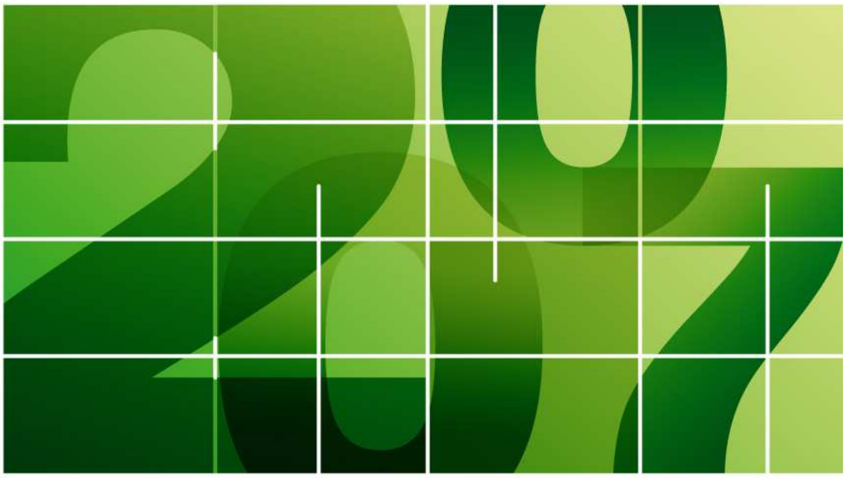

Consolidated financial statements of Bank Zachodni WBK Group for 4Q 2007

Bank Zachodni WBK

In thousands of PLN

	FINANCIAL HIGHLIGHTS	PLN		EUR	
		01.01.2007 - 31.12.2007	01.01.2006 - 31.12.2006	01.01.2007 - 31.12.2007	01.01.2006 - 31.12.2006
	Consolidated financial statements				
I	Interest and similar income	2 098 865	1 652 184	555 726	423 735
II	Fee and commission income	1 785 990	1 361 663	472 884	349 225
III	Operating profit	1 391 250	1 055 772	368 367	270 773
IV	Gross profit	1 391 444	1 065 498	368 419	273 268
V	Net profit attributable to the Company's equity holders	954 695	758 222	252 779	194 461
VI	Total net cash flow	690 935	953 918	182 942	244 651
VII	Total assets	41 332 079	32 992 183	11 538 827	8 611 449
VIII	Deposits from banks	4 483 526	2 608 377	1 251 682	680 825
IX	Deposits from customers	29 765 687	24 222 051	8 309 795	6 322 314
X	Total liabilities	36 755 378	28 915 441	10 261 133	7 547 359
XI	Total equity	4 576 701	4 076 742	1 277 694	1 064 090
XII	Minority interest	235 174	116 741	65 654	30 471
XIII	Net profit attributable to the Minority	155 982	86 024	43 546	22 063
XIV	Number of shares	72 960 284	72 960 284		
XV	Net book value per share in PLN/EURO	62,73	55,88	17,51	14,59
XVI	Solvency ratio	13,27%	15,47%		
XVII	Profit (loss) per share in PLN/ EURO	13,09	10,39	3,47	2,66
XVIII	Diluted earnings (loss) per share in PLN/EUR	13,06	10,38	3,46	2,66
XIX	Declared or paid dividend per share in PLN/EURO	3,00	6,00	0,84	1,57
	Stand alone financial statements				
XX	Interest and similar income	1 957 840	1 533 606	518 386	393 323
XXI	Fee and commission income	1 000 083	871 979	264 796	223 636
XXII	Operating profit	979 030	745 162	259 222	191 111
XXIII	Gross profit	979 030	745 162	259 222	191 111
XXIV	Net profit (loss)	809 474	592 795	214 328	152 034
XXV	Total net cash flow	682 758	951 332	180 777	243 988
XXVI	Total assets	39 195 247	31 333 018	10 942 280	8 178 382
XXVII	Deposits from banks	3 145 395	1 960 144	878 111	511 627
XXVIII	Deposits from customers	30 264 734	24 481 996	8 449 116	6 390 164
XXIX	Total liabilities	35 344 478	27 719 774	9 867 247	7 235 272
XXX	Equity attributable to the Company's equity holders	3 850 769	3 613 244	1 075 033	943 110
XXXI	Number of shares	72 960 284	72 960 284		
XXXII	Net book value per share in PLN/EUR	52,78	49,52	14,73	12,93
XXXIII	Solvency ratio	11,36%	13,79%		
XXXIV	Profit (loss) per share in PLN/ EUR	11,09	8,13	2,94	2,09
XXXV	Diluted earnings (loss) per share in PLN/EUR	11,07	8,12	2,93	2,08
XXXVI	Declared or paid dividend per share in PLN/EUR	3,00	6,00	0,84	1,57

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In thousands of PLN

1. Consolidated income statement

for the reporting periods ending on:	01-10-2007 - 31-12-2007	01-01-2007 - 31-12-2007	01-10-2006 - 31-12-2006	01-01-2006 - 31-12-2006
Interest and similar income	609 661	2 098 865	439 126	1 652 184
Interest expense and similar charges	(246 082)	(812 215)	(157 116)	(620 473)
Net interest income	**363 579**	**1 286 650**	**282 010**	**1 031 711**
Fee and commission income	467 807	1 785 990	369 537	1 361 663
Fee and commission expense	(66 358)	(241 001)	(48 121)	(170 304)
Net fee and commission income	**401 449**	**1 544 989**	**321 416**	**1 191 359**
Dividend income	15	64 746	-	57 276
Net trading income and revaluation	15 314	67 944	2 635	43 424
Gains (losses) from other financial securities	(27 637)	(25 475)	569	31 962
Gains from investment in subsidiaries and associates	1 710	1 710	1 379	9 500
Other operating income	18 624	51 180	19 786	49 771
Impairment losses on loans and advances	(6 756)	(3 936)	(6 069)	(28 336)
Operating expenses incl.:	(496 350)	(1 596 558)	(393 031)	(1 330 895)
Bank's staff, operating expenses and management costs	(455 817)	(1 424 740)	(342 704)	(1 130 860)
Depreciation/amortisation	(29 176)	(134 602)	(35 504)	(158 817)
Other operating expenses	(11 357)	(37 216)	(14 823)	(41 218)
Operating profit	**269 948**	**1 391 250**	**228 695**	**1 055 772**
Share in net profit (losses) of associates accounted for by the equity method	(757)	194	9 527	9 726
Profit before tax	**269 191**	**1 391 444**	**238 222**	**1 065 498**
Corporate income tax	(58 293)	(280 767)	(50 937)	(221 252)
Profit for the period	**210 898**	**1 110 677**	**187 285**	**844 246**
of which:				
attributable to the Company's equity holders	170 442	954 695	164 776	758 222
attributable to the Minority equity holders	40 456	155 982	22 509	86 024
Net earnings per share				
Basic earnings per share (PLN)		13,09		10,39
Diluted earnings per share (PLN)		13,06		10,38

In thousands of PLN

2. Consolidated balance sheet

	31-12-2007	30-09-2007	31-12-2006
ASSETS			
Cash and balances with central bank	2 206 265	1 013 925	1 534 480
Loans and advances to banks	2 576 878	3 853 460	3 154 546
Financial assets held for trading	1 258 253	559 059	1 104 604
Hedging derivatives	41 410	33 354	19 956
Loans and advances to customers	23 949 714	22 280 408	17 620 066
Investment securities	9 763 669	9 275 100	8 021 289
Investments in associates	13 378	35 651	36 201
Intangible assets	115 280	102 664	135 032
Property, plant & equipment	543 226	490 780	493 657
Deferred tax assets	368 449	399 682	392 467
Other assets	495 557	412 586	479 885
Total assets	41 332 079	38 456 669	32 992 183
LIABILITIES			
Deposits from banks	4 483 526	5 448 407	2 608 377
Hedging derivatives	7 613	890	12 912
Financial liabilities held for trading	996 874	499 427	228 415
Deposits from customers	29 765 687	26 377 357	24 222 051
Debt securities in issue	352 961	404 998	646 342
Current income tax liabilities	49 115	100 536	7 643
Deferred tax liabilities	202 777	256 615	293 529
Other liabilities	896 825	957 932	896 172
Total liabilities	36 755 378	34 046 162	28 915 441
Equity			
Parent company equity	4 341 527	4 215 569	3 960 001
Share capital	729 603	729 603	729 603
Other reserve funds	2 061 578	2 058 175	1 857 147
Revaluation reserve	362 963	412 049	508 548
Retained earnings	232 688	231 489	106 481
Profit of the current period	954 695	784 253	758 222
Minority interest	235 174	194 938	116 741
Total equity	4 576 701	4 410 507	4 076 742
Total equity and liabilities	41 332 079	38 456 669	32 992 183

In thousands of PLN

3. Movement on consolidated equity

	Equity					
MOVEMENTS ON CONSOLIDATED EQUITY	**Share capital**	**Other reserve funds**	**Revaluation reserve**	**Retained earnings**	**Minority interest**	**Total**
Opening balance as at 31.12.2006	**729 603**	**1 857 147**	**508 548**	**864 703**	**116 741**	**4 076 742**
Change in available for sale investments -increase	-	-	15 864	-	165	16 029
Change in available for sale investments -decrease	-	-	(193 445)	-	-	(193 445)
Share scheme charge	-	10 474	-	-	-	10 474
Net (gains)/losses recognised in income statement	-	-	31 996	-	-	31 996
Net profit	-	-	-	954 695	155 982	1 110 677
Total recognised increase in equity in 2007	**-**	**10 474**	**(145 585)**	**954 695**	**156 147**	**975 731**
Dividend relating to 2006	-	-	-	(437 762)	(37 723)	(475 485)
Transfer to other reserve capitals	-	193 908	-	(193 908)	-	-
Other	-	49	-	(345)	9	(287)
As at 31.12.2007	**729 603**	**2 061 578**	**362 963**	**1 187 383**	**235 174**	**4 576 701**

As at the end of the period revaluation reserve in the amount of PLN 362 963 k comprises of debt securities and equity shares classified as available for sale of PLN (83 848) k and PLN 446 811 k respectively.

	Equity					
MOVEMENTS ON CONSOLIDATED EQUITY	**Share capital**	**Other reserve funds**	**Revaluation reserve**	**Retained earnings**	**Minority interest**	**Total**
Opening balance as at 31.12.2006	**729 603**	**1 857 147**	**508 548**	**864 703**	**116 741**	**4 076 742**
Change in available for sale investments - increase	-	-	14 470	-	385	14 855
Change in available for sale investments - decrease	-	-	(116 470)	-	-	(116 470)
Share scheme charge	-	7 070	-	-	-	7 070
Net (gains)/losses recognised in income statement	-		5 501	-	-	5 501
Net profit	-	-	-	784 253	115 526	899 779
Total recognised increase in equity in 1-3 Q 2007	**-**	**7 070**	**(96 499)**	**784 253**	**115 911**	**810 735**
Dividend relating to 2006	-	-	-	(437 762)	(37 723)	(475 485)
Transfer to other reserve capitals	-	193 908	-	(193 908)	-	-
Other	-	50		(1 544)	9	(1 485)
As at 30.09.2007	**729 603**	**2 058 175**	**412 049**	**1 015 742**	**194 938**	**4 410 507**

As at the end of the period revaluation reserve in the amount of PLN 412 049 k comprises of debt securities and equity shares classified as available for sale of PLN (31 333) and PLN 443 382 respectively.

In thousands of PLN

MOVEMENTS ON CONSOLIDATED EQUITY	Equity					
	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Minority interest	Total
Opening balance at 31.12.2005	**729 603**	**2 028 706**	**250 088**	**373 121**	**54 943**	**3 436 461**
Change in available for sale investments - increase	-	-	312 142	-	25	312 167
Change in available for sale investments - decrease	-	-	(38 528)	-	-	(38 528)
Share scheme charge	-	3 674	-	-	-	3 674
Net (gains)/losses recognised in income statement	-	-	(14 919)	-	-	(14 919)
Net profit	-	-	-	758 222	86 024	844 246
Total recognised increase in equity in 2006	**-**	**3 674**	**258 695**	**758 222**	**86 049**	**1 106 640**
Dividend relating to 2005	-	-	-	(437 762)	(27 044)	(464 806)
Transfer to general banking risk fund	-	6 589	-	(6 589)	-	-
Transfer from supplementary capital	-	(168 326)	-	168 326	-	-
Other	-	(13 496)	(235)	9 385	2 793	(1 553)
As at 31.12.2006	**729 603**	**1 857 147**	**508 548**	**864 703**	**116 741**	**4 076 742**

As at the end of the period revaluation reserve in the amount of PLN 508 548 k comprises of debt securities and equity shares classified as available for sale of PLN 73 041 k and PLN 435 507 k respectively.

In thousands of PLN

4. Consolidated cash flow statement

	01-10-2007 - 31-12-2007	01-01-2007 - 31-12-2007	01-10-2006 -31-12-2006	01-01-2006 - 31-12-2006
Profit (loss) before tax	**269 191**	**1 391 444**	**238 222**	**1 065 498**
Total adjustments:	**1 349 454**	**1 323 552**	**560 230**	**913 442**
Share in net profits (losses) of associates accounted for by the equity method	757	(194)	(9 527)	(9 726)
Depreciation	29 175	134 602	35 504	158 817
Impairment losses	-	(350)	351	(1 360)
Gains (losses) on exchange differences	(8 014)	(3 497)	4 008	1 738
Interests and similar charges	(3 291)	(24 497)	(34 032)	117 288
Dividend income	(15)	(64 746)	-	(57 276)
(Profit) loss from investing activities	29 682	25 113	(1 389)	(37 297)
Change in provisions	21 779	71 922	48 559	51 542
Change in trading portfolio financial instruments	(203 080)	588 057	74 120	1 195 798
Change in loans and advances to banks	1 148 037	596 818	(94 503)	445 567
Change in loans and advances to customers	(1 672 123)	(6 333 073)	(379 004)	(3 412 646)
Change in deposits from banks	(1 194 732)	1 031 787	16 634	(456 444)
Change in deposits from customers	3 410 131	5 592 663	1 033 977	3 360 216
Change in liabilities arising from debt securities in issue	(16 121)	(10 925)	1 563	(1 037)
Change in assets and liabilities arising from deferred taxation	2 451	2 089	11 753	(9 042)
Change in other assets and liabilities	(64 335)	(10 095)	(128 221)	(229 180)
Paid income tax	(132 960)	(274 982)	(19 897)	(204 619)
Other adjustments	2 113	2 860	334	1 103
Net cash flow from operating activities - indirect method	**1 618 645**	**2 714 996**	**798 452**	**1 978 940**
Inflows	**1 016 951**	**2 942 028**	**454 366**	**1 786 353**
Sale of shares or interests in subsidiaries and associates	17 159	17 159	-	58 033
Sale of investment securities	998 333	2 854 007	452 913	1 666 791
Sale of intangible and tangible fixed assets	1 442	6 110	1 443	4 110
Dividends received	15	64 746	-	57 276
Proceeds from other investments	2	6	10	143
Outflows	**(1 730 432)**	**(4 939 944)**	**(961 476)**	**(2 526 277)**
Purchase of investment securities	(1 633 149)	(4 789 868)	(901 644)	(2 434 882)
Purchase of intangible and tangible fixed assets	(92 488)	(143 562)	(58 829)	(89 056)
Other investments	(4 795)	(6 514)	(1 003)	(2 339)
Net cash flow from investing activities	**(713 481)**	**(1 997 916)**	**(507 110)**	**(739 924)**
Inflows	**355 596**	**1 376 263**	**213 289**	**672 419**
Drawing of long-term loans	341 267	1 319 425	213 289	579 075
Issue of debt securities	14 329	56 838	-	93 344
Outflows	**(196 965)**	**(1 402 408)**	**(42 541)**	**(957 517)**
Repayment of long-term loans	(122 386)	(518 168)	(34 364)	(147 825)
Debt securities buy out	(50 245)	(339 294)	-	(286 348)
Dividends and other payments to shareholders	-	(475 485)	-	(464 806)
Other financing outflows	(24 334)	(69 461)	(8 177)	(58 538)
Net cash flow from financing activities	**158 631**	**(26 145)**	**170 748**	**(285 098)**
Total net cash flow	**1 063 795**	**690 935**	**462 090**	**953 918**
Cash at the beginning of the accounting period	**1 174 744**	**1 547 604**	**1 085 514**	**593 686**
Cash at the end of the accounting period	**2 238 539**	**2 238 539**	**1 547 604**	**1 547 604**

In thousands of PLN

5. Income statement of Bank Zachodni WBK S.A.

For reporting periods ending on:	01-10-2007 - 31-12-2007	01-01-2007 - 31-12-2007	01-10-2006 - 31-12-2006	01-01-2006 - 31-12-2006
Interest and similar income	567 721	1 957 840	409 702	1 533 606
Interest expense and similar charges	(235 758)	(775 402)	(148 562)	(576 249)
Net interest income	**331 963**	**1 182 438**	**261 140**	**957 357**
Fee and commission income	263 088	1 000 083	225 118	871 979
Fee and commission expense	(25 430)	(81 502)	(17 222)	(60 323)
Net fee and commission income	**237 658**	**918 581**	**207 896**	**811 656**
Dividend income	7 282	177 978	335	98 712
Net trading income and revaluation	13 905	52 271	(971)	27 062
Gains (losses) from other financial securities	(27 556)	(25 784)	2 452	11 661
Gains (losses) from investment in subsidiaries and associates	(688)	12 735	-	14 717
Other operating income	14 314	38 459	15 636	32 088
Impairment losses on loans and advances	(7 114)	565	(6 307)	(26 126)
Operating expenses incl.:	(421 237)	(1 378 213)	(336 698)	(1 181 965)
Bank's staff, operating expenses and management costs	(385 366)	(1 224 905)	(290 644)	(995 781)
Depreciation/amortisation	(27 152)	(127 264)	(34 025)	(153 008)
Other operating expenses	(8 719)	(26 044)	(12 029)	(33 176)
Operating profit	**148 527**	**979 030**	**143 483**	**745 162**
Profit before tax	**148 527**	**979 030**	**143 483**	**745 162**
Corporate income tax	(31 180)	(169 556)	(32 457)	(152 367)
Profit for the period	**117 347**	**809 474**	**111 026**	**592 795**
Net earnings per share (PLN/share)				
Basic earnings per share		11,09		8,13
Diluted earnings per share		11,07		8,12

In thousands of PLN

6. Balance sheet of Bank Zachodni WBK S.A.

	31-12-2007	30-09-2007	31-12-2006
ASSETS			
Cash and balances with central bank	2 206 259	1 013 915	1 534 469
Loans and advances to banks	2 563 755	3 847 040	3 149 267
Financial assets held for trading	1 148 659	557 367	1 048 010
Hedging derivatives	41 410	33 505	19 956
Loans and advances to customers	22 150 633	20 462 190	16 172 354
Investment securities	9 698 307	9 256 320	7 993 770
Investments in associates	155 967	173 771	186 318
Intangible assets	102 906	92 445	127 101
Property, plant & equipment	528 027	478 511	483 594
Current income tax due	37 950	-	947
Deferred tax assets	312 700	342 602	346 508
Other assets	248 674	153 645	270 724
Total assets	39 195 247	36 411 311	31 333 018
LIABILITIES			
Deposits from banks	3 145 395	4 207 524	1 960 144
Hedging derivatives	7 613	8 397	12 912
Financial liabilities held for trading	1 000 787	499 427	246 875
Deposits from customers	30 264 734	26 871 476	24 481 996
Debt securities in issue	99 348	98 629	95 897
Current income tax liabilities	-	24 556	-
Deferred tax liabilities	188 620	246 650	282 196
Other liabilities	637 981	677 120	639 754
Total liabilities	35 344 478	32 633 779	27 719 774
Equity			
Share capital	729 603	729 603	729 603
Other reserve funds	1 951 251	1 947 847	1 785 744
Revaluation reserve	360 441	407 955	505 102
Profit of the current period	809 474	692 127	592 795
Total equity	3 850 769	3 777 532	3 613 244
Total equity and liabilities	39 195 247	36 411 311	31 333 018

In thousands of PLN

7. Movements on equity of Bank Zachodni WBK S.A.

	Equity				
MOVEMENTS ON EQUITY	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Total
Opening balance at 31.12.2006	**729 603**	**1 785 744**	**505 102**	**592 795**	**3 613 244**
Net change in available for sale investments - increase	-	-	14 470	-	14 470
Net change in available for sale investments - decrease	-	-	(193 379)	-	(193 379)
Share scheme charge	-	10 474	-	-	10 474
Net (gains)/losses not recognised in income statement	-	-	34 248	-	34 248
Net profit	-	-	-	809 474	809 474
Total recognised increase in equity in 2007	**-**	**10 474**	**(144 661)**	**809 474**	**675 287**
Dividend relating to 2006	-	-	-	(437 762)	(437 762)
Transfer to other reserve capitals	-	155 033	-	(155 033)	-
As at 31.12.2007	**729 603**	**1 951 251**	**360 441**	**809 474**	**3 850 769**

As at the end of the period revaluation reserve in the amount of PLN 360 441 k comprises of debt securities and equity shares classified as available for sale of PLN (83 803) k and PLN 444 244 k respectively.

	Equity				
MOVEMENTS ON EQUITY	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Total
Opening balance as at 31.12.2006	**729 603**	**1 785 744**	**505 102**	**592 795**	**3 613 244**
Change in available for sale investments-increase	-	-	14 470	-	14 470
Change in available for sale investments-decrease	-	-	(118 971)	-	(118 971)
Share scheme charge	-	7 070	-	-	7 070
Net (gains)/losses recognised in income statement	-	-	7 354	-	7 354
Net profit	-	-	-	692 127	692 127
Total recognised increase in equity in 1-3 Q 2007	**-**	**7 070**	**(97 147)**	**692 127**	**602 050**
Dividend relating to 2006	-	-	-	(437 762)	(437 762)
Transfer to other reserve capitals	-	155 033	-	(155 033)	-
As at 30.09.2007	**729 603**	**1 947 847**	**407 955**	**692 127**	**3 777 532**

As at the end of the period revaluation reserve in the amount of PLN 407 955 k comprises of debt securities and equity shares classified as available for sale of PLN (31 302) and PLN 439 257 respectively.

In thousands of PLN

MOVEMENTS ON EQUITY	Equity				
	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Total
Opening balance at 31.12.2005	**729 603**	**1 950 396**	**239 495**	**269 436**	**3 188 930**
Change in available for sale investments-increase	-	-	306 585	-	306 585
Change in available for sale investments-decrease	-	-	(38 528)	-	(38 528)
Share scheme charge	-	3 674	-	-	3 674
Net (gains)/losses recognised in income statement	-	-	(2 450)	-	(2 450)
Net profit	-	-	-	592 795	592 795
Total recognised increase in equity in 2006	**-**	**3 674**	**265 607**	**592 795**	**862 076**
Dividend relating to 2005	-	-	-	(437 762)	(437 762)
Transfer from supplementary capital	-	(168 326)	-	168 326	-
As at 31.12.2006	**729 603**	**1 785 744**	**505 102**	**592 795**	**3 613 244**

As at the end of the period revaluation reserve in the amount of PLN 505 102 k comprises of debt securities and equity shares classified as available for sale of PLN 73 012 k and PLN 432 090 k respectively.

In thousands of PLN

8. Cash flow statement of Bank Zachodni WBK S.A.

	01-10-2007 - 31-12-2007	01-01-2007 - 31-12-2007	01-10-2006 - 31-12-2006	01-01-2006 - 31-12-2006
Profit (loss) before tax	**148 527**	**979 030**	**143 483**	**745 162**
Total adjustments:	**1 534 663**	**1 943 410**	**811 632**	**1 434 757**
Depreciation	27 152	127 264	34 025	153 008
Impairment losses	(1)	(854)	(1 341)	(3 742)
Interests and similar charges	(114 839)	(89 587)	(34 124)	61 881
Dividend income	(7 282)	(177 978)	(335)	(98 712)
(Profit) loss from investing activities	1 384	(15 994)	(307)	(19 880)
Change in provisions	8 997	32 670	21 803	24 786
Change in trading portfolio financial instruments	(98 621)	626 510	120 741	1 242 886
Change in loans and advances to banks	1 148 759	596 480	(284 409)	445 992
Change in loans and advances to customers	(1 688 443)	(5 978 279)	(765 956)	(3 266 030)
Change in deposits from banks	(791 677)	1 185 251	223 474	(331 014)
Change in deposits from customers	3 122 807	5 801 894	1 573 670	3 575 684
Change in liabilities arising from debt securities in issue	719	3 451	598	2 862
Change in assets and liabilities arising from deferred taxation	(1)	2 022	(1)	(1)
Change in other assets and liabilities	47 276	63 063	(76 665)	(210 098)
Paid income tax	(123 682)	(235 363)	-	(143 946)
Other adjustments	2 115	2 860	459	1 081
Net cash flow from operating activities - indirect method	**1 683 190**	**2 922 440**	**955 115**	**2 179 919**
Inflows	**1 050 048**	**3 096 998**	**461 694**	**1 772 800**
Sale of shares or interests in subsidiaries and associates	17 115	46 780	12 999	71 054
Sale of investment securities	1 024 218	2 866 290	447 167	1 599 209
Sale of intangible and tangible fixed assets	1 431	5 944	1 183	3 682
Dividends received	7 282	177 978	335	98 712
Proceeds from other investments	2	6	10	143
Outflows	**(1 674 304)**	**(4 875 298)**	**(953 635)**	**(2 510 113)**
Purchase of investment securities	(1 584 401)	(4 741 120)	(897 203)	(2 426 437)
Purchase of intangible and tangible fixed assets	(85 152)	(127 757)	(55 429)	(81 337)
Other investments	(4 751)	(6 421)	(1 003)	(2 339)
Net cash flow from investing activities	**(624 256)**	**(1 778 300)**	**(491 941)**	**(737 313)**
Inflows	-	-	-	-
Outflows	**(1 116)**	**(461 382)**	**(883)**	**(491 274)**
Repayment of long-term loans	-	(19 156)	-	(49 980)
Dividends paid	-	(437 762)	-	(437 762)
Other financing outflows	(1 116)	(4 464)	(883)	(3 532)
Net cash flow from financing activities	**(1 116)**	**(461 382)**	**(883)**	**(491 274)**
Total net cash flow	**1 057 818**	**682 758**	**462 291**	**951 332**
Cash at the beginning of the accounting period	**1 167 656**	**1 542 716**	**1 080 425**	**591 384**
Cash at the end of the accounting period	**2 225 474**	**2 225 474**	**1 542 716**	**1 542 716**

9. Bank Zachodni WBK S.A. performance

Financial Performance in 2007

Profit and Loss Account

The table below presents developments in key categories of the profit and loss account of the Bank Zachodni WBK Group in 2007 compared with the previous year.

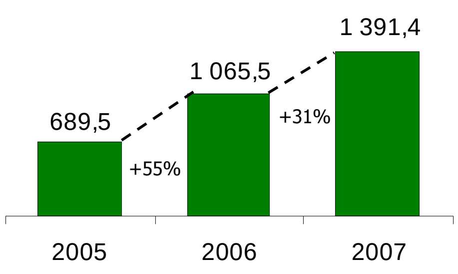
PLN m

Profit & Loss Account	2007	2006	Change
Total income	2,991.7	2,415.0	+23.9%
Total costs	(1,596.6)	(1,330.9)	+20.0%
Impairment losses on loans and advances	(3.9)	(28.3)	-86.2%
Profit-before-tax*	**1,391.4**	**1,065.5**	**+30.6%**
Income tax	(280.7)	(221.3)	+26.8%
Profit-after-tax attributable to minority equity holders	156.0	86.0	+81.4%
Profit-after-tax attributable to BZWBK shareholders	**954.7**	**758.2**	**+25.9%**

** includes profit attributable to the entities accounted for using equity method (PLN 0.2m for 2007; PLN 9.7m for 2006)*

In 2007, the Bank Zachodni WBK Group posted the profit-before-tax of PLN 1,391.4 m, an increase of 30.6% y-o-y. The profit-after-tax attributable to the shareholders of Bank Zachodni WBK was PLN 954.7 m and higher by 25.9% y-o-y. These results were achieved due to the very strong performance of the bank and its subsidiaries, particularly BZ WBK AIB Asset Management S.A., BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. and Dom Maklerski BZ WBK S.A.

Profit-before-tax of the BZWBK Group in the years 2005-2007 (PLN m)



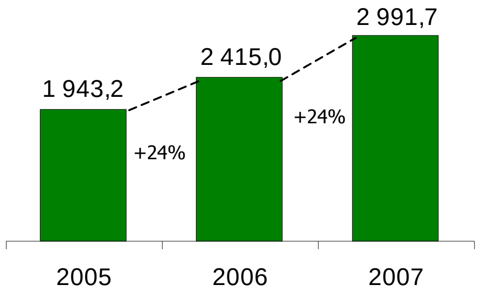
Income

In 2007, the Group posted a total income of PLN 2,991.7 m, an increase of 23.9% on the previous year. The main components of the total income were as follows:

PLN m

Total income	2007	2006	Change
Net interest income	1,286.7	1,031.7	+24.7%
Net commission income	1,545.0	1,191.4	+29.7%
Dividend income	64.7	57.3	+12.9%
Net trading income and revaluation	67.9	43.4	+56.5%
Result on other financial assets	(25.5)	32.0	-
Other income	52.9	59.2	-10.6%
Total	**2,991.7**	**2,415.0**	**+23.9%**

Total income in the years 2005-2007 (PLN m)



Net Interest Income

Net interest income amounted to PLN 1,286.7 m in 2007 compared with PLN 1,031.7 m posted in 2006. Due to the presentation changes made in June 2007, this line includes interest on hedging derivatives and profit realised on options whose underlying instrument is an index used in the calculation of the tracker bonds' return rate (total impact of these elements on the net interest income was PLN 30.3 m in 2007 versus -PLN 2.5 m in 2006). Taking into account other interest-related income from FX Swaps and Basis Swaps recognised in net trading income (PLN 21.5 m in 2007 and PLN 24.7 m in 2006), the underlying net interest income increased by 23.8% y-o-y. This was achieved due to the growth of business and favourable changes in its structure, with particular impact from the fast growing business and cash loans and a substantially higher volume of demand deposits. The NBP interest rate increases were another driver of the net interest income growth, leading to a higher deposit margin achieved by the bank, but with little effect on the credit margin which was heavily restrained by the competitive market requirements.

Net commission income

PLN m

Net commission income	2007	2006	Change
Distribution of mutual funds and asset management	646.5	391.3	+65.2%
Account maintenance and cash transactions	221.1	225.8	-2.1%
FX fees	211.4	188.3	+12.3%
e-Business & Payments	193.5	180.4	+7.3%
Brokerage fees	145.0	106.1	+36.7%
Credit fees	46.8	44.8	+4.5%
Insurance fees	42.5	20.7	+105.3%
Other	38.2	34.0	+12.4%
Total	**1,545.0**	**1,191.4**	**+29.7%**

Net commission income amounted to PLN 1,545 m and increased by 29.7% y-o-y driven by further expansion of the bank's and subsidiaries' business. The most noteworthy changes are as follows:

- The Group's net fee income from fund distribution and asset management reached a record level of PLN 646.5 m and increased by 65.2% y-o-y due to the inflows of assets to the mutual funds managed by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. and private portfolios of BZ WBK AIB Asset Management S.A. (net assets increased by PLN 6.8 bn y-o-y).

- Net commission income of Dom Maklerski BZ WBK S.A. increased by 36.7% y-o-y to PLN 145 m as a result of the company's good trading on the equity market, arrangement of share transactions in the primary market and the increased market-making activity.

- The bancassurance line is becoming an increasingly important contributor to the fee income. In 2007, it generated income of PLN 42.5 m, which is more than double the figure reported a year before, resulting from the growing sales of cash and mortgage loans insurance and the launch of the investment-linked policy.

- As a result of presentation changes in the profit and loss account effected in June 2007, the net commission income also includes the fees on customer FX transactions (PLN 211.4 m in 2007 and PLN 188.3 m in 2006). In the previous periods, these items were recognised under FX profit. The growth of 12.3% in this profit reflects the stronger customer activity at the branch level and higher volumes of Treasury-based corporate negotiated trading.

- The net commission income reported by the e-Business and Payments Area increased by 7.3% to PLN 193.5 m. Two product lines in this Area grew particularly strongly and consequently produced noticeable fee income increases, namely "debit cards" (+24%) and "services to third-party financial institutions" (+20%). The former line was driven by larger number of debit cards and higher frequency of their use, whereas the latter was impacted by the expansion of the customer base and the scope of services provided. The fee growth generated by the above-mentioned product lines was partly offset by lower income from international payment orders, an effect of the fee reductions in the second half of 2006.

- The 2.1% decrease in fees and charges for account maintenance and cash transactions (to PLN 221,1 m) resulted from the higher number of negotiated tariffs for business accounts, the increased migration of customers to electronic channels and the continued reduction of selected personal account maintenance fees.

Dividend Income

Dividend income of PLN 64.7 m increased by 12.9% as a result of a higher dividend paid out by the Commercial Union Group members included in the bank's equity investment portfolio. In 2007, these entities disbursed PLN 60.3 m in dividends to the bank as compared to PLN 53 m a year before.

Net Trading Income and Revaluation

Net trading income and revaluation increased by 56.5% up to PLN 67.9 m due to higher income achieved by the bank from derivative transactions and the profits earned by the Brokerage House from its market-making activity. This line also includes income from FX bank-to-bank operations and other FX trading income (PLN 24.9 m in 2007 and PLN 19.8 m in 2006), previously disclosed in FX profit.

Result on Other Financial Assets

The negative result of PLN 25.5 m from other financial assets emerged on the disposal of debt securities from the investment portfolio which had been created by the bank as part of the Group's structural balance sheet risk management (in compliance with the bank's NIRIL - net interest rate insensitive liabilities - management policy). This decision was supported by interest rate hikes and the consequent availability of financial instruments having similar risk profile and higher yield for future periods.

The result on other financial assets also contains the profit earned on the disposal of TIM S.A. shares from the equity portfolio of the bank's subsidiary BZ WBK Inwestycje Sp. z o.o. The sale of TIM S.A. shares in 2007 generated a profit of PLN 3.3 m, while a corresponding transaction concluded a year before yielded PLN 22.6 m.

This line also includes hedge accounting result which shows a negative variance of PLN 3.2 m y-o-y. Prior to the changes in presentation, this item was recognised in a separate profit and loss account line.

Loan Impairment Charge

The loan impairment charge to the profit and loss account was PLN 3.9 m, which is 86.2% lower than in 2006. This is the outcome of a number of factors, particularly the effective debt collection, the borrowers' improved service of their debts covered by the "old portfolio" and the high quality of the new loans. With the substantial y-o-y growth in lending volumes (+35.9%), the level of the loan impairment charge confirms the soundness of the Group's credit risk management framework and a sharp focus on ensuring high quality of the portfolio. The effectiveness of this approach to risk management is also evidenced by further reduction of the NPL ratio. At the end of December 2007, the non-performing loans accounted for 2.8% of the gross portfolio with a provision cover at 65.3%. A year before, the corresponding ratios were 4.9% and 60.7%.

Costs

The sharp increase in the revenue of the Bank Zachodni WBK Group combined with the rational and controlled cost increases, led to a reduction of the cost-to-income ratio from 55.1% to 53.4% for 2007. This trend confirms the organisation's cost effectiveness, particularly given the fact that the improvement was attained amid the rapid business growth and numerous development initiatives.

Total costs of the Bank Zachodni WBK Group amounted to PLN 1,596.6 m in 2007 and were higher by 20% y-o-y. The main components were as follows:

PLN m

Total costs	**2007**	**2006**	**Change**
Staff and other administrative expenses	(1,424.7)	(1 130.9)	+26.0%
Depreciation	(134.6)	(158.8)	-15.2%
Other operating costs	(37.3)	(41.2)	-9.5%
Total	**1,596.6**	**1,330.9**	**+20.0%**

Staff and Other Administrative Expenses

The staff and other administrative expenses of the Group were PLN 1,424.7 m and 26% up y-o-y, driven by dynamic business development of the bank and its subsidiaries as well as delivery of successive stages of the strategic programmes.

- **Staff Expenses**

Staff costs increased by 23.3% y-o-y to PLN 842.8 m as a result of higher employment driven by developing business (+1,131 FTEs), pay increases linked to the annual performance review, growing competition for banking experts in the labour market, bigger performance-related bonuses as well as the cost of development programmes for the managerial staff at all levels.

- **Other Administrative Expenses**

With a strong business growth, the Group's other administrative expenses increased by 30.1% y-o-y to PLN 581.9 m. This movement results mainly from the Group's intensive promotional activity designed to support the sales of its strategic products, e.g. BZ WBK Arka mutual funds, cash loans, home mortgages, savings accounts and selected personal accounts. The office space lease and maintenance expenses were also a strong driving force due to the bank's expansion of distribution channels, including the branch network, the Mobile Sales network, the Corporate Business Centres and their supporting functions in the Business Support Centre. As a consequence of the development and modernisation initiatives, there was also a significant growth in the cost of premises renovation and equipment supply to branches. Consultancy costs increased as well, due to the larger number of projects requiring expert skills. The Group's savings initiatives (renegotiation of contracts, monitoring of suppliers' market, streamlining of internal processes) coupled with rigorous planning and control of operating costs budgets, continued to successfully reduce the administrative expenses.

Depreciation

Depreciation totalled PLN 134.6 m and decreased by 15.2% y-o-y due to the continued optimisation of the Group's asset base.

Balance Sheet

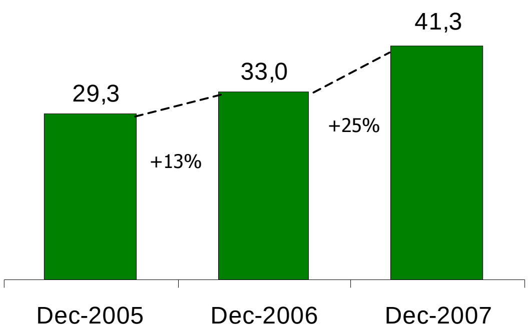
The table below presents major developments in key categories of the balance sheet of the Bank Zachodni WBK Group at the end of December 2007 versus December 2006.

PLN m

Balance-Sheet Items	31-12-2007	Balance Sheet Structure 31-12-2007	31-12-2006	Balance Sheet Structure 31-12-2006	Change
Balance sheet total	41,332.1	*100%*	32,992.2	*100%*	+25.3%
Assets					
Loans and advances to customers*	23,949.7	*57.94%*	17,620.1	*53.41%*	+35.9%
Investment securities	9,763.7	*23.62%*	8,021.3	*24.31%*	+21.7%
Loans and advances to banks	2,576.9	*6.23%*	3,154.5	*9.56%*	-18.3%
Cash and operations with Central Bank	2,206.3	*5.34%*	1,534.5	*4.65%*	+43.8%
Financial assets held for trading	1,258.3	*3.04%*	1,104.6	*3.35%*	+13.9%
Other assets	1,577.2	*3.83%*	1,557.2	*4.72%*	+1.3%
Liabilities					
Deposits from customers	29,765.7	*72.02%*	24,222.1	*73.42%*	+22.9%
Deposits from banks	4,483.5	*10.85%*	2,608.4	*7.91%*	+71.9%
Financial liabilities held for trading	996.9	*2.41%*	228.4	*0.69%*	+336.5%
Debt securities in issue	353.0	*0.85%*	646.3	*1.96%*	-45.4%
Other liabilities	1,156.3	*2.80%*	1,210.3	*3.66%*	-4.5%
Total equity	4,576.7	*11.07%*	4,076.7	*12.36%*	+12.3%

* *net of impairment*

Assets as at 31 December in the years 2005-2007 (PLN bn)



As at 31 December 2007, total assets of the Bank Zachodni WBK Group amounted to PLN 41,332.1 m and were 25.3% up y-o-y. The value and structure of the Group's balance sheet is determined by the bank's balance sheet which accounts for 94.8% of the consolidated total assets.

The main asset growth driver during past 12 months was loans and advances to customers (+35.9% y-o-y), which increased as a result of the strong credit delivery. Investment securities grew (+21.7% y-o-y) as part of the management of the Group's structural balance sheet risk. An increase was also noted in cash and operations with Central Bank (+43.8% y-o-y) and financial assets held for trading (+13.9% y-o-y), with a parallel fall in the loans and advances to banks (-18.3% y-o-y).

On the liabilities side, the Group posted a substantial increase in deposits from customers (+22.9% y-o-y) and banks (+71.9% y-o-y), higher financial liabilities held for trading (+336.5%) and a decline in liabilities from issue of debt securities (-45.4% y-o-y).

Credit Portfolio

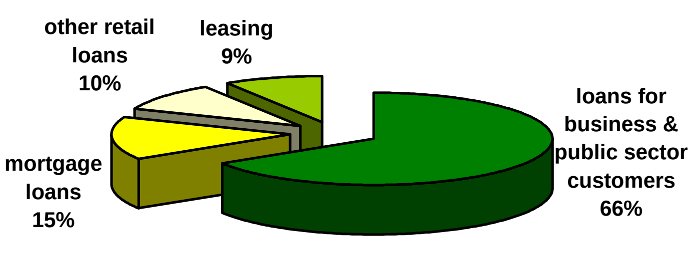
At the end of December 2007, net loans and advances to customers were PLN 23,949.7 m and 35.9% up y-o-y (+7.5% q-o-q) due to increasing volumes of the Group's key portfolios: business loans, retail loans and lease rentals. Gross loans and advances to customers amounted to PLN 24,534.7 m vs. PLN 18,266.4 m at the end of December 2006.

Loans and advances to business and public sector customers totalled PLN 16,104.7 m, of which the business loan-book was PLN 15,945.3 m and 32% up y-o-y, reflecting higher demand of enterprises for funding towards investments, stock and working capital requirements amid fast economic expansion. The credit delivery was strongly driven by corporate lending for long-term projects, mainly related to real estate. Loans for income-producing real estate were growing at the pace of 64.9% y-o-y to build a portfolio of PLN 6,800.7m at the year-end.

The value of retail loans increased by 44.1% y-o-y to PLN 6,109.7 m with the cash loans and home mortgages gaining strong momentum. Cash loans increased by 60.6% to PLN 1,571 m due to the bank's attractive offer and the effectiveness of its pro-active promotion and sales methods. Total home mortgage portfolio went up by 42.5% y-o-y to PLN 3,734 m (of which zloty-denominated lending increased by 52% y-o-y) as a result of the very good parameters of the bank's offering, improved financial standing of retail customers and favourable market trends.

The leasing portfolio increased by 35.7% to PLN 2,313.8 m owing to stronger performance of the Group's leasing companies (BZ WBK Leasing S.A. and BZ WBK Finanse & Leasing S.A.) in the two key assets categories: vehicles and machines & equipment.

Exposure structure of the Bank Zachodni WBK Group



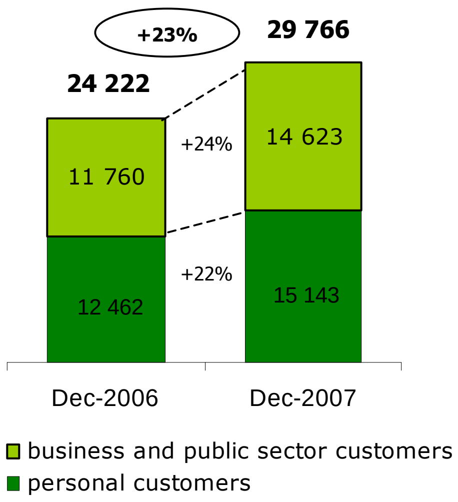
The quality of the Group's loan-book continued to improve during the year, which is reflected in the declining NPL ratio, i.e. 2.8% vs. 4.9% at the end of December 2006.

The Bank Zachodni WBK Group complies with the Banking Law requirements with regard to the limits of exposures to a single entity or to a group of connected entities. The Group also maintains an adequate diversification of the credit portfolio in accordance with its policy on exposure to industries and financial groups. As at the end of December 2007, the highest concentration level of 24% was recorded in the property sector services.

Deposit Base

Deposits from customers, which represent 72% of the Group's liabilities, are the primary source of funding its lending business. At the end of December 2007, customer deposits totalled PLN 29,765.7 m and were higher by 22.9% y-o-y (+12.8% q-o-q).

Deposits from customers (in PLN m)



The value of funds deposited in current accounts of personal, business and public sector customers (excluding one-day deposits) was PLN 14,021.2 m and increased by 72.7% y-o-y. This growth is attributable to the greater number of accounts and the continued improvement of the financial standing of households and their rising optimism. The strong inflow of financial resources is also attributable to the bank's attractive savings account and its increasing popularity ensuing from the successful promotional campaign.

The term deposit base (including one-day deposits) was PLN 15,310.2 m and remained at a similar level when compared with end-2006, of which balances held by business and public sector customers grew by 19.5% due to increased activity and good financial performance of enterprises in the favourable macroeconomic climate. Corporate customers invested mainly for short-term, using the flexible maturity options and negotiating individual rates with the bank. Personal customers preferred short-term deposits as well, particularly the 1-month Lokata24 deposit.

Debt Securities in Issue

As at the end of December 2007, the Group's liabilities arising from debt securities in issue amounted to PLN 353 m which represents a 45.4% decrease y-o-y. The decrease in the own bonds portfolio is an effect of the redemption by the leasing companies (BZWBK Finanse & Leasing S.A. and BZWBK Leasing S.A.) of their bonds at maturity, a total of 339m by nominal value.

Basic Financial Ratios

Key financial ratios	2007	2006
Total costs /Total income	53.4%	55.1%
Net interest income / total income	43.0%	42.7%
Net commission income / total income	51.6%	49.3%
Customer deposits / total balance sheet	72.0%	73.4%
Customer loans / total balance sheet	57.9%	53.4%
NPLs ratio	2.8%	4.9%
NPL coverage ratio	65.3%	60.7%
ROE*	28.2%	23.7%
ROA**	2.6%	2.4%
Capital Adequacy Ratio	13.27%	15.47%
Diluted earnings per share (in PLN)	13.06	10.38
Book value per share (in PLN) ***	62.73	55.88

The following were used in computations:

* *profit-after-tax attributable to BZWBK shareholders and equity as at the end of December net of current profit and minority interests*

** *profit-after-tax attributable to BZWBK shareholders and average assets derived from balances as at the end of comparable periods (end of December in a reporting year and end of December of the previous year)*

*** *total equity per number of BZWBK shares*

Achievements of the Bank Zachodni WBK Group in the fourth quarter of 2007

Detailed information on achievements of the Bank Zachodni WBK Group in the four quarters of 2007 has been provided in the „Report of the Management Board on Bank Zachodni WBK Group Performance in 2007". The Management Board report is part of the Group's annual report and is announced along with this document.

10. Significant accounting policies applied in BZ WBK Group

Statement of compliance

The interim consolidated financial statements of the BZWBK Group as at 31 December 2007 has been prepared in accordance with the International Financial Reporting Standard as adopted by the European Union and with respect to matters not regulated by the above Standard, in accordance with the Accounting Act dated 29 September 1994 (Official Journal from 2002, No 76, item 694 with amendments) and the respective bylaws and in accordance with the requirements for issuers of securities admitted or sought to be admitted to trading on an official stock-exchange listing market.

Early adoption of standards

IFRS 8 *Operating Segments* introduced on the strength of the Commission Regulation (EC) no. 1358/2007 of 21 November 2007 adopting reporting requirements in respect of operating segments and replacing IAS 14 *Segment Reporting* has not become effective yet and will apply from 1 January 2009. The Group did not decide on early adoption of IFRS 8.

IFRIC 11 IFRS 2 *Group and Treasury Share Transactions* introduced on the strength of the Commission Regulation (EC) no.611/2007 of 11 June 2007 has not become effective yet and will apply from 1 January 2008. The Group has not decided on early adoption of the interpretation.

Other standards and changes to the existing standards and interpretations as issued by the International Financial Reporting Interpretation Committee (IFRIC), both approved and not effective in the current financial year or pending approval from the European Council either do not apply to the Group's financial statements or have no material impact on the financial statements.

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

The accounting policies have been applied consistently by Group entities.

Comparability with results of previous periods

To ensure comparability, the following substantial changes were made to the presentation of financial data compared with 2006:

a) in the consolidated income statement:

- accrued interest on hedging IRS of PLN 7 613 k currently disclosed in net interest income, was previously classified as „Gains (losses) on financial instruments measured at fair value through profit and loss",
- presentation of realised f/x margins (previously "F/X profit") of PLN 188 333 k currently classified as "Commission income",
- other trading f/x transactions of PLN 19 839 k previously disclosed as "F/X profit", currently classified to „Net trading income and revaluation"
- change of presentation of "Gains and losses on hedging transactions" of 2 987 PLN k, currently in „Gains (losses) from other financial securities", previously as at separate item of profit and loss account
- change in classification of gains on execution of Euroindex options related to indexed customer deposits, currently being a part of „Fee and commission expenses" while previously amount of PLN 5 116 k was classified as "Gains (losses) on financial instruments measured at fair value through profit and loss"

b) in the balance sheet:

- reclassification of interest from IRS valuation to „Hedging derivatives" totaling PLN 16 948 k in assets and PLN 3 024 k in liabilities,
- reclassification of commercial bonds to "Receivables from customers" totalling PLN 34 622 k presented previously under „Investment securities",
- change of presenting incoming and outgoing SWIFT transactions that currently total PLN nil after netting,
- change of presenting liabilities towards international financial organization by BZ WBK Leasing S.A. totaling PLN 86 410 k relating to „Deposit from customers" that were previously presented under „Deposits from banks".

Also, the following IFRS 7 based changes were made in balance sheet as regards data presentation:

- reclassification of trading derivatives to "Financial assets held for trading" totaling PLN 362 675 k that were previously presented under "Derivative financial instruments",
- reclassification of trading derivatives to "Financial liabilities held for trading" totaling PLN 223 409 k that were previously presented under "Derivative financial instruments",
- change of presenting „Reverse repo transactions" totaling PLN 15 629 k presented currently under „Loans and advances to customers",
- change of presenting „Repo transactions" totaling PLN 1 230 682 k currently presented under „Deposits from banks", "Deposits from customers" and "Financial liabilities held for trading".

The above changes were included in comparable data presented in these financial statements.

Basis of consolidation

Subsidiaries

Subsidiaries are those enterprises which are controlled by BZWBK S.A.. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Control also exists when the parent owns half or less of the voting power of an entity when there is:

(a) power over more than half of the voting rights by virtue of an agreement with other investors;
(b) power to govern the financial and operating policies of the entity under a statute or an agreement;
(c) power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; or
(d) power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Purchase method of accounting

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. However, during the reporting period there was no such acquisition as mentioned above.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.
The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's

carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in the preparation of consolidated financial statements.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, are translated at the foreign exchange rate ruling at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling 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 the income statement except for differences arising on retranslation of available for sale equity instruments.

Financial assets and financial liabilities

Classification

The Group classifies its financial instruments into the following categories:

- financial assets or financial liabilities at fair value through profit or loss;
- 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 it 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 Group as at fair value through profit or loss. As at the balance sheet date the Group doesn't hold this category of financial instrument.

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; or

(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.

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 or

(c) financial assets at fair value through profit or loss.

Other financial liabilities

Other 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 repo transactions and debt securities in issue.

Recognition

The Group recognises a financial asset or a financial liability on its balance sheet when, and only when, the entity becomes a party to the contractual provisions of the instrument.

A regular way purchase or sale of a financial asset classified at fair value through profit or loss and available for sale are recognised using settlement date accounting. The method is applied consistently for all purchases and sales of financial assets. Loans are recognised when cash is advanced to the borrowers.

Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the Group 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.

The Group removes a financial liability (or a part of a financial liability) from its balance sheet when, and only when, it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled or expires.

Repo and Reverse Repo

The Group also generates/invests funds by selling/purchasing financial instruments under repurchase/reverse repurchase agreements whereby the instruments must be repurchased/resold at the same price plus initially agreed interest.

Securities sold subject to repurchase agreements ("repos") are not derecognised at the balance sheet date. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements.

Securities purchased subject to resale agreements ("reverse repos") are not recognised at the balance sheet date. The difference between purchase and resale price is treated as interest and accrued over the life of the agreements.

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 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 Group 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) investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

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.

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 directly in equity, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity 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.

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 Group 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 tested for impairment.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when there is a legally enforceable right to set off the recognised amounts and when there is an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Hedge accounting

Hedge accounting recognises the offsetting effects on profit or loss 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 Group'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 Group also documents, at inception and on going basis, an assessment of the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value.
The Group uses derivative financial instruments among others to hedge its exposure to interest rate risks arising from operational, financing and investment activities.
The Group 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 profit or loss.
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 if the hedged item is otherwise measured at amortised cost or is an available-for-sale financial asset.

Impairment of financial assets

Assets carried at amortised cost

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is 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;
(a) a breach of contract, such as a default or delinquency in interest or principal payments;
(c) the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group 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 group, including:
    (i) adverse changes in the payment status of borrowers in the group, or
    (ii) national or local economic conditions that correlate with defaults on the assets in the group.

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 identification of 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 for obtaining and selling the collateral, whether or not foreclosure is probable.

The Group 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 (in excess of PLN 2 m),
- with reference to the portfolio of credit exposures which individually are not significant.

With regard to impairment, the review of individual loan exposures is carried out once a quarter or more often, if needed. Impairment for the portfolio, which is assessed jointly, is verified monthly.

If the Group 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 Group 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 Group's credit risk evaluation or the Group'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 in 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 group. 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 group and their magnitude). The Group 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 Group (Bank) carries out the impairment analysis based on the concept of losses already incurred but not yet reported and connected with loan impairment (IBNR), 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 corrections, 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, a time will come when 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 beyond the prospect of recovery 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 equity shall be removed from equity and recognised in profit or loss. The amount of the cumulative loss that is removed from equity 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 in profit or loss, 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.

Off balance sheet liabilities

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

Finance lease receivables

Leases where the Group transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable at an amount equal to the net investment in the lease is recognised.
The recognition of finance lease income is based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.
Finance lease receivables are included in loans and advances to customers.

Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses.

Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of 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 Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group 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 part of an item of property, plant and equipment. The estimated useful lives are as follows:

• buildings	40 years
• structures	22 years
• plant and equipment	3 – 14 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 Group measures them at the lower of its carrying amount and fair value less cost to sell.

Any initial or subsequent write-down of the asset held-for-sale to fair value less cost to sell are 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 Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Useful life of computer software is defined and it range from 3 to 5 years.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Useful life of other intangible assets is defined and it range from 3 to 5 years.

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. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- software development costs 3 – 5 years
- computer software 3 – 5 years

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

Other items

Other trade and other receivables

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

Borrowings

Borrowings are recognised initially at fair value, being the issue proceeds (fair value of consideration received) net of transaction costs occurred. Borrowings are subsequently stated at amortised cost.

Liabilities

Liabilities, other than financial liabilities held for trading, are stated at cost.

Impairment of assets other than financial assets

The carrying amounts of the Group's assets, other than deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.
An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.
An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Calculation of recoverable amount

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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. Revaluation reserve comprises differences from the valuation of financial assets available for sale taking into account the deferred income tax.
Revaluation reserve is not distributable.
On the day of 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.
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 particular year, which have been declared but not paid at the balance sheet date are recognised as dividend liabilities in "other liabilities" item.

Employee benefits

Short-term service benefits

The Group's short-term employment benefits include wages, bonuses, holiday pay and social insurance payments are recognised as an expense as incurred.

Long-term service benefits

The Group'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 contracts as well as the accrual for disability pension bonus were estimated on the basis of an actuarial valuation. The actuarial valuation of those accruals is updated on an annual basis.

The identifiable actuarial gains and losses include: retrospective adjustments to the actuarial assumptions being the difference between the previous actuarial assumptions and the actual occurrences and the effects of changes in the actuarial assumptions.

Profit Sharing Scheme

BZWBK Group has recognized in the consolidated financial statements a liability resulting from a profit sharing scheme granted to employees of selected subsidiaries in accordance with other long term employee benefits as described in IAS 19. The scheme, formally based on issue of shares that are purchased by entitled employees of subsidiaries, has characteristics of a long term profit sharing scheme (not share based payments), as all shares issued under the scheme are subjected to conditional obligation to dispose shares at a price different from the fair value of shares. Resulting from the classification of the scheme BZWBK Group recognized a liability in its financial statements in an amount of estimated present value of expected future pay-outs considering a relevant service period in correspondence with employee related expenses. Pay-outs under the scheme are not recognized as net profit appropriation.

Share based payments

BZWBK Group operates a share based compensation plan. For grants of share based payments 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. Vesting conditions included in the terms of the grant are not taken into account in estimating fair value except where those terms relate to 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 the 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 Group 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 Group 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 points 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 impairment is recognized for a financial asset, interest income is accrued based on the carrying amount of receivable (this is the value reduced by revaluation charge) with the use 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 brought in a straight-line method to the profit and loss account.
Other fees and charges, which are not settled according to effective interest rate, are taken to profit and loss account in accordance with accrual method.

Net trading income and revaluation

Net trading income and revaluation includes all 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 above mentioned instruments are also included in the trading result.

Dividend income

Dividends are taken to the profit and loss account at the moment of acquiring rights to them.

Profit on disposal of subsidiaries and associates

Profit on the sale of interests in subsidiaries is set as a difference between the net asset value and their sale price.
Profit on the sale of interests in associates is set as a 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 Group. 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 recognised as an expense in the income statement 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 the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

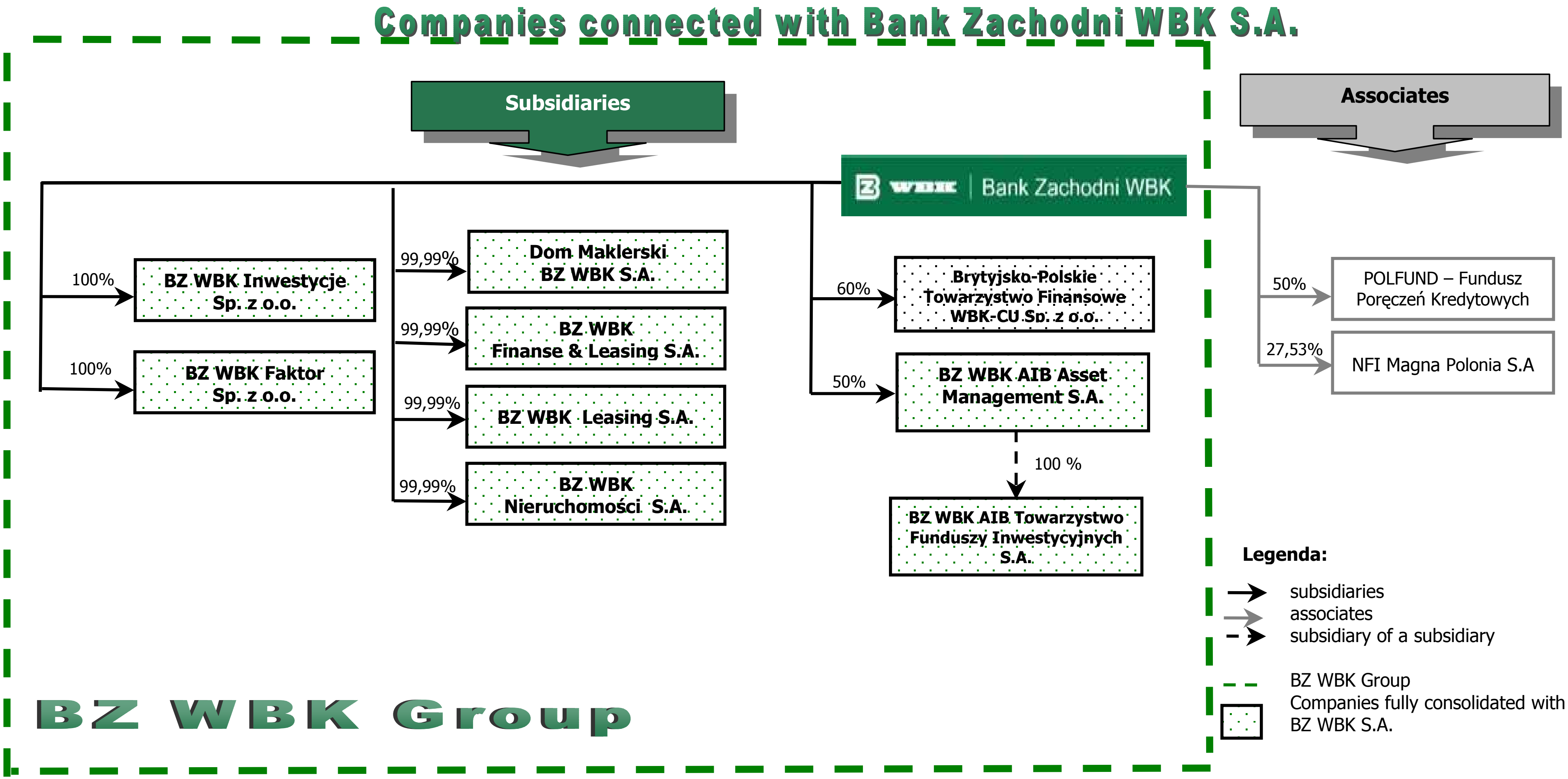
Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

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 balance sheet date 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 each reporting date 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.

11. Description of organization of BZ WBK Group

Graphical representation of the Group's organization structure and information about types of connection within the Group.



Pursuant to IAS 27, the following subsidiary undertakings were fully consolidated in the financial statements of Bank Zachodni WBK for 4Q 2007:

1) BZ WBK Inwestycje Sp. z o.o.
2) BZ WBK Faktor Sp. z o.o.
3) Dom Maklerski BZ WBK S.A.
4) BZ WBK Finanse & Leasing S.A.
5) BZ WBK Leasing S.A.
6) BZ WBK Nieruchomości S.A. i Wspólnicy Spółka Komandytowa (it was deleted from the company register on 27 February 2007)
7) BZ WBK AIB Asset Management S.A.
8) BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. – subsidiary of BZ WBK Asset Management S.A.
9) BZ WBK Nieruchomości S.A
10) Brytyjsko-Polskie Towarzystwo Finansowe WBK – CU Sp. z o.o.

In case of BZ WBK AIB Asset Management S.A., the Bank is a co-owner of the company together with AIB Capital Markets plc. Both owners of BZ WBK AIB Asset Management S.A. are members of Allied Irish Banks Group and each holds an equal stake of 50% in the company's share capital. In practice, Bank Zachodni WBK S.A. exercises control over the company and its subsidiary, BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A., because through its agency the ultimate parent (Allied Irish Banks) pursues its policy in Poland.

Pursuant to IAS 28, as at 31 December 2007, associated undertakings were accounted for using the equity method. This applies to the following companies:

- POLFUND – Fundusz Poręczeń Kredytowych S.A.
- NFI Magna Polonia S.A.

12. Related party disclosures

All relevant information is disclosed in consolidated financial for year 2007.

13. Comments concerning the seasonal or cyclical character of the annual activities

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

14. Character and amounts of items which are extraordinary due to their nature, volume or occurrence and have influence on the assets, liabilities, equity, financial performance or cash flows

No extraordinary events influencing the balance sheet structure and financial performance occurred in Bank Zachodni WBK Group.

15. Accounting estimates and judgments

Information about accounting estimates and judgments is disclosed in consolidated financial statements for year 2007.

16. Issue, redemption or repayment of debt or equity instruments

In 4Q 2007, Bank Zachodni WBK S.A. and subsidiaries did not issue bonds or other own debt securities.
BZWBK Finanse & Leasing S.A. made a repayment of 3-year bonds – 3S1007, 3-year bonds – 3S1107 and 3-year bonds – 3S11A07 of total nominal value PLN 50 245 k with the final redemption date of 04.10.2007, 04.11.2007 and 04.11.2007, respectively.

At the end of 4Q 2007, the total value of obligations with respect to the issue of own bonds by Bank Zachodni WBK S.A., BZWBK Leasing S.A. and BZWBK Finanse & Leasing S.A. amounted to PLN 328 352 k (nominal value).

In 4Q 2006, Bank Zachodni did not issue bonds or other own debt securities, however bonds were issued in BZWBK Leasing S.A. subsidiary undertaking - 3-year bonds – 3S0809X of PLN 46 420 k (nominal value) with the final redemption date of 07.08.2009 and in BZWBK Finanse & Leasing S.A. - 3-year bonds – 3S0809X of PLN 11 924 k with the final redemption date of 07.08.2009.

At the end of 4Q 2006, the total value of obligations with respect to the issue of own bonds by Bank Zachodni WBK S.A., BZWBK Leasing S.A. and BZWBK Finanse & Leasing S.A. amounted to PLN 610 611 k (nominal value).

17. Dividend information

As at 31.12.2007 Bank Zachodni WBK will propose an allocation to dividends 27,04 % of net profit (i.e. 22,93% of net profit attributable to the Company's equity holders) of PLN 218 880 852 i.e. PLN 3,00 per one share (PLN 6,00 in 2006). Outstanding profit of PLN 590 593 185,45 will be allocated to other reserve capital. Number of shares totaled 72 960 284.

18. Income and profits by business segments

BZ WBK Group's operating activities have been divided into four business segments: Treasury operations, Investment Banking, Branch operations and Leasing operations.

- Activity of the Treasury Operations Segment comprises foreign exchange and interbank transactions as well as transaction in derivative instruments and debt securities
- Activity of the Investment Banking Segment includes investment activities of Bank Zachodni WBK S.A., asset management and brokerage operations
- Activity of the Branch Operations Segment comprises branch network operations, Corporate Banking and the related internet distribution of services and products.
- Leasing Operations Segment centralises the Group's leasing activity.

Income and costs of the individual segment mean income and costs earned/incurred on sales to external clients or on transactions with other segments of the Group. They are disclosed in the P&L account and can be allocated to a particular business segment on a rational bases.
The segment's assets and liabilities are operational assets and liabilities used by that segment in its operating activities. They can be, based on rational premises, allocated to a particular business segment.
Allocations of internal income and expenses were taken into account in determining the profitability of individual segments. Sale prices between the segments are close to market prices. Operating costs and income are appropriately allocated to a relevant segment. Costs and income, which cannot be rationally assigned, are stated in "unallocated costs" and "unallocated income".
BZ WBK Group operates exclusively in the territory of Poland and no significant differences in risk were identified as regards the geographical location of its outlets. Therefore, the issuer did not present financial statements with a breakdown into geographical segments.

In thousands of PLN

Consolidated income statement (by business segments)

31.12.2007	Branch operations	Treasury operations	Investment banking	Leasing operations	Eliminations	Total
1. Total segments income	**3 227 569**	**636 789**	**1 039 042**	**168 114**	**(1 091 300)**	**3 980 214**
Segments income (external)	2 588 575	259 515	965 617	166 507	0	**3 980 214**
Segments income (internal)	638 994	377 274	73 425	1 607	(1 091 300)	**-**
2. Total segments costs	**(2 478 318)**	**(496 392)**	**(524 613)**	**(127 954)**	**1 091 300**	**(2 535 977)**
Segments costs (external)	(2 028 110)	(44 095)	(352 033)	(111 739)		**(2 535 977)**
Segments costs (internal)	(450 208)	(452 297)	(172 580)	(16 215)	1 091 300	**-**
3. Dividend income	**-**	**-**	**64 746**	**-**	**-**	**64 746**
4. Movements in provisions	**470**	**-**	**-**	**(4 406)**	**-**	**(3 936)**
Write off	(245 128)	-	-	(19 667)	-	**(264 795)**
Write back	245 598	-	-	15 261	-	**260 859**
5. Segments income on investment in associates	**-**	**-**	**194**	**-**	**-**	**194**
6. Segments gross profit	**749 721**	**140 397**	**579 369**	**35 754**	**-**	**1 505 241**
7. Unallocated income						-
8. Unallocated costs						**(113 797)**
9. EBT						**1 391 444**
10. Income tax						(280 767)
11. Minority interest						(155 982)
12. Profit for the period						**954 695**

In thousands of PLN

Consolidated income statement (by business segments)

31.12.2006	Branch operations	Treasury operations	Investment banking	Leasing operations	Eliminations	Total
1. Total segments income	**2 755 387**	**619 149**	**696 222**	**154 370**	**(1 071 508)**	**3 153 620**
Segments income (external)	2 141 010	205 683	654 267	152 660	-	**3 153 620**
Segments income (internal)	614 377	413 466	41 955	1 710	(1 071 508)	**-**
2. Total segments costs	**(2 121 689)**	**(518 812)**	**(352 965)**	**(109 759)**	**1 071 508**	**(2 031 717)**
Segments costs (external)	(1 668 269)	(38 151)	(230 076)	(95 221)	-	**(2 031 717)**
Segments costs (internal)	(453 420)	(480 661)	(122 889)	(14 538)	1 071 508	**-**
3. Dividend income	**-**	**-**	**57 276**	**-**	**-**	**57 276**
4. Movements in provisions	**(26 062)**	**-**	**-**	**(2 274)**	**-**	**(28 336)**
Write off	(308 884)	-	-	(20 420)	-	**(329 304)**
Write back	282 822	-	-	18 146	-	**300 968**
5. Segments income on investment in associates	**-**	**-**	**9 726**	**-**	**-**	**9 726**
6. Segments gross profit	**607 636**	**100 337**	**410 259**	**42 337**	**-**	**1 160 569**
7. Unallocated income						-
8. Unallocated costs						(95 071)
9. EBT						**1 065 498**
10. Income tax						(221 252)
11. Minority interest						(86 024)
12. Profit for the period						**758 222**

In thousands of PLN

19. Acquisitions and disposals of investments in 4Q 2007

Transfer of ownership right from BZWBK S.A. securities account to NFI Magna Polonia S.A. securities account

On 6 December 2007, ownership right was transferred with regard to 980 517 NFI Magna Polonia S.A. shares from BZ WBK S.A. securities account to NFI Magna Polonia S.A. securities account.
The shares were purchased by NFI for redemption to deliver the Act 10/2007 of NFI Magna Polonia S.A. Extraordinary General Meeting of Shareholders of 4 October 2007 in which the Management Board was authorised to purchase NFI Magna Polonia S.A. shares for redemption.

20. Changes to the contingent liabilities or assets

Off balance sheet liabilities

The Group has commitments to deliver loans. These commitments include loans sanctioned, credit card limits and overdrafts. The Group issue guarantees and letters of credit which collateralise customers' liabilities to third parties.
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.

Contingent liabilities, sanctioned and received	31.12.2007	30.09.2007	Movement
Liabilities sanctioned	**8 512 897**	**7 971 919**	**540 978**
- financial	**7 832 652**	**7 274 053**	**558 599**
- including: import letters of credit	61 209	87 046	(25 837)
- including: credit lines	6 572 568	6 137 739	434 829
- including: credit cards debits	651 041	556 754	94 287
- including: term deposits with future commencement term	547 834	492 514	55 320
- guarantees	**680 245**	**697 866**	**(17 621)**
- including: confirmed export letters of credit	814	776	38
Received liabilities	**2 549 435**	**1 937 823**	**611 612**
Total	**11 062 332**	**9 909 742**	**1 152 590**

As at 31.12.2007 the Bank received/sanctioned guarantees of PLN 229 621 k (as at 31.12.2006 – PLN 125 045 k) to following subsidiary undertakings: BZ WBK Finanse & Leasing S.A. , BZ WBK Leasing S.A., Dom Maklerski BZWBK S.A., BZWBK TFI S.A. and BZWBK Nieruchomości S.A. They were eliminated as intragroup transactions.

The most common forms of guarantee are: payment guarantee, performance bond, bid bond, advance payment guarantee, loan repayment guarantee, customs guarantee. In accordance with the "Non-consumer lending regulations", the bank issues civil law guarantees (mainly: loan or advance repayment guarantee, service or goods repayment guarantee, advance payment guarantee, performance bond, bid bonds and other) and B/E guarantees (mainly: loan or advance repayment guarantee, service or goods repayment guarantee and other).

In thousands of PLN

Guarantees and civil law guarantees are issued on the basis of the same information and in accordance with the same procedure as it is in the case of loans. Applicable regulations are set out in the Commercial Lending Manual and the Lending Manual of the Corporate Banking Centre.

These contingent liabilities carry an off-balance sheet credit risk as only the funding arrangement fees and loan loss provisions are disclosed in the balance sheet until repayment or expiry of the obligation. Many of the existing contingent liabilities will expire before any payment is made. For this reason, their values do not reflect the expected future cash flows.

	Derivatives' nominal values	31.12.2007	30.09.2007	Movement
1.	**Derivatives (hedging)**	**1 990 754**	**2 127 884**	**(137 130)**
a)	Single-currency interest rate swaps – purchased amounts	995 377	1 063 942	(68 565)
b)	Single-currency interest rate swaps – sold amounts	995 377	1 063 942	(68 565)
2.	**Term derivatives (trading)**	**225 426 953**	**205 667 230**	**19 759 723**
a)	Interest rate operations	184 923 594	162 581 972	22 341 622
-	Single-currency interest rate swaps – purchased amounts	63 161 797	56 165 986	6 995 811
-	Single-currency interest rate swaps – sold amounts	63 161 797	56 165 986	6 995 811
-	FRA-purchased amounts	29 800 000	25 400 000	4 400 000
-	FRA-sold amounts	28 800 000	24 850 000	3 950 000
b)	FX operations	40 503 359	43 085 258	(2 581 899)
-	FX swap – purchased amounts	15 612 274	16 684 313	(1 072 039)
-	FX swap – sold amounts	15 594 050	16 702 606	(1 108 556)
-	Forward purchased	2 508 227	2 857 719	(349 492)
-	Forward sold	2 559 864	2 847 919	(288 055)
-	Cross-currency interest rate swaps – purchased amounts	2 180 719	2 020 816	159 903
-	Cross-currency interest rate swaps – sold amounts	2 048 225	1 971 885	76 340
3.	**Currency transactions- spot**	**776 657**	**1 444 044**	**(667 387)**
	spot-purchased	388 293	722 124	(333 831)
	spot-sold	388 364	721 920	(333 556)
4.	**Derivatives – OTC options**	**3 064 616**	**3 311 062**	**(246 446)**
-	Options purchased	1 532 308	1 655 531	(123 223)
-	Options sold	1 532 308	1 655 531	(123 223)
5.	**Euroindex Options**	**8 733**	**8 733**	**-**
-	Options purchased	8 733	8 733	-
	Total	**231 267 713**	**212 558 953**	**18 708 760**

21. Principles of PLN conversion into EUR

Selected financial figures for 4Q 2007 and 4Q 2006 were converted according to the following principles:

- balance sheet data – 3.5820 as at 31.12.2007 and 3.8312 as at 31.12.2006; EUR/PLN rate current at the balance sheet date and announced by the National Bank of Poland
- items of profit and loss account - according to the exchange rate EUR/PLN announced by the National Bank of Poland and calculated as an arithmetic mean of the rates from the last day of each month of particular year– as at 31.12.2007 – 3.7768, as at 31.12.2006 – 3.8991.

22. Shareholders with min. voting power of 5%

According to the information held by the Bank's Management Board, the shareholder with a min. 5% of the total number of votes at the BZWBK Annual General Meeting as at the publication date of the quarterly consolidated report for 4Q 2007 /20.02.2008/ is AIB European Investments Ltd. based in Dublin.

In thousands of PLN

Shareholder	No. of shares held	% shareholding	No. of votes at AGM	% share in total number of votes at AGM
As at 07.11.2007				
AIB European Investments Limited	51 413 790	70,5 %	51 413 790	70,5 %
As at 20.02.2008				
AIB European Investments Limited	51 413 790	70,5 %	51 413 790	70,5 %

23. Changes in shareholding of members of the Management and Supervisory Boards

	No. of Bank Zachodni WBK shares held		Change
	As at 20.02.2008	As at 7.11.2007	
Members of the Management Board	-	-	-
Members of the Supervisory Board	278	278	-

Table below presents personal shareholding of Supervisory and Management Board Members as at 20th February 2008:

Owner	No. of shares
Supervisory Board	
Waldemar Frąckowiak	278

No other Supervisory or Management Board Member is in possession of BZWBK shares.

24. Information about the commenced court proceedings

As at 31 December 2007 no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the bank or its subsidiaries amounting to a minimum of 10% of the Group's equity.

The value of all litigations totals PLN 282 843 k, which is ca. 6.51% of Group's equity. This amount includes PLN 56 665 k claimed by the Bank, PLN 64 309 k in claims against the Bank and PLN 161 869 k are Bank's receivables due to bankruptcy or arrangement cases.

As at 31 December 2006 no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the bank or its subsidiaries amounting to a minimum of 10% of the Group's equity.

The value of all litigations totalled PLN 301 287 k, which was ca. 7.61% of Group's equity. This amount includes PLN 62 888 k claimed by the Bank, PLN 38 283 k in claims against the Bank and PLN 200 116 k are Bank's receivables due to bankruptcy or arrangement cases.

25. Information concerning issuing loan and guarantees by an issuer or its subsidiary

As at 31 December 2007 Bank Zachodni WBK S.A. and its subsidiaries had not issued any guarantees to one business unit or a subsidiary totalling a minimum of 10% of issuer's equity.

26. Events which might affect financial performance over the next quarter

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

- moderate slowdown in economic growth, still based on a growing extent on domestic demand (both consumption and investment), which will be conducive to further solid, but lower than in 2007, rise in demand for loans; growing demand for loans is driven by expected, continuous improvement in households' financial stance and rising investment activity of enterprises,
- continuous tendency of strengthening PLN to EUR may translate with some lag into deterioration in the country's international competitiveness and negatively affect export sector (and/or negatively affect investment activity through lower profitability of export), but the negative influence of stronger zloty on international competitiveness of domestic firms may be offset by continuation of robust gains in labour productivity and economy restructuring supported by increasing usage of financial resources from the EU,
- expected continuation of rising NBP interest rates may somewhat constrain demand for loans, especially when interest rates in Switzerland in 2008 should remain stable, however slowdown in appreciation of PLN to CHF due to increase of aversion to risk may have influence in the other direction
- increase in domestic interest rates may intensify willingness to hold deposits in the banking system at the expense of other financial instruments, especially in deteriorated economic conditions on stock exchange resulted from increase in aversion to risk on global market, which is concerned about conditions of American economy.

27. Events which occurred after the balance sheet date

Authorisation for issue of financial statements

The consolidated financial statements were authorised for issue on 15th of February 2008 by the Management Board of Bank Zachodni WBK S.A. The financial statements will be approved by the shareholders at their annual general meeting.

SIGNATURES OF THE PERSONS REPRESENTING THE ENTITY			
Date	**Name**	**Function**	**Signature**
15-02-2008	James Murphy	Member of the Management Board	
15-02-2008	Wanda Rogowska	Financial Accounting Area Director	