term, he/she is entitled to a once-off severance pay. The severance pay does not apply if the person accepts another function in the Bank.

31.12.2010

Loans and advances made by the Bank to the Members of the Management Board of BZ WBK S.A. and to their relatives were PLN 8 798 k. These facilities have been sanctioned on regular terms and conditions.

As of 31.12.2010, the total finance lease receivable provided to Members of the Management Board of BZ WBK S.A. by the subsidiaries and associates amounted to PLN 6 k.
Social Fund loans and advances provided to Board Members totalled nil.

31.12.2009

Loans and advances made by the Bank to the Members of the Management Board of BZ WBK S.A. and to their relatives were PLN 9 193 k. These facilities have been sanctioned on regular terms and conditions.

As of 31.12.2009, the total finance lease receivable provided to Members of the Management Board of BZ WBK S.A. by the subsidiaries and associates amounted to PLN 23 k.
Social Fund loans and advances provided to Board Members totalled nil.

31.12.2008

Loans and advances made by the Bank to the Members of the Management Board of BZ WBK S.A. and to their relatives were PLN 8 769 k. These facilities have been sanctioned on regular terms and conditions.

As of 31.12.2008, the total of finance lease receivable provided to Members of the Management Board of BZ WBK S.A. by the subsidiaries and associates amounted to PLN 30 k.
Social Fund loans and advances provided to Board Members totalled nil.

Transactions with employees

31.12.2010

As of 31.12.2010, the total of loans and advances drawn by BZ WBK S.A. employees was PLN 599 312 k (including the debt of PLN 39 874 k shown in joint accounts).

In the same period, the total of loans and advances drawn by BZ WBK S.A. employees from the Social Fund was PLN 15 811 k. These facilities have been sanctioned on regular terms and conditions.

On current accounts and term deposits employees of the bank held balances of PLN 203 339 k, (of which joined current accounts – PLN 45 172 k).

31.12.2009

As of 31.12.2009, the total of loans and advances drawn by BZ WBK S.A. employees was PLN 565 923 k (including the debt of PLN 1 406 k shown in joint accounts).

In the same period, the total of loans and advances drawn by BZ WBK S.A. employees from the Social Fund was PLN 15 542 k. These facilities have been sanctioned on regular terms and conditions.

On current accounts and term deposits employees of the bank held balances of PLN 179 331 k, (of which joined current accounts – PLN 40 116 k).

31.12.2008

As of 31.12.2008, the total of loans and advances drawn by BZ WBK S.A. employees was PLN 551 617 k (including the debt of PLN 1 154 k shown in joint accounts).

In the same period, the total of loans and advances drawn by BZ WBK S.A. employees from the Social Fund was PLN 15 151 k. These facilities have been sanctioned on regular terms and conditions.

On current accounts and term deposits employees of the bank held balances of PLN 191 443 k, (of which joined current accounts - PLN 37 720 k).

46. Information of number and value of banking writs of executions

In 2010 Bank issued 42 479 banking writs of execution with total amount of PLN 728 905 k, of which:

- corporate loans - 1 696 cases of PLN 397 555 k
- cash loans and overdrafts – 26 798 cases of PLN 248 537 k
- credit cards – 13 885 cases of PLN 54 088 k
- mortgage loans - 100 cases of PLN 28 725 k

In 2009 Bank issued 37 301 banking writs of execution with total amount of PLN 645 942 k, of which:

- corporate loans - 476 cases of PLN 394 049 k
- cash loans and overdrafts – 24 073 cases of PLN 188 907 k
- credit cards – 12 699 cases of PLN 44 703 k
- mortgage loans - 53 cases of PLN 18 283 k

In 2008 Bank issued 17 731 banking writs of execution with total amount of PLN 125 800 k, of which:

- cash loans and overdrafts – 11 975 cases of PLN 81 001 k
- corporate loans - 172 cases of PLN 22 451 k
- credit cards – 5 521 cases of PLN 15 628 k
- mortgage loans - 63 cases of PLN 6 720 k

47. Acquisitions and disposals of investments in subsidiaries and associates

Acquisitions of subsidiaries and associates in 2010

Increase in the share capital of BZ WBK Inwestycje Sp. z o.o.

On 13 October 2010 General Meeting of BZ WBK Inwestycje Sp. z o.o. (subsidiary of Bank Zachodni WBK) adopted the resolution which increased the share capital from PLN 50,000 to PLN 100,000 as a result issuing additional 100 new shares of PLN 500 each. Total nominal value of a new issue amounted to PLN 50,000. Bank Zachodni WBK S.A. has taken up all new shares and covered them by cash.

In thousands of PLN

Acquisitions of subsidiaries and associates in 2009 and 2008

Purchase of shares and registration of the Bank's new subsidiary

On 14 January 2009 a new company BZ WBK Finanse Sp. z o.o. was registered.

The Bank acquired in BZ WBK Finanse Sp. z o.o. 1 000 shares with the nominal value of PLN 50 each which accounts for 100% of the share capital and 100% of votes at the General Meeting. The Bank acquired the shares for the total of PLN 50 k. The core business of the Company will be operating financial holdings.

The Bank's purchase of the shares in BZ WBK Finanse Sp. z o.o. is a long-term investment and has been financed with the Bank's own funds.

Additionally, an agreement was entered into by and between the Bank and the registered subsidiary on transferring the ownership title to shares of the Bank's selected Pursuant to the Agreement, the Bank transferred onto BZ WBK Finanse the ownership title to:

- 1,216,919 shares of BZ WBK Leasing S.A. with a total nominal value of PLN 121 691 900.00 representing 99.99 % of the share capital and votes at the company's AGM, with the total value equalling the carrying value in the Bank's books of PLN 61,257,096.09. The value of shares in the BZ WBK Finanse books will total PLN 61,257,096.09;
- 100 shares of BZ WBK Faktor Sp. z o.o. with a total nominal value of PLN 50 000.00 representing 100% of the share capital and votes at the company's AGM, with the total value equalling the carrying value in the Bank's books of PLN 6,200,073.20. The value of shares in the BZ WBK Finanse books will total PLN 6,200,073.20.
- 504,999 shares of BZ WBK Finanse i Leasing S.A., with a total nominal value of PLN 50,499,900.00. representing 99,99% of the share capital and votes at the company's AGM, with the total value equalling the carrying value in the Bank's books of PLN 50 512 484,00. The value of shares in the BZ WBK Finanse books will total PLN 50,512,484.00;

The above shares represent the Bank's non-cash contribution to the BZWBK Finanse capital with a total value of PLN 117,969,653.29.

In 2008 Bank Zachodni WBK SA did not made any purchase.

Disposals of investments in subsidiaries and associates

In 2008 Bank Zachodni WBK S.A. made a transaction of partial disposal of NFI Magna Polonia shares. Shares representing 22.47% of votes at the AGM of NFI Magna Polonia were sold, whereas the rest (5.06%), is recognized as investment securities.

Disposals in 2008	Net assets	Revenue	Impairment loss	Gains/loss
Brytyjsko-Polskie Towarzystwo Finansowe WBK CU Sp. z o.o.	218	1 200	-	982
NFI Magna Polonia S.A.	1 821	1 821	(756)	(756)
Total	**2 039**	**3 021**	**(756)**	**226**

48. Investment in joint ventures

BZ WBK-CU Towarzystwo Ubezpieczeń Ogólnych Spółka Akcyjna and BZ WBK-CU Towarzystwo Ubezpieczeń na Życie Spółka Akcyjna were established on 30 July 2008.
The Bank invested in:

- BZ WBK-CU Towarzystwo Ubezpieczeń Ogólnych S.A. - 13 500 ordinary registered shares of A series with nominal value of PLN 1 000 each and issue price per share of PLN 1 334 which accounts for 50% of the share capital and 50% of votes at a general meeting. The carrying value of the shares taken up by the Bank totaled PLN 18 516 k,
- BZ WBK-CU Towarzystwo Ubezpieczeń na Życie S.A. – 10 875 ordinary registered shares of A series with value of PLN 1 000 each and issue price per share of PLN 1 334 which accounts for 50% of the share capital and 50% of votes at a general meeting. The carrying value of the shares taken up by the Bank totaled PLN 15 015 k.

These represent the long-term investments and have been financed from the Bank's own funds. They were value at acquisition price.

On 01.06.2009 these entities has changed their names to: BZ WBK-Aviva Towarzystwo Ubezpieczeń Ogólnych S.A. and BZ WBK-Aviva Towarzystwo Ubezpieczeń na Życie S.A. respectively.

In thousands of PLN

49. Events which occurred subsequently to the end of the period

Authorization for issue of Financial Statements of Bank Zachodni WBK S.A.

The financial statements of Bank Zachodni WBK S.A. were authorized for issue on the 23rd of February 2011 by the Management Board of Bank Zachodni WBK S.A. The financial statements will be presented for approve by the shareholders at their Annual General Meeting.

Tender offer for the shares of Bank Zachodni WBK

On 7 February 2011, Banco Santander announced that it had launched a tender offer for 100% of the share capital of Bank Zachodni WBK offering PLN 226.89 per share. Under the tender offer Santander intends to buy 73,076,013 shares in BZ WBK that will give it 73,076,013 votes at the General Meeting of Shareholders, i.e. 100% of the share capital and votes. The consummation of the tender offer is subject to the acceptance of at least 51,153,210 shares or 70% of the outstanding shares of BZWBK. As required by law, the Management Board of Bank Zachodni WBK and Banco Santander advised their employees and employee associations of the Tender Offer as well as of the text of the announcement.

KNF decision

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

50. Staff benefis

Staff benefits include the following categories:

- Short-term benefits (remuneration, social security contributions, paid leaves, profit distributions and bonuses and non-cash benefits),
- Post-employment benefits (retirement benefits and similar payments, life insurance or medical care provided during the term of employment),

Within these categories, the BZ WBK creates the following types of provisions:

Provisions for accrued holiday pay
Liabilities related to accrued holiday pay are stated in the expected amount (based on current salaries) without discounting.

Provisions for employee bonuses
Liabilities related to bonuses system are stated in the amount of the probable payment without discounting.

Provisions for retirement allowances
Liabilities related to retirement allowances are measured using actuarial methods (including discounting).

Other staff-related provisions
These are provisions for the National Fund of Rehabilitation of the Disabled, redundancies, overtime and staff training. These liabilities are stated at the amounts of expected payment without discounting.

The balances of the respective provisions are shown in the table below:

Provisions	31.12.2010	31.12.2009	31.12.2008
Provisions for accrued holiday pay	18 231	17 314	19 651
Provisions for employee bonuses	114 921	74 935	28 316
Provisions for retirement allowances	38 780	35 007	33 792
Other staff-related provisions	2 583	2 765	5 303
Total	**174 515**	**130 021**	**87 062**

Detailed information about movements on staff-related provisions is available in additional note 34.

Awards for the year 2009 paid in 2010 to the Members of the Management Board of Bank Zachodni WBK S.A.

In thousands of PLN

First and last name	Position	Period	Awards for 2009
Mateusz Morawiecki	President of the Management Board	01.01.2010-31.12.2010	1 500,00
Paul Barry	Member of the Management Board	01.01.2010-31.12.2010	700,33
Andrzej Burliga	Member of the Management Board	01.01.2010-31.12.2010	741,60
Declan Flynn	Member of the Management Board	01.01.2010-31.12.2010	777,55
Justyn Konieczny	Member of the Management Board	01.01.2010-31.12.2010	882,00
Janusz Krawczyk	Member of the Management Board	01.01.2010-31.12.2010	741,60
Jacek Marcinowski	Member of the Management Board	01.01.2010-31.12.2010	593,28
Michael McCarthy	Member of the Management Board	01.01.2010-31.12.2010	857,45
Marcin Prell	Member of the Management Board	01.01.2010-31.12.2010	593,28
Mirosław Skiba	Member of the Management Board	01.01.2010-31.12.2010	741,60
Feliks Szyszkowiak	Member of the Management Board	01.01.2010-31.12.2010	756,00

In 2009 the Members of the Management Board did not receive any awards for the year 2008.

Awards for the year 2007 paid in 2008 to the Members of the Management Board of Bank Zachodni WBK S.A.

First and last name	Position	Period	Awards for 2007
Mateusz Morawiecki	President of the Management Board	01.01.2008-31.12.2008	1 440,00
Paul Barry	Member of the Management Board	01.10.2008-31.12.2008	0,00
Andrzej Burliga	Member of the Management Board	01.01.2008-31.12.2008	540,00
Declan Flynn	Member of the Management Board	01.01.2008-31.12.2008	1 015,60
Michał Gajewski	Member of the Management Board	01.01.2008-31.05.2008	840,00
Justyn Konieczny	Member of the Management Board	01.01.2008-31.12.2008	840,00
Janusz Krawczyk	Member of the Management Board	01.01.2008-31.12.2008	684,00
Jacek Marcinowski	Member of the Management Board	01.01.2008-31.12.2008	504,00
James Murphy	Member of the Management Board	01.01.2008-30.09.2008	555,99
Marcin Prell	Member of the Management Board	01.01.2008-31.12.2008	504,00
Mirosław Skiba	Member of the Management Board	22.07.2008-31.12.2008	0,00
Feliks Szyszkowiak	Member of the Management Board	01.01.2008-31.12.2008	648,00

51. Share based incentive scheme

In 2006 the Bank has introduced the Incentive Scheme (“the Scheme”) on terms approved by the shareholders. The scheme is designed to provide market-competitive incentives for senior executives and key managers, in the context of the Bank’s long-term performance against stretch growth targets over the three financial years period 2006 – 2008. Conditional awards of shares are made to employees with vesting to take place on the date of the AGM approving financial statements for the last year of the scheme. Subject to vesting conditions the scheme will be realized by distribution of shares only.
Initial vesting was in Q2 2009. All outstanding awards have been subscribed and fully paid in May-June 2009.

Second edition expired as at 31 March 2010. The scheme did not vest as the conditions were not met.

In 2008 third edition has been granted to no more than 600 individuals and is still in operation.

Shares will vest on a linear pattern between 25% and 100% contingent on EPS growth adjusted by Consumer Price Index (CPI). The range of the scale requires EPS growth adjusted for CPI between 8% and 16% for 2008 edition.

The Black Scholes model has been used to value awards granted at the grant date. The expected volatility is based on an analysis of historical volatility based on 160 sessions preceding the grant date. The following table details the assumptions used, and the resulting fair value.

90 Financial statements of BZ WBK S.A. for 2010 In thousands of PLN

Share based payments granted:

	2008
Number of share based payments	288 112
Share price in PLN	149,00
Excercise price (PLN)	10
Vesting period	3 years
Expected volatility	40,82%
Award life	3 years
Risk free rate	6,87%
Fair value per award	PLN 133.01
Dividend yield	2,01%

The following table summarizes the share based payments activity:

	12 months of 2010 Number of share based payments	12 months of 2009 Number of share based payments	12 months of 2008 Number of share based payments
Outstanding at 1 January	341 701	476 929	200 722
Granted	-	-	288 112
Exercised	-	(115 729)	-
Forfeited	(8 190)	(19 499)	(11 905)
Expired	(65 491)	-	-
Outstanding at 31 December	268 020	341 701	476 929
Exercisable at 31 December	-	-	-

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

For the share based payments outstanding as at 31 December 2010, 2009 and 2008 the average remaining contractual life is approximately 0.3 years, 1.1 years and 1.6 years respectively.

The total expense is recognized in profit and loss account in correspondence with other reserve capital and settlements with subsidiaries. For 12 months of 2010, 2009 and 2008 increase of equity amounted to PLN 0,0 k, PLN 1 866 k and PLN 994 k respectively.

Taking up the Bank's shares by the Management Board Members under the 2006 Incentive Scheme

On 21.04.2009, the Supervisory Board of Bank Zachodni WBK passed a resolution stipulating that conditions for the first Incentive Scheme of 2006 were met. In May 2009, subscription of H series shares issued by the bank under resolution made by General Meeting of Shareholders of 4 April 2006 on the conditional increase of share capital was completed. In total, 115 729 shares were allocated to 86 employees, of which 23 084 shares to members of the Management Board. On 10 July 2009, the H series shares were registered with the National Depository of Securities.

Details of number of conditional awards (bonds with pre-emptive rights) for the Members of the Management Board are given below.

No. of awards	2010
Outstanding at 1 January	51 682
Expired	(16 147)
Outstanding at 31 December	35 535
Exercisable at 31 December 2009	-

In thousands of PLN

First and last name	Total as at 01.01.2010	Expired during 2010	Total as at 31.12.2010
Mateusz Morawiecki	9 961	(2 558)	7 403
Andrzej Burliga	4 417	(1 085)	3 332
Justyn Konieczny	7 847	(2 665)	5 182
Janusz Krawczyk	6 661	(2 219)	4 442
Jacek Marcinowski	6 661	(2 219)	4 442
Marcin Prell	6 661	(2 219)	4 442
Mirosław Skiba	2 813	(963)	1 850
Feliks Szyszkowiak	6 661	(2 219)	4 442
Total	**51 682**	**(16 147)**	**35 535**

No. of awards	2009
Outstanding at 1 January	74 766
Exercised	(23 084)
Outstanding at 31 December	51 682
Exercisable at 31 December	-

First and last name	Total as at 01.01.2009	Granted during 2009	Total as at 31.12.2009
Mateusz Morawiecki	13 522	(3 591)	9 961
Andrzej Burliga	6 023	(1 606)	4 417
Justyn Konieczny	11 438	(3 591)	7 847
Janusz Krawczyk	10 058	(3 397)	6 661
Jacek Marcinowski	10 058	(3 397)	6 661
Marcin Prell	9 191	(2 530)	6 661
Mirosław Skiba	4 388	(1 575)	2 813
Feliks Szyszkowiak	10 058	(3 397)	6 661
Total	**74 766**	(23 084)	**51 682**

No. of awards	2008
Outstanding at 1 January	42 949
Granted	35 535
Granted before MB nomination	2 538
Forfeited	(6 256)
Outstanding at 31 December	74 766
Exercisable at 31 December	-

In thousands of PLN

First and last name	Total as at 01.01.2008	Forfeited	Granted before MB nomination	Granted during 2008	Total as at 31.12.2008
Mateusz Morawiecki	6 149	-	-	7 403	13 552
Paul Barry*	-	-	-	-	-
Andrzej Burliga	2 691	-	-	3 332	6 023
Declan Flynn*	-	-	-	-	-
Michał Gajewski	6 256	(6 256)	-	-	-
Justyn Konieczny	6 256	-	-	5 182	11 438
Janusz Krawczyk	5 616	-	-	4 442	10 058
Jacek Marcinowski	5 616	-	-	4 442	10 058
Marcin Prell	4 749	-	-	4 442	9 191
Mirosław Skiba	-	-	2 538	1 850	4 388
Feliks Szyszkowiak	5 616	-	-	4 442	10 058
Total	**42 949**	**(6 256)**	**2 538**	**35 535**	**74 766**

*Members of Management Board on assignment to BZWBK from Allied Irish Banks plc do not participate in BZWBK Incentive Scheme.

52. Average staff level

31.12.2010
As at 31 December 2010 the Bank employed 9 250 persons, i.e. 9 163 FTE's.
In 2010, the average staffing level in Bank Zachodni WBK was 8 974 FTE's.

31.12.2009
As at 31 December 2009 the Bank employed 8 937 persons, i.e. 8 809 FTE's.
In 2009, the average staffing level in Bank Zachodni WBK was 8 977 FTE's.

31.12.2008
As at 31 December 2008 the Bank employed 9 590 persons, i.e. 9 515 FTE's.
In 2008, the average staffing level in Bank Zachodni WBK was 9 073 FTE's.

53. Dividend per share

Bank Zachodni WBK S.A. will propose an allocation to dividends 63.76% of profit for the current reporting period of PLN 584 608 104 i.e. PLN 8.00 per one share. Outstanding profit of PLN 332 247 331.98 will be allocated to other reserve capital. The final decision on dividend payment and amount shall be made by the Annual General Meeting of Bank Zachodni WBK S.A. Shareholders.

On 21 April 2010, the Annual General Meeting of Bank Zachodni WBK adopted a Resolution allocating PLN 292 304 k to dividend for shareholders, from the profit for 2009, which meant that the proposed dividend was PLN 4 per share.

On 21st April 2009 the Annual General Meeting of BZ WBK Shareholders allocated the net profit of 2008 to the reserve capital and to the general risk fund. Therefore, Bank Zachodni WBK S.A. didn't pay a dividend out of its income generated in 2008.

54. Change of majority shareholder

On 10 September 2010, the Board of Allied Irish Banks decided to sell the Polish assets of AIB to Banco Santander S.A for a total amount of approx. EUR 3.1 billion. The transaction included the sale of AIB's entire shareholding in Bank Zachodni WBK S.A., i.e. 51,413,790 shares representing 70.4% of the bank's share capital (for a price of ca. EUR 2,938 m) and 50% shareholding in BZ WBK AIB Asset Management S.A. (for a price of ca. EUR 150 m). Banco Santander S.A. will acquire the shares in Bank Zachodni WBK S.A. through a public tender offer for 100% of the capital of the bank, addressed to all shareholders, in which AIB will tender all of its shares. The proposed disposal is part of AIB's capital raising initiatives as announced on 30 March 2010.

In thousands of PLN

Tender offer for the shares of Bank Zachodni WBK

On 7 February 2011, Banco Santander announced that it had launched a tender offer for 100% of the share capital of Bank Zachodni WBK offering PLN 226.89 per share. Under the tender offer Santander intends to buy 73,076,013 shares in BZ WBK that will give it 73,076,013 votes at the General Meeting of Shareholders, i.e. 100% of the share capital and votes. The consummation of the tender offer is subject to the acceptance of at least 51,153,210 shares or 70% of the outstanding shares of BZWBK. As required by law, the Management Board of Bank Zachodni WBK and Banco Santander advised their employees and employee associations of the Tender Offer as well as of the text of the announcement.

KNF decision

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

Signatures of Members of the Management Board

Date	Name	Function	Signature
23.02.2011	Mateusz Morawiecki	President	
23.02.2011	Paul Barry	Member	
23.02.2011	Andrzej Burliga	Member	
23.02.2011	Declan Flynn	Member	
23.02.2011	Justyn Konieczny	Member	
23.02.2011	Janusz Krawczyk	Member	
23.02.2011	Michael McCarthy	Member	
23.02.2011	Marcin Prell	Member	
23.02.2011	Mirosław Skiba	Member	
23.02.2011	Feliks Szyszkowiak	Member	

Signature of a person who is responsible for maintaining the book of account

Date	Name	Function	Signature
23.02.2011	Wojciech Skalski	Financial Accounting Area Director	