

ANNUAL REPORT 2012 OF BANK ZACHODNI WBK GROUP

2012

| FINANCIAL HIGHLIGHTS | for reporting period ended: | PLN k | | EUR k | |
|-----------------------------------|--|------------|------------|------------|------------|
| | | 31.12.2012 | 31.12.2011 | 31.12.2012 | 31.12.2011 |
| Consolidated financial statements | | | | | |
| I | Net interest income | 2 301 077 | 2 068 585 | 551 341 | 499 646 |
| II | Net fee and commission income | 1 384 986 | 1 357 672 | 331 844 | 327 932 |
| III | Operating profit | 1 817 293 | 1 531 326 | 435 426 | 369 877 |
| IV | Profit before tax | 1 837 039 | 1 542 430 | 440 157 | 372 559 |
| V | Net profit attributable to owners of BZ WBK S.A. | 1 433 847 | 1 184 347 | 343 552 | 286 067 |
| VI | Total net cash flow | 446 962 | 2 914 564 | 107 093 | 703 984 |
| VII | Total assets | 60 019 177 | 59 796 643 | 14 681 077 | 13 538 454 |
| VIII | Deposits from banks | 1 351 050 | 2 505 070 | 330 476 | 567 169 |
| IX | Deposits from customers | 47 077 094 | 46 829 482 | 11 515 360 | 10 602 582 |
| X | Total liabilities | 51 041 463 | 52 313 683 | 12 485 070 | 11 844 250 |
| XI | Total equity | 8 977 714 | 7 482 960 | 2 196 007 | 1 694 204 |
| XII | Non-controlling interests in equity | 93 347 | 127 385 | 22 833 | 28 841 |
| XIII | Profit of the period attributable to non-controlling interests | 28 788 | 42 520 | 6 898 | 10 270 |
| XIV | Number of shares | 74 637 631 | 73 076 013 | | |
| XV | Net book value per share in PLN/EUR | 120.28 | 102.40 | 29.42 | 23.18 |
| XVI | Solvency ratio | 16.53% | 15.10% | | |
| XVII | Profit per share in PLN/EUR | 19.42 | 16.21 | 4.65 | 3.92 |
| XVIII | Diluted earnings per share in PLN/EUR | 19.34 | 16.15 | 4.63 | 3.90 |
| XIX | Declared or paid dividend per share in PLN/EUR* | 7.60 | 8.00 | 1.86 | 1.81 |

* As disclosed in the note 49, after the balance sheet date, the Bank has issued 18 907 458 shares that are entitled to dividend from 2012 profit.

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

- for balance sheet items – 4.0882 PLN rate to EUR as at 31.12.2012 stated by National Bank of Poland (NBP), 4.4168 PLN rate to EUR as at 30.12.2011
- for profit and loss items – as at 31.12.2012: 4.1736 (an average PLN mid-rate to EUR in NBP on the last day of each month in 2012), as at 31.12.2011: 4.1401 (an average PLN mid-rate to EUR in NBP on the last day of each month in 2011)

As at 31.12.2012, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 252/A/NBP/2012 dd. 31.12.2012.

**CONSOLIDATED FINANCIAL STATEMENTS
OF BANK ZACHODNI WBK GROUP
FOR 2012**

2012

Dear All,

2012 was the year of challenges. The eurozone was searching for options of the economic growth and put off threats of its potential disintegration. The Polish economy has suffered from the economic slowdown, particularly noticeable in the third and fourth quarters. The banking sector retained its stability the credit for which goes largely to the Polish Financial Supervision Authority (KNF). Bank Zachodni WBK strengthened its position in the Polish banking sector and within Santander Group. It successfully completed the first stages of the planned merger with Kredyt Bank.

Last year, the Polish economy continued to grow, yet the clear symptoms of the slowdown could be seen. The GDP growth was 2.0% as compared to 4.3% at 2011-end. The primary source of the economic slowdown in Poland was a substantial deterioration in the business climate of the global economy, especially in the eurozone which again suffered from the recession. High uncertainty on the global financial markets and information about the crisis in the eurozone affected the sentiments of the domestic entrepreneurs and consumers. A strong decline in the domestic demand, including consumption, was recorded. The fall in investments was noted in H2 and some key sectors of the economy, such as construction, found themselves in the worst position since the beginning of the transformation period.

In such an economic environment, in February 2012, Management Boards of Bank Zachodni WBK and Kredyt Bank signed an agreement on the planned merger. Authorities of both banks, their strategic investors (Santander and KBC), professional task forces and external advisors were involved in the process. In May 2012, the Management Boards filed an application with KNF seeking approval for the merger of our financial institutions. In December, KNF issued a positive decision in this respect. Following the merger of Bank Zachodni WBK with Kredyt Bank, the third largest bank in Poland, in terms of assets, loan portfolio and deposits, has been established. At present, Bank Zachodni WBK has a network of ca. 1000 branches and provides services to 4.1 million customers. At the same time, in 2012, in line with the schedule of works adopted earlier, the most important processes for the integration of Bank Zachodni WBK Group with its strategic investor, Banco Santander, were completed.

2012 was another very robust year for Bank Zachodni WBK Group in terms of the financial performance. Last year, our Group generated profit before taxation of PLN 1 837.0m, i.e. higher by 19.1% than in 2011. The attributable profit totalled PLN 1 433.8 m and was 21.1% up on an annualized basis. We recorded a two-digit growth in the net interest income, i.e. by 11.2% as a result of higher volumes.

Monthly sales of cash loans reached their all times record for the Bank. From December 2011 to December 2012, the sales went up by 15.9%. Overall, personal loans increased by 9.0% and business loans (SME and corporate customers) by over 4.2%. It is worth highlighting that the growth in the volumes of cash loans was much stronger than on the market which recorded not only stagnation, but actually a downward trend in second half of 2012.

ROE achieved by Bank Zachodni WBK was amongst the highest ones on the market and amounted to 20.7%. It was similar with the efficiency ratio (C/I) which at the year-end stood at 43.9% (50,2% in 2011). Despite the deteriorating condition of households and businesses, the NPL portfolio in 2012 declined vs. the previous year by 0.1pp and stood at 5.4%. Total costs fell by 5.3% and staff costs by 2.4%.

The value of net assets of investment funds and individual portfolios over the last twelve months increased by 23.8%. We are also satisfied that the number of BZWBK24 e-banking users reached 2.2m (+10.1% y/y), and the basis of Bank Zachodni WBK payment cards covered 2.7m debit instruments (+6.6% y/y).

The Business and Corporate Banking has successfully delivered its development strategy – it retained good growth rate in sales of corporate loans. Actions were also taken aimed to increase sales of leasing and factoring. The Global Banking & Markets (GBM) Division, established towards the end of 2011, responsible for managing relationships with Bank Zachodni WBK customers at an international scale, successfully continued to strengthen its market position in 2012. As at the end of 2012, GBM generated ca. 10% of gross profit for our Bank's Group.

As in the previous years, we have proved that we continue to be one of the most innovative financial groups in Poland. We have become a fully mobile bank. Customers of Bank Zachodni WBK who have smartphones with the Windows Phone system can upload an application that enables to avail of a mobile offering of BZWBK24 e-banking services. The launch of that application – next to applications for iOS, Android, Blackberry and Symbian systems means that we have a mobile banking proposition for users of all types of smartphones and some tablets. At present, over 130 thousand customers avail of the BZWBK24 mobile service. In cooperation with a telecommunication company Polkomtel S.A. we expand the special mobile banking offering (Avocado package) and its distribution via a new external channel. In December 2012, one year after the debut, 81 thousand customers availed of Avocado services. Moreover, the "School Card" project delivered in cooperation with over 50 schools develops dynamically. The card combines two functions – a card allowing to enter a school building and a card with a payment function to make non-cash transactions.

In its operations, Bank Zachodni WBK Group guides itself by corporate social responsibility. Last year saw Santander Universidades program in Poland, managed by Bank Zachodni WBK, spread its wings. Already 25 our universities have signed agreements on

cooperation with Santander Universidades. Thanks to the support of Bank Zachodni WBK, Polish universities take part in student exchanges, offer on-the-job training, scholarships and receive funds for research programs and organization of university events. Bank Zachodni WBK Foundation undertakes various initiatives for the benefit of children and young people. Among others, the Foundation runs two large grant programs – the Bank of Children's Smiles and the Bank of Ambitious Youth. We also fight against the social exclusion of the disabled by expanding the network of outlets adapted to service the physically disabled and visually handicapped by means of a pioneer program on the market – the "Barrier-free service".

Last year, the operations of our Bank were recognized by international experts from the banking sector. In July we were awarded the title of the "Best Bank in Poland 2012" by Euromoney magazine. In November, Bank Zachodni WBK was named the "Bank of the Year in Poland" by a prestigious British monthly "The Banker". The rationale highlighted the improvement in profitability and efficiency ratios despite the difficult market environment, proposed innovative solutions and strong growth potential resulting from the merger with Kredyt Bank. It should be highlighted that in both cases we had been awarded not only for achievements to-date but also for the Bank's ideas for the future.

The key priority of Bank Zachodni WBK Group continues to be the growth of profitability and efficiency as well as the top quality of customer service. Moreover, we intend to quickly and successfully leverage business synergies arising from the merger with Kredyt Bank.

The new stronger Bank Zachodni WBK will have a significant growth potential. The core "asset" of our Group have always been its employees. Without their professionalism, commitment and passion we would not have achieved such good results both financial ones and those related to the efficiently executed integration with Kredyt Bank. I would like to address the words of appreciation and thanks to persons sitting on supervisory boards and management boards of the companies in our Group – the credit for good business choices made last year in the increasingly difficult environment goes also to You. In particular, I would like to address the words of appreciation and thanks to the Members of the Bank's Management Board and Supervisory Board of Bank Zachodni WBK. It was the year full of challenges and hard work. We close it as the winners. We form a team of people who working together can achieve the planned targets. We can boast strong capital ratios and sufficient liquidity to develop the lending business, we have excellent efficiency ratios and an adequately sized operational platform now.

We enter 2013 stronger than before and enriched by new experience. Let this year in the Polish banking sector be the year of Bank Zachodni WBK Group. This is what I wish both for you and myself!

Kind regards
Mateusz Morawiecki

Management Board President
of Bank Zachodni WBK

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Consolidated income statement

| | for reporting period: | 01.01.2012- 31.12.2012 | 01.01.2011- 31.12.2011 |
|---|-----------------------|---------------------------|---------------------------|
| Interest income | | 3 867 485 | 3 413 733 |
| Interest expense | | (1 566 408) | (1 345 148) |
| Net interest income | Note 6 | 2 301 077 | 2 068 585 |
| Fee and commission income | | 1 596 038 | 1 558 664 |
| Fee and commission expense | | (211 052) | (200 992) |
| Net fee and commission income | Note 7 | 1 384 986 | 1 357 672 |
| Dividend income | Note 8 | 55 748 | 68 025 |
| Net gain/(loss) on sale of subsidiaries and associates | | 400 | - |
| Net trading income and revaluation | Note 9 | 164 345 | 267 151 |
| Gains (losses) from other financial securities | Note 10 | 180 052 | 11 713 |
| Other operating income | Note 11 | 49 672 | 49 804 |
| Impairment losses on loans and advances | Note 12 | (501 793) | (372 741) |
| Operating expenses incl.: | | (1 817 194) | (1 918 883) |
| <i>Bank's staff, operating expenses and management costs</i> | Notes 13, 14 | (1 653 112) | (1 659 145) |
| <i>Depreciation/amortisation</i> | | (137 940) | (215 875) |
| <i>Other operating expenses</i> | Note 15 | (26 142) | (43 863) |
| Operating profit | | 1 817 293 | 1 531 326 |
| Share in net profits of entities accounted for by the equity method | | 19 746 | 11 104 |
| Profit before tax | | 1 837 039 | 1 542 430 |
| Corporate income tax | Note 16 | (374 404) | (315 563) |
| Consolidated profit for the period | | 1 462 635 | 1 226 867 |
| of which: | | | |
| <i>attributable to owners of BZ WBK S.A.</i> | | 1 433 847 | 1 184 347 |
| <i>attributable to non-controlling interests</i> | | 28 788 | 42 520 |
| Net earnings per share (PLN/share) | Note 17 | | |
| Basic earnings per share | | 19.42 | 16.21 |
| Diluted earnings per share | | 19.34 | 16.15 |

Consolidated statement of comprehensive income

| | for reporting period: | 01.01.2012- 31.12.2012 | 01.01.2011- 31.12.2011 |
|---|-----------------------|---------------------------|---------------------------|
| Consolidated profit for the period | | 1 462 635 | 1 226 867 |
| Other comprehensive income: | | | |
| Available-for sale financial assets valuation | | 384 858 | 77 697 |
| <i>including deferred tax</i> | | (73 123) | (14 762) |
| Cash flow hedges valuation | | 18 955 | 61 633 |
| <i>including deferred tax</i> | | (3 601) | (11 711) |
| Other comprehensive income for the period, net of income tax | | 327 089 | 112 857 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 1 789 724 | 1 339 724 |
| Attributable to: | | | |
| <i>owners of BZ WBK S.A.</i> | | 1 760 929 | 1 296 531 |
| <i>non-controlling interests</i> | | 28 795 | 43 193 |

Notes presented on pages 13 – 94 constitute an integral part of these Financial Statements.

Consolidated statement of financial position

| as at: | | 31.12.2012 | 31.12.2011 |
|---|--------------|-------------------|-------------------|
| ASSETS | | | |
| Cash and balances with central banks | Note 18 | 4 157 274 | 1 425 541 |
| Loans and advances to banks | Note 19 | 1 458 128 | 1 204 172 |
| Financial assets held for trading | Note 20 | 831 715 | 5 836 043 |
| Hedging derivatives | Note 21 | 253 553 | 141 636 |
| Loans and advances to customers | Note 22 | 39 867 554 | 38 017 173 |
| Investment securities | Notes 23, 24 | 11 716 133 | 11 652 195 |
| Investments in associates and joint ventures | Note 25 | 115 685 | 104 512 |
| Intangible assets | Note 26 | 127 338 | 151 166 |
| Property, plant and equipment | Note 27 | 479 811 | 499 793 |
| Current income tax assets | | - | 20 687 |
| Net deferred tax assets | Note 28 | 258 037 | 245 019 |
| Other assets | Notes 29,30 | 753 949 | 498 706 |
| Total assets | | 60 019 177 | 59 796 643 |
| LIABILITIES | | | |
| Deposits from banks | Note 31 | 1 351 050 | 2 505 070 |
| Hedging derivatives | Note 21 | 321 950 | 523 725 |
| Financial liabilities held for trading | Note 20 | 728 831 | 931 717 |
| Deposits from customers | Note 32 | 47 077 094 | 46 829 482 |
| Subordinated liabilities | Note 33 | 409 110 | 441 234 |
| Current income tax liabilities | | 154 916 | - |
| Other liabilities | Note 34 | 998 512 | 1 082 455 |
| Total liabilities | | 51 041 463 | 52 313 683 |
| Equity | | | |
| Equity attributable to owners of BZ WBK S.A. | | 8 884 367 | 7 355 575 |
| Share capital | Note 35 | 746 376 | 730 760 |
| Other reserve funds | Note 36 | 5 704 680 | 4 698 884 |
| Revaluation reserve | Note 37 | 872 400 | 545 318 |
| Retained earnings | | 127 064 | 196 266 |
| Profit of the current period | | 1 433 847 | 1 184 347 |
| Non-controlling interests in equity | | 93 347 | 127 385 |
| Total equity | | 8 977 714 | 7 482 960 |
| Total equity and liabilities | | 60 019 177 | 59 796 643 |

Notes presented on pages 13 – 94 constitute an integral part of these Financial Statements.

Movements on consolidated equity

| Movements in consolidated equity | Share capital | Other reserve funds | Revaluation reserve | Retained earnings and profit for the period | Non-controlling interests in equity | Total |
|---|----------------|---------------------|---------------------|---|-------------------------------------|------------------|
| Note | 35 | 36 | 37 | | | |
| Opening balance as at 31.12.2011 | 730 760 | 4 698 884 | 545 318 | 1 380 613 | 127 385 | 7 482 960 |
| Total comprehensive income | - | - | 327 082 | 1 433 847 | 28 795 | 1 789 724 |
| Issue of shares * | 15 616 | 316 384 | - | - | - | 332 000 |
| Transfer to other capital | - | 668 941 | - | (668 941) | - | - |
| Dividend relating to 2011 | - | - | - | (584 608) | (62 833) | (647 441) |
| Share scheme charge | - | 20 471 | - | - | - | 20 471 |
| As at 31.12.2012 | 746 376 | 5 704 680 | 872 400 | 1 560 911 | 93 347 | 8 977 714 |

As at the end of the period revaluation reserve in the amount of PLN 872 400 k comprises of debt securities and equity shares classified as available for sale of PLN 402 635 k and PLN 402 475 k respectively and additionally cash flow hedge activities of PLN 67 290 k.

* Detailed information on "Issue of shares" in Note 35.

| Movements in consolidated equity | Share capital | Other reserve funds | Revaluation reserve ** | Retained earnings and profit for the period | Non-controlling interests in equity | Total |
|---|----------------|---------------------|------------------------|---|-------------------------------------|------------------|
| Note | 35 | 36 | 37 | | | |
| Opening balance as at 31.12.2010 | 730 760 | 4 344 640 | 433 134 | 1 114 522 | 150 519 | 6 773 575 |
| Total comprehensive income | - | - | 112 184 | 1 184 347 | 43 193 | 1 339 724 |
| Transfer to other capital | - | 333 648 | - | (333 648) | - | - |
| Dividend relating to 2010 | - | - | - | (584 608) | (66 327) | (650 935) |
| Share scheme charge | - | 20 748 | - | - | - | 20 748 |
| Other | - | (152) | - | - | - | (152) |
| As at 31.12.2011 | 730 760 | 4 698 884 | 545 318 | 1 380 613 | 127 385 | 7 482 960 |

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

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

Notes presented on pages 13 – 94 constitute an integral part of these Financial Statements.

Consolidated statement of cash flows

| | for reporting period: | 01.01.2012- 31.12.2012 | 01.01.2011- 31.12.2011 |
|--|-----------------------|---------------------------|---------------------------|
| Profit before tax | | 1 837 039 | 1 542 430 |
| Total adjustments: | | | |
| Share in net profits (losses) of entities accounted for by the equity method | | (19 746) | (11 104) |
| Depreciation/amortisation | | 137 940 | 215 875 |
| Impairment losses | | 9 226 | 2 935 |
| Gains (losses) on exchange differences | | 21 356 | (37 510) |
| (Profit) loss from investing activities | | (179 193) | (9 608) |
| | | 1 806 622 | 1 703 018 |
| Changes in: | | | |
| Provisions | | (25 690) | 5 112 |
| Trading portfolio financial instruments | | (169 146) | 600 992 |
| Loans and advances to banks | | 9 973 | (9 686) |
| Loans and advances to customers | | (1 850 381) | (5 178 788) |
| Deposits from banks | | (1 083 673) | 241 552 |
| Deposits from customers | | 100 117 | 4 431 124 |
| Other assets and liabilities | | (360 777) | 208 643 |
| | | (3 379 577) | 298 949 |
| Interests and similar charges | | 313 457 | 152 530 |
| Dividend received | | (55 748) | (68 025) |
| Paid income tax | | (288 544) | (381 302) |
| Net cash flow from operating activities | | (1 603 790) | 1 705 170 |
| Inflows | | 41 919 005 | 3 496 573 |
| Sale of shares or interests in subsidiaries, associates and joint ventures | | 4 941 | - |
| Sale/maturity of investment securities | | 41 854 760 | 3 425 649 |
| Sale of intangible assets and property, plant and equipment | | 3 556 | 2 899 |
| Dividend received | | 55 748 | 68 025 |
| Outflows | | (39 530 370) | (1 732 410) |
| Purchase of subsidiaries, associates and joint ventures | | - | (5 018) |
| Purchase of investment securities | | (39 447 733) | (1 608 777) |
| Purchase of intangible assets and property, plant and equipment | | (82 637) | (118 615) |
| Net cash flow from investing activities | | 2 388 635 | 1 764 163 |
| Inflows | | 532 946 | 516 681 |
| Drawing of long-term loans | | 200 946 | 516 681 |
| Proceeds from issuing bonds / shares | | 332 000 | - |
| Outflows | | (870 829) | (1 071 450) |
| Repayment of long-term loans | | (136 212) | (329 725) |
| Dividends and other payments to shareholders | | (647 441) | (650 935) |
| Other financing outflows | | (87 176) | (90 790) |
| Net cash flow from financing activities | | (337 883) | (554 769) |
| Total net cash flow | | 446 962 | 2 914 564 |
| Cash at the beginning of the accounting period | | 7 257 589 | 4 343 025 |
| Cash at the end of the accounting period* | | 7 704 551 | 7 257 589 |

* Cash components are presented in Note 44.

Notes presented on pages 13 – 94 constitute an integral part of these Financial Statements.

Additional notes to consolidated financial statements

1. General information about issuer

Bank Zachodni WBK S.A. is a bank seated in Poland, 50-950 Wrocław, Rynek 9/11, TIN 896-000-56-73, National Official Business Register number (REGON) 930041341, registered in the District Court for Wrocław-Fabryczna, VI Economic Unit of the National Court Registry under 0000008723 number.

Consolidated financial statements of Bank Zachodni WBK Group includes bank's stand alone financial information as well as information from its subsidiaries (all together called Group), share of net assets of associated entities and joint ventures.

The direct parent of Bank Zachodni WBK S.A. is Banco Santander S.A. seated in Santander, Spain.

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

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

Group of Bank Zachodni WBK consists of the following entities:

Subsidiaries:

| Subsidiaries | Registered office | % of votes on AGM 31.12.2012 | % of votes on AGM 31.12.2011 |
|--|-------------------|--|--|
| 1. BZ WBK Finanse Sp. z o.o. | Poznań | 100 | 100 |
| 2. BZ WBK Faktor Sp. z o.o. | Warszawa | 100% of AGM votes are held by BZ WBK Finanse Sp. z o.o. | 100% of AGM votes are held by BZ WBK Finanse Sp. z o.o. |
| 3. BZ WBK Inwestycje Sp. z o.o. | Poznań | 100 | 100 |
| 4. Dom Maklerski BZ WBK S.A. | Poznań | 99.99 | 99.99 |
| 5. BZ WBK Finanse & Leasing S.A. | Poznań | 100% of AGM votes are held by BZ WBK Finanse Sp. z o.o. | 100% of AGM votes are held by BZ WBK Finanse Sp. z o.o. |
| 6. BZ WBK Leasing S.A. | Poznań | 100% of AGM votes are held by BZ WBK Finanse Sp. z o.o. | 100% of AGM votes are held by BZ WBK Finanse Sp. z o.o. |
| 7. BZ WBK Nieruchomości S.A. | Poznań | 99.99 | 99.99 |
| 8. BZ WBK Asset Management S.A.* | Poznań | 50 | 50 |
| 9. BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A. | Poznań | 100% of AGM votes are held by BZ WBK Asset Management S.A. | 100% of AGM votes are held by BZ WBK Asset Management S.A. |

* In case of BZ WBK Asset Management S.A., the Bank is a co-owner of the company together with Banco Santander S.A. Both owners of BZ WBK Asset Management S.A. holds an equal stake of 50% in the company's share capital. In practice, Bank Zachodni WBK S.A. exercises control over the company and its subsidiary, BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A., because through it Banco Santander pursues its policy in Poland. Therefore the company is treated as a subsidiary undertaking.

Associates:

| Associates | Registered office | % of votes on AGM 31.12.2012 | % of votes on AGM 31.12.2011 |
|---------------------------------|-------------------|---------------------------------|---------------------------------|
| POLFUND - Fundusz Poręczeń | | | |
| 1. Kredytowych S.A. | Szczecin | 50 | 50 |
| 2. Metrohouse & Partnerzy S.A.* | Warszawa | 21.23 | 21.23 |
| 3. Krynicki Recykling S.A.* | Warszawa | 24.54 | 24.54 |
| 4. Holicon Group S.A.* | Poznań | - | 47.09 |

* These are the associates of BZ WBK Inwestycje Sp. z o.o. - bank's subsidiary. They are accounted for using the equity method. Purchase of shares was a part of building a portfolio of pre-IPO type own investment.

Joint ventures:

| Joint ventures | Registered office | % of votes on AGM 31.12.2012 | % of votes on AGM 31.12.2011 |
|--|-------------------|---------------------------------|---------------------------------|
| BZ WBK-Aviva Towarzystwo Ubezpieczeń | | | |
| 1. Ogólnych S.A. | Poznań | 50 | 50 |
| BZ WBK-Aviva Towarzystwo Ubezpieczeń na Życie S.A. | | | |
| 2. | Poznań | 50 | 50 |

Joint ventures are accounted for using the equity method.

2. Basis of preparation of consolidated financial statements

Statement of compliance

The annual consolidated financial statements of the BZ WBK Group for the year ended 31 December 2012 have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and are in compliance with the respective regulations that apply to the consolidated financial statements, applicable to the BZ WBK Group.

Changes in accounting policies

Comparability with results of previous periods

For the purpose of the adaptation to the politics of the Group, the following material presentation changes were made in:

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

| ASSETS | 31.12.2011 | | |
|--|-----------------|----------|----------------|
| | before revision | revision | after revision |
| Loans and advances to banks | 1 244 290 | (40 118) | 1 204 172 |
| Financial assets held for trading | 5 860 309 | (24 266) | 5 836 043 |
| Investment securities | 11 664 507 | (12 312) | 11 652 195 |
| LIABILITIES | before revision | revision | after revision |
| Deposit from banks | 2 556 715 | (51 645) | 2 505 070 |
| Financial liabilities held for trading | 956 768 | (25 051) | 931 717 |

The changes were made to appropriate items of the statement of cash flows, i.e.:

- Change in loans and advances to banks,
 - Change in trading portfolio financial instruments,
 - Purchase/sale of investment securities.
- In 2012, the Group changed the presentation of direct debt recovery costs, which are now reflected in the balance of provisions. Therefore, the Group has made the following transformations in the profit and loss account for the year 2011.

| CONSOLIDATED INCOME STATEMENT | 31.12.2011 | | |
|---|-----------------|----------|----------------|
| | before revision | revision | after revision |
| Impairment losses on loans and advances | (366 982) | (5 759) | (372 741) |
| Other operating expenses | (49 622) | 5 759 | (43 863) |

- On 1 January 2012, BZ WBK Group changed the business segment reporting rules. The changes affect two key areas:
 - Change in the structure of (split into) operating segments and, consequently, reporting segments,
 - Change in the calculation methodology for net interest income of segments.

Due to unavailability of historical data, BZ WBK Group dispensed with conversion of comparable information. Detailed information on the changes in the business segment reporting is presented in note 3.

Changes in judgments and estimates

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

The Management Board of BZ WBK Group has revised its estimates in respect of the economic life of intangible assets and property, plant and equipment as part of the ongoing process of integration with Santander Group. A resultant non-recurring increase in depreciation of fixed assets and amortisation of intangible assets was PLN 76 352 k, that is included in the total amount of once-off adjustments of PLN 88 780 k.

New standards and interpretations or changes to existing standards or interpretations which can be applicable to BZ WBK Group and are not yet effective or have neither been implemented earlier

| IFRS | Description of changes | Effective in the European Union from | Impact on the Group |
|---|---|--------------------------------------|---|
| IFRS 9 Financial Instruments | Changes in classification and measurement - the existing categories of financial instruments to be replaced by two measurement categories, i.e. amortised cost and fair value. | 1 January 2015 | The Group has not completed its analysis of changes. |
| IFRS 10 Consolidated Financial Statements | New standard supersedes the previous version of IAS 27 (2008) Consolidated and Separate Financial Statements as far as presentation and preparation of consolidated financial statements is concerned. | 1 January 2014 | The Group has not completed its analysis of changes. |
| IFRS 11 Joint Arrangements | Supersedes SIC –13 Jointly Controlled Entities – Non-Monetary Contributions by Ventures. | 1 January 2014 | The Group has not completed its analysis of changes. |
| IFRS 12 Disclosures of Interests in Other Entities | New standard requires the disclosure of information that enables users of financial statements to evaluate: -the nature of, and risks associated with, its interests in other entities; - the effects of those interests on its financial position, financial performance and cash flows. | 1 January 2014 | The Group has not completed its analysis of changes. |
| IFRS 13 Fair Value Measurement | IFRS establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. | 1 January 2013 | Amendments will not have material impact on the financial statements. |
| IAS 19 Employee Benefits | The standard modifies the rules of settlement of the defined benefits plans and the employment termination benefits. It introduces changes to disclosures. | 1 January 2013 | Amendments will not have material impact on the financial statements. |
| IAS 27 Separate Financial Statements | IAS 27 has the objective of setting standards to be applied in accounting for investments in subsidiaries, jointly ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements. | 1 January 2014 | The Group has not completed its analysis of changes. |
| IAS 28 Investments in Associates and Joint Ventures | The change prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. | 1 January 2014 | The Group has not completed its analysis of changes. |
| IAS 1 Presentation of Financial Statements | The amendments requires preparing presentation of items of other comprehensive income (OCI) in financial statements. | 1 January 2013 | Amendments will not have material impact on the financial statements. |
| IFRS 7 Financial instruments: disclosures | The amendments introduce the change in the disclosure requirements with regard to the effects of offsetting of financial assets and financial liabilities. | 1 January 2013 | Amendments will not have material impact on the financial statements. |
| IAS 32 Financial Instruments: Presentation | IAS clarifies its requirements for offsetting financial instruments. | 1 January 2014 | The Group has not completed its analysis of changes. |
| Improvements to IFRSs (2009-2011) | Subject of amendment: IAS 1 - Clarification of requirement for comparative information, IAS 16 Classification of servicing equipment, IAS 32 Income tax consequences of distributions to holders of an equity instrument, IAS 34 segment information for total asset. | 1 January 2013 | Amendments will not have material impact over the financial statements. |
| Transition Guidance (Amendments to IFRS 10) | The amendments clarify transition guidance in IFRS 10 and also provide additional transition relief in IFRS 10 IFRS 11, IFRS 12. | 1 January 2014 | The Group has not completed its analysis of changes. |
| Investment entities (amendments to IFRS 10, IFRS 12 and IAS 27) | The amendment exempts from consolidation "investment entities" such as mutual funds. | 1 January 2014 | The Group has not completed its analysis of changes. |

Standards and interpretations or changes to existing standards or interpretations which were applied for the first time in the accounting year 2012

| IFRS | Description of changes | Effective in the European Union from | Impact on the Group |
|---|---|--------------------------------------|---|
| IFRS 7 Financial instruments: disclosures | The change required disclosure of information so that the readers of the financial statements may: understand the relation between the transferred financial asset which has not been fully excluded from the financial statements and the underlying financial obligations; assess the nature of the asset, associated risks and exposure towards the excluded asset. The change includes definition of "continuous engagement" to ensure compliance with disclosure requirements. | 1 January 2012 | Amendments have not had material impact on the consolidated 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 measured at fair value through profit and loss account, and available-for-sale financial assets, except those for which a reliable measure of fair value is not available. Other financial assets and financial liabilities (including loans and advances) are recognized at amortised cost using the effective interest rate less impairment or purchase price less impairment.

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

The accounting policies have been applied consistently by Group entities.

Accounting principles

Use of judgments and estimates

The preparation of financial statements in conformity with IFRS 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.

Main estimates and judgments made by the Group

Loan impairment

The estimation of potential loan losses is inherently uncertain and depends upon many factors, including loan loss trends, portfolio grade profiles, economic climates, conditions in various industries to which BZ WBK Group is exposed and other external factors such as legal and regulatory requirements. A provision is made against problem loans when, in the judgement of management, the estimated repayment realizable from the obligor, including the value of any security available, is likely to fall short of the amount of exposure outstanding on the obligor's loan or overdraft account. The amount of provision made in BZ WBK Group's consolidated financial statements is intended to cover the difference between the assets' carrying value and the present value of estimated future cash flows discounted at the assets' original effective interest rates.

The management process for the identification of loans requiring provision is underpinned by independent tiers of review. Credit quality and loan loss provisioning are independently monitored by head office personnel on a regular basis. A groupwide system for grading advances according to agreed credit criteria exists with an important objective being the timely identification of vulnerable loans so that remedial action can be taken at the earliest opportunity. Credit rating is fundamental to the determination of provisioning in BZ WBK Group; it triggers the process which results in the creation of provision on individual loans where there is doubt on recoverability. IBNR (Incurred But Not Reported) provisions are also maintained to cover loans, which are impaired at the end of the reporting period and, while not separately identified, are known from experience to be present in any portfolio of loans.

IBNR provisions are maintained at levels that are deemed appropriate by management having considered: credit grading profiles and grading movements, historic loan loss rates, changes in credit management, procedures, processes and policies, economic climates, portfolio sector profiles/industry conditions and current estimates of loss in the portfolio.

Estimates of loss are driven by the following key factors:

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

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

Impairment loss on non-financial assets

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

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

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

Asset held for sale are recorded at the lower of its carrying amount or estimated fair value less estimated costs to sell.

Fair value of financial instruments

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

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

Other accounting estimates and judgements

Provisions for employee benefits paid on termination of employment, i.e. post-employment benefits, are estimated on the basis of an actuarial valuation. The actuarial valuation of those accruals is updated at least on an annual basis.

Provisions for legal claims have been estimated considering the expected loss arising on individual cases.

Basis of consolidation

Subsidiaries

Subsidiaries are those enterprises which are controlled by BZ WBK. 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 is presumed to exist when the Bank, directly or indirectly through subsidiaries, has more than half of the voting power of an entity.

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 (acquisition) method

BZ WBK Group applies the acquisition method to account for acquisition of subsidiaries. Under this method, the acquirer has to:

- recognize and measure all identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree as at the acquisition date (i.e. the date on which the acquirer obtains control of the acquiree);
- recognize and measure goodwill or gain from a bargain purchase.

The acquirer measures:

- identifiable assets acquired and liabilities assumed - at fair value as at the acquisition date;
- any non-controlling interest – at fair value or pro-rata to their share in the identifiable net assets of the acquiree.

Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement.

The consolidated financial statements include the Group's share of the total recognised gains and losses of joint ventures on an equity accounted basis.

Associates

Associates are those entities in which the Group has significant influence, but are not subsidiaries, neither joint ventures.

They are accounted for in accordance with the equity method in consolidated financial statements.

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

PLN is the accounting currency in the Group.

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 profit or loss except for differences arising on retranslation of available for sale equity instruments, which are recognised in other comprehensive income.

Financial assets and financial liabilities

Classification

The Group classifies its financial instruments into the following categories:

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

Financial asset or financial liability at fair value through profit or loss

This is a financial asset or liability that meets either of the following conditions:

- a) Classified as held for trading.
A financial asset or financial liability is classified as held for trading if:
 - i. it is acquired or incurred principally for the purpose of selling or repurchasing in the near term;
 - ii. it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking;
 - iii. derivatives are held for trading unless the derivative is a designated and effective hedging instrument.
- b) Upon initial recognition it is designated by the 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.

Held-to-maturity investments

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity, the entire category would be tainted and reclassified as available for sale and for a two year period the Group would not utilise the held to maturity classification. 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 transactions. Loans and receivables also include finance lease receivables of Leasing Companies and factoring receivables of BZ WBK Faktor.

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

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

Recognition

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

Lease receivables of leasing companies are accounted for as of the date from which the lessee is entitled to exercise its rights to use the leased asset. Other agreements where the leased assets have not yet been made available to the lessee are recognised as contingent liabilities.

A regular way purchase or sale of a financial asset is recognised using settlement date accounting. The method is applied consistently for all purchases and sales of financial assets.

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

Derecognition

Financial assets are derecognised 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 from a transaction in which substantially all risk and rewards of ownership of the financial asset are transferred.

A regular way purchase or sale of a financial asset is derecognised using settlement date accounting. The method is applied consistently for all purchases and sales of financial assets.

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

Measurement

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

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

The fair values of quoted financial instruments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities) the 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 reviewed for impairment.

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

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

Lease payment receivables of Leasing Companies are accounted for the statement of financial position at an amount equal to the net investment in the lease. Receivables are measured at amortised cost using the effective interest rate.

A calculation based on the effective interest rate is made monthly on the basis of inflows and expenses arising from the lease agreement.

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

Reclassification

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

For a financial asset which has a fixed maturity, gain or loss recognised in equity until the date of the reclassification is amortised and recognised in the statement of comprehensive income over the period remaining until maturity. Any difference between the new

amortised cost and the amount of impairment is amortised over the period remaining until maturity of the financial instrument. Amortisation is based on the effective interest rate.

Gains and losses on subsequent measurement

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

- a gain or loss on a financial asset or financial liability classified at fair value through profit or loss is recognised in profit or loss;
- a gain or loss on an available-for-sale financial asset, except for impairment losses, is recognised directly in other comprehensive income, until the financial asset is derecognised, at which time the comprehensive income 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.

Offsetting financial instruments

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

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

Repurchase and reverse repurchase transactions

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 previously agreed price.

Securities sold subject to repurchase agreements ("repo and sell-buy-back transaction") are not derecognised at the end of the reporting period. The difference between sale and repurchase price is treated as interest cost and accrued over the life of the agreement.

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

Derivative financial instruments

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

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received).

Certain derivatives embedded in other financial instruments shall be separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract and the host contract is not carried at fair value through profit or loss. Embedded derivatives are measured at fair value with changes recognised through the profit and loss account.

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

Hedge accounting

Hedge accounting recognises the offsetting effects on 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 ongoing 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 also to the hedged item, which otherwise would be measured at amortised cost and presented as available-for-sale financial asset.

Cash flow hedge

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

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

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

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

Impairment of financial assets

Assets carried at amortised cost - loans and receivables

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

- a) significant financial difficulty of the issuer or obligor;
- b) a breach of contract, such as a default or delinquency in interest or principal payments;
- c) the 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 establishing a provision. The amount of the loss shall be recognised in profit or loss.

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

The 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 (those covered by commercial, property or local government rating) or significant retail exposure – individual approach;
- with reference to the portfolio of credit exposures which individually are not significant – collective approach.

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

If the 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 for a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the 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 carries out the impairment analysis based on the concept of losses already incurred but not yet reported and connected with loan impairment (IBNR – Incurred But Not Reported), which is estimated on the basis of the historical loss experience for loans with a similar risk profile, on the basis of estimated period between the occurrence of impairment and the identification as well as evidencing loss, and on the basis of historical data adjustments, as described above.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting the provision. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed.

The amount of the reversal is recognised in profit or loss.

When a loan has been subject to a specific provision and the prospects of recovery do not improve, eventually it may be concluded that there is no real prospect of recovery. When this point is reached, the amount of the loan which is considered to be non-recoverable is written off against the related provision for loan impairment. Subsequent recoveries of amounts previously written off decrease the amount of costs associated with provisions for loan impairment.

Impairment calculation methods are standardised across the Group.

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 the other comprehensive income shall be removed from that line and recognised in profit or loss. The amount of the cumulative loss that is removed from the other comprehensive income and recognised in profit or loss shall be the difference between the acquisition cost (net of any principal repayments and amortisation) and current fair value. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively

related to an event occurring after the impairment loss was recognised, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

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

Held-to-maturity investments

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

Contingent liabilities

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

Property, plant and equipment

Owned assets

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

Leased assets

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

Subsequent expenditure

The Group recognises in the carrying amount of property, plant and equipment the cost of replacing part of such an asset when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the 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 |
| • vehicles | 4 years |
| • | |

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

Fixed assets held for sale

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

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

Intangible assets

Computer software

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

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

Other intangible assets

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

Subsequent expenditure

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

Amortisation

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

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

Other items of the statement of financial position

Other trade and other receivables

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

Other liabilities

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

Equity

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

Share capital is stated at its nominal value in accordance with the Statutes and the entry in the court register.

Supplementary capital is created from profit allocations and share issue premiums.

Reserve capital is created from profit allocations and is earmarked for covering balance sheet losses.

The result of valuation of profit sharing scheme is included in reserve capital (IFRS 2.53).

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

Non-controlling interests are also recognised in Group capital.

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

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

Dividends

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

Employee benefits

Short-term service benefits

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

Long-term service benefits

The Group's net obligation in respect of long-term service benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The accrual for disability pension bonus is estimated using actuarial valuation method. The valuation of those accruals is updated at least once a year.

Profit Sharing Scheme

BZ WBK Group has recognized in the consolidated statement of financial position 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 BZ WBK Group recognized a liability in its statement of financial position in an amount of estimated present value of expected future pay-outs considering a relevant service period corresponding with employee related expenses.

Share based payments

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

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

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

Provisions

A provision is recognised in the statement of financial position 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 contingent items such as guarantees, letters of credit, and unutilised irrevocable credit facilities are recognised in accordance with this policy.

Net interest income

Interest income on financial assets is recognised provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

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

Net commission income

Fees and commissions are recognised in the income statement at amortised cost using the effective interest rate method described in section "Net interest income".

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

Other fees and charges, which are not settled according to the effective interest rate, are included in profit and loss account in accordance with accrual method.

Net commission income from FX transactions in the branch network includes elements of revaluation.

Net trading income and revaluation

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

Dividend income

Dividends are taken to the profit and loss account at the moment of acquiring rights to them provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Profit on disposal of subsidiaries, associates and joint ventures

Profit on the sale of interests in subsidiaries is the difference between the net asset value and their sale price.

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

Other operating income and costs

Other operating income and costs include expenses and revenues, which are not related directly to the statutory activity of the 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 profit or loss except to the extent that it relates to items recognised in other comprehensive income.

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

Deferred income tax is provided, using the balance sheet method, on temporary differences between the tax bases of assets and liabilities and their values arising from the statement of financial position. Deferred income tax is determined using tax rates based on legislation enacted or substantively enacted at the end of the reporting period and expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised where it is probable that future taxable profits will be available against which the temporary differences will be utilised. Deferred tax assets are reviewed at 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.

3. Segment reporting

Operational activity of the Bank Zachodni WBK Group has been divided into four segments: Retail Banking, Business and Corporate Banking, Global Banking and Markets, and ALM (Assets and Liabilities Management) and Centre. They were identified based on customers and product types.

Income and costs assigned to a given segment are generated on sale and service of products or services in the segment, according to description presented below. Such income and costs are recognized in the profit and loss account for the Group and may be assigned to a given segment either directly or based on reasonable assumptions.

Settlements among business segments relate to rewarding for delivered services and include:

- sale and/or service of customers assigned to a given segment, via sale/service channels operated by another segment;
- sharing of income and costs on transactions in cases where a transaction is processed for a customer assigned to a different segment;
- sharing of income and cost of delivery of common projects.

Income and cost allocations are regulated by agreements between segments, which are based on single rates for specific services or breakdown of total income and/or cost.

Assets and liabilities of a given segment are used for the operational activity and may be assigned to the segment directly or on a reasonable basis.

The principles of income and cost identification, as well as assets and liabilities for segmental reporting purposes are consistent with the accounting policy applied in Bank Zachodni WBK Group.

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

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

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

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

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

Retail Banking

Retail Banking segment includes products and services targeted at individual customers as well as small and micro companies. In the offer for customers of this segment there are a wide range of savings products, consumer and mortgage loans, credit and debit cards, insurance and investment products, clearing services, GSM phones top-ups, foreign payments and Western Union and private-banking services. For small and micro companies, the segment provides, among others, lending and deposit taking services, cash management services, leasing, factoring, letters of credit and guarantees. Furthermore, the Retail Banking segment generates income through offering asset management services within investment funds and private portfolios. It also covers insourcing services provided to retail customers based on mutual agreements with other banks and financial institutions.

Business and Corporate Banking

Business and Corporate Banking segment covers products and activities targeted at business entities, local governments and the addition to public sector. In banking services covering lending and deposit activities, the segment provides services in the areas of cash management, leasing, factoring, trade financing and guarantees.

Global Banking and Markets

In the Global Banking and Markets segment, the Group derives income from the sale of products and services to the largest international and local corporations, including:

- transaction banking products, incl.: transactional banking with such products as cash management, deposits, leasing, factoring, letters of credit, guarantees, bilateral lending and trade finance;
- credit products, incl.: lending, including project finance, syndicated facilities and bond issues;
- treasury products, incl.: FX and interest rate risk management products;
- investment products, incl.: underwriting and financing of securities issues, financial advice and brokerage services related to the activities of Dom Maklerski BZ WBK SA (Brokerage House).

Through its presence in the wholesale market, Global Banking and Markets also generates revenues from interest rate and FX risk positioning activity.

ALM and Centre

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

Consolidated income statement (by business segments)

| 01.01.2012-31.12.2012 | Retail Banking | Business and Corporate Banking | Global Banking and Markets | ALM and Centre | Total |
|---|--------------------|--------------------------------|----------------------------|-----------------|--------------------|
| Net interest income | 1 544 222 | 548 992 | 96 243 | 111 620 | 2 301 077 |
| incl. internal transactions | 11 737 | (134 604) | 37 161 | 85 706 | - |
| Other income | 1 099 538 | 143 915 | 262 112 | 273 890 | 1 779 455 |
| incl. internal transactions | 44 490 | 30 228 | (56 311) | (18 407) | - |
| Dividend income | - | - | - | 55 748 | 55 748 |
| Operating costs | (1 276 643) | (166 206) | (167 004) | (69 401) | (1 679 254) |
| incl. internal transactions | (2 520) | (5 244) | (4 418) | 12 182 | - |
| Depreciation/amortisation | (106 610) | (14 552) | (10 975) | (5 803) | (137 940) |
| Impairment losses on loans and advances | (215 948) | (298 416) | 14 | 12 557 | (501 793) |
| Share in net profits (loss) of entities accounted for by the equity method | 15 241 | - | 1 236 | 3 269 | 19 746 |
| Profit before tax | 1 059 800 | 213 733 | 181 626 | 381 880 | 1 837 039 |
| Corporate income tax | | | | | (374 404) |
| Non-controlling interests | | | | | (28 788) |
| Profit for the period | | | | | 1 433 847 |

Consolidated statement of financial position (by business segment)

| 31.12.2012 | Retail Banking | Business and Corporate Banking | Global Banking and Markets | ALM and Centre | Total |
|--|-------------------|--------------------------------|----------------------------|-------------------|-------------------|
| Loans and advances to customers | 20 042 900 | 17 534 167 | 2 189 673 | 100 814 | 39 867 554 |
| Investments in associates and joint ventures | 54 039 | - | 19 913 | 41 733 | 115 685 |
| Other assets | 1 392 045 | 528 367 | 1 274 427 | 16 841 099 | 20 035 938 |
| Total assets | 21 488 984 | 18 062 534 | 3 484 013 | 16 983 646 | 60 019 177 |
| Deposits from customers | 34 797 598 | 9 745 141 | 2 534 355 | - | 47 077 094 |
| Other liabilities and equity | 3 308 885 | 4 464 637 | 2 003 162 | 3 165 399 | 12 942 083 |
| Total equity and liabilities | 38 106 483 | 14 209 778 | 4 537 517 | 3 165 399 | 60 019 177 |

Consolidated income statement (by business segments)

| 01.01.2011-31.12.2011 | Retail Banking | Business Banking | Investment Banking | Treasury | Centre | Total |
|--|--------------------|-------------------|--------------------|------------------|-------------------|--------------------|
| Net interest income | 1 415 576 | 675 470 | 22 250 | (99 638) | 54 927 | 2 068 585 |
| incl. internal transactions | - | (108 123) | 74 604 | - | 33 519 | - |
| Other income | 920 143 | 118 385 | 272 677 | 317 467 | 57 668 | 1 686 340 |
| incl. internal transactions | 141 444 | 50 772 | (90 364) | (97 366) | (4 486) | - |
| Dividend income | - | - | 68 025 | - | - | 68 025 |
| Operating costs | (1 211 421) | (212 528) | (145 042) | (34 944) | (104 832) | (1 708 767) |
| incl. internal transactions | (2 010) | (33 535) | (7 193) | 25 417 | 17 321 | - |
| Depreciation/amortisation | (145 696) | (20 558) | (10 784) | (6 110) | (32 727) | (215 875) |
| Impairment losses on loans and advances | (213 657) | (157 498) | - | - | 4 173 | (366 982) |
| Share in net profits of entities accounted for by the equity method | 8 166 | - | 2 938 | - | - | 11 104 |
| Profit before tax | 773 111 | 403 271 | 210 064 | 176 775 | (20 791) | 1 542 430 |
| Corporate income tax | | | | | | (315 563) |
| Non-controlling interests | | | | | | (42 520) |
| Profit for the period | | | | | | 1 184 347 |

Consolidated statement of financial position (by business segment)

| 31.12.2011 | Retail Banking | Business Banking | Investment Banking | Treasury | Centre | Total |
|--|-------------------|-------------------|--------------------|------------------|------------------|-------------------|
| Loans and advances to customers | 17 907 539 | 20 013 974 | 79 971 | 8 932 | 6 757 | 38 017 173 |
| Investments in associates and joint ventures | 42 830 | - | 61 682 | - | - | 104 512 |
| Other assets | 6 055 815 | 4 551 929 | 1 145 105 | 9 187 162 | 734 947 | 21 674 958 |
| Total assets | 24 006 184 | 24 565 903 | 1 286 758 | 9 196 094 | 741 704 | 59 796 643 |
| Deposits from customers | 33 907 984 | 12 270 078 | 651 202 | 218 | - | 46 829 482 |
| Other liabilities and equity | 2 603 458 | 4 872 842 | 331 822 | 3 334 049 | 1 824 990 | 12 967 161 |
| Total equity and liabilities | 36 511 442 | 17 142 920 | 983 024 | 3 334 267 | 1 824 990 | 59 796 643 |

4. Risk management

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

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

Management Board and Supervisory Board set the business direction and actively support the risk management strategies. This is achieved by approving the key risk management policies, participation of the Management Board Members in the risk management committees, reviewing and signing off on the key risks and risk reports.

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

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

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

Management Board is responsible for the effectiveness of the risk management. In particular, the Management Board introduces the organisational structure aligned with the level and profile of the risk being undertaken, split of the responsibilities providing the separation of the risk measurement and control function from the operational activity, is responsible for implementation and updating of the written risk management strategies, and transparency of the activities. The Management Board reviews the financial results of the Group. The Management Board established a number of committees directly responsible for the development of the risk management methodology and monitoring of risks in particular areas.

Risk Management Committee sets the direction of the risk management strategy in BZ WBK Group. The Risk Management Committee has a supervisory role for all the committees responsible for managing the risks identified in the bank's operations. The comprehensive reporting process ensures that the Committee has a full and consistent picture of the bank's current risk profile.

The Risk Management Committee has an oversight over the following risk committees:

Risk Management Forum, a body authorised to approve and supervise the risk measurement policy and methodology and to monitor the credit risk, market risk in the banking book, market risk in the trading book, structural balance sheet risk and liquidity risk. The Forum operates through 4 panels:

- **Credit Risk Panel;**
- **Market Risk Panel;**
- **Models and Methodology Panel;**
- **Equity Investment and Underwriting Panel.**

Credit Committee takes credit decisions in accordance with the applicable credit discretion levels.

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

Monitoring Committee ensures a continuous and effective monitoring of the credit portfolio of the business and the corporate segment.

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

ALCO/ICAAP Forum is responsible for capital management, especially for the ICAAP process. It exercises oversight over the banking portfolio activity and takes decisions on liquidity management and the management of the interest rate risk on the banking book. It is responsible for the funding and balance sheet management, including for the pricing policy.

Disclosures Committee verifies the Group's financial information in terms of its compliance with legal and regulatory requirements.

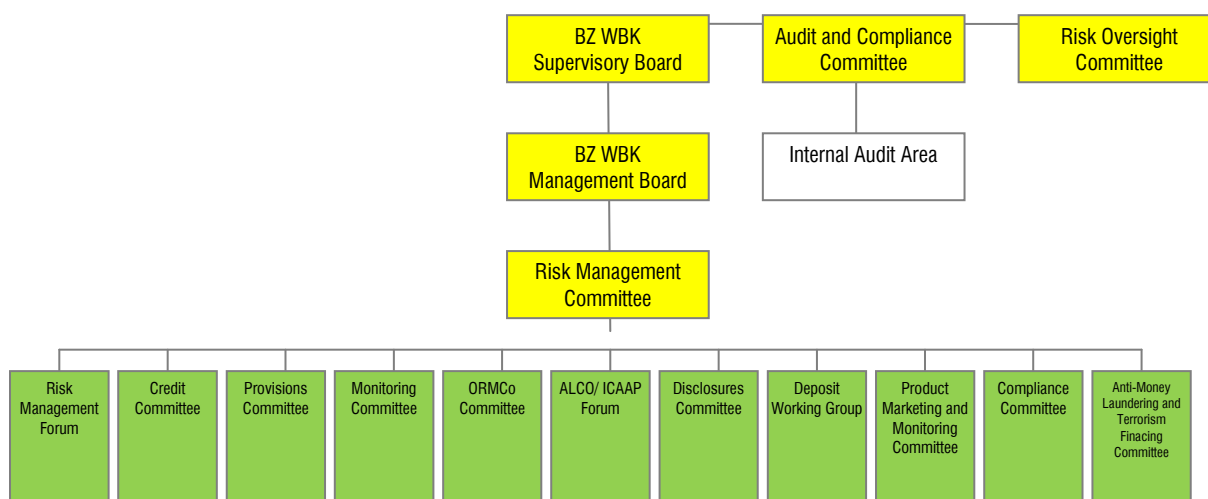
Deposit Working Group has a responsibility for ensuring a balanced growth of the savings and investment products portfolio.

Product Marketing and Monitoring Committee approves new products and services to be implemented in the market, taking into account the reputation risk analysis.

Compliance Committee is responsible for setting standards with respect to the management of compliance risk and the codes of conducts adopted by the Group.

Anti-Money Laundering and Terrorism Financing Committee approves the Group's policy on prevention of money laundering and the financing of terrorism. It approves and monitors the bank's activities in this area.

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



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

Risk appetite is expressed as quantitative limits and captured in the "Risk Appetite Statement" approved by the Management Board and the Supervisory Board. With global limits in place, watch limits are set and risk management policies are drafted.

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

- credit risk,
- concentration risk,
- market risk,
- liquidity risk,

In thousands of PLN

- operational risk,
- compliance risk.

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

BZ WBK Group pays special attention to the consistency of risk management processes across the Group, which allows for adequate control of the risk exposure. The subsidiaries implement risk management policies and procedures reflecting the principles adopted by the BZ WBK Group.

Credit risk

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

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

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

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

Continued pro-active credit risk management is recognised as key to the Group's performance in the volatile markets and deteriorating economic growth conditions. In 2012 the Group continued its risk management policy that focuses both on credit risk and business effectiveness. Under the strategy of pro-active management, the Group completed the following:

- In the face of the economic slowdown and instability in the currency markets, leading to an increase in the cost of risk and causing liquidity problems for customers, especially in the construction sector, the BZ WBK Group was carefully analysing the situation and monitoring its credit exposure in the individual customer segments and economic sectors to ensure the most adequate parameters of its credit policy.
- Strengthened the role of the Risk Management Division, which became responsible for a consolidated credit risk management process, including management and supervision of credit delivery, defining credit policies, providing decision-making tools and credit risk measurement tools, quality assurance of the credit portfolio and provision of reliable management information on the credit portfolio.
- Reviewed the structure of the committees that take decisions on credit risk. Appointed the Monitoring Committee, which is responsible for ensuring a continuous and effective monitoring of the credit portfolio of the business and the corporate segment. In 2012, the bank established the Recoveries Forum with a responsibility for recovering high-risk credit exposures and making regular reviews of the non-performing loans portfolio.
- Constantly developed and upgraded risk-based decision-making systems and methods of grading loans, allocating capital, measuring and increasing returns and monitoring of risk profile in all credit portfolio. In particular, the Group expanded the risk analysis of new SME loans by using an external database of borrowers "BIK Przedsiębiorca", which ensured a significant reduction of the risk of SME lending.

Continued prudential risk management policy with close observation of the changing external conditions and particular care put into assuring compliance with regulatory requirements as well as efforts to optimise credit process in terms of its efficiency and cost to minimize human error, ensure robust customer service and lower operational costs are priorities the Group for 2013 as well.

Risk Management Forum

The credit risk oversight in BZ WBK Group is performed by Credit Policy Panel (CPP) operating within the Risk Management Forum. Its key responsibilities include development and approval of the best sectoral practice, industry analyses, credit policies as well as implementation of grading and assessment systems aimed at ensuring sustainable growth of the credit portfolio. To align the Group's management processes with the current strategic goals, three sub-committees were established within the CPP with a responsibility for the key customer segments: retail segment, SME segment and the business/corporate segment.

The oversight over the credit risk models is the responsibility of the Models and Methodology Panel.

Risk Management Division

Following the combination with the Credit Division, the Risk Management Division became responsible for a consolidated credit risk management process, including management and supervision of credit delivery, defining credit policies, providing decision-making tools and credit risk measurement tools, quality assurance of the credit portfolio and provision of reliable management information on the credit portfolio.

Credit Policies

Credit policies refer to particular business segments, loan portfolios and banking products. They contain guidelines for the identification of the areas where specific types of risks manifest themselves, specifying the methods of their measurement and mitigation to the level acceptable to the bank (e.g. "Loan-to-Value" ratios, FX risk in the case of foreign currency loans).

The Group reviews and updates its credit policies on a regular basis, aiming to bring them in line with the Group's strategy, current macroeconomic situation, legal developments and changes in regulatory requirements.

Credit Decision Making Process

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

The BZ WBK Group continually strives to ensure best quality credit service while satisfying the borrowers' expectations and ensuring security of the credit portfolio. To this end, the credit risk approval function has been segregated from the sales function.

Credit Grading

Intensive work has been undertaken to further develop credit risk assessment tools to conform to the recommendations of the Polish Financial Supervision Authority, the International Accounting Standards/International Financial Reporting Standards and the best practice in the market.

The BZ WBK Group uses credit risk grading models for its key credit portfolios, including corporate customers, SMEs, home loans, property loan, cash loans, credit cards and personal overdrafts.

The Group regularly monitors its credit grading using the rules specified in its Lending Manuals. Additionally, for selected models, automated process of credit grade verification is carried out based on the number of overdue days or an analysis of the customer's behavioural data. Credit grade is also verified at subsequent credit assessments.

Credit Reviews

The Group performs regular reviews to determine the actual quality of the credit portfolio, confirm that adequate credit grading and provisioning processes are in place, verify compliance with the procedures and credit decisions and to objectively assess professionalism in credit management. The reviews are performed by the two specialised units: Credit Review Department and the Control & Quality Assessment Department, which are independent of the risk-taking units.

Collateral

In the Group's security model, the Securities Centre is the central unit responsible for creation and maintenance of securities.

The role of the Securities Centre is to ensure that security covers are duly established and held effective in line with the lending policy for all business segments. The Securities Centre is also responsible for developing standardised internal procedures with respect to perfecting and maintaining validity of collateral and ensuring effectiveness of the process of establishing, monitoring and releasing the security covers.

Furthermore, the Securities Centre provides assistance to credit units in credit decision making and development of credit policies with respect to collateral. The unit gathers data on collateral and ensures appropriate management information.

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

Retail customers

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

Business customers

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

Collateral management process

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

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

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

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

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

Credit risk stress testing

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

Calculation of Impairment

In BZ WBK Group, charges updating impairment are recognised in accordance with the International Accounting Standards/International Financial Reporting Standards (IAS/IFRS). The charges reflect credit impairment, which is recognised if the Group presents objective evidence that such amounts cannot be recovered in line with the signed loan agreement. Objective evidences of impairment were defined in accordance with recommendation of Basel Committee and with the International Accounting Standards (IAS 39).

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

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

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

| 31.12.2012 | Provision cover | Loans and advances to customers | Loans and advances to banks | Investment securities | Financial assets held for trading* |
|---|-----------------|---------------------------------|-----------------------------|-----------------------|------------------------------------|
| Individually impaired | | | | | |
| | up to 50% | 552 172 | - | - | - |
| | 50% - 70% | 314 238 | - | - | - |
| | 70% - 85% | 139 137 | - | - | - |
| | over 85% | 125 776 | - | - | - |
| Gross amount | | 1 131 323 | - | - | - |
| Allowance for impairment | | (534 955) | - | - | - |
| Net amount | | 596 368 | - | - | - |
| Collectively impaired | | | | | |
| | up to 50% | 346 584 | - | - | - |
| | 50% - 70% | 260 096 | - | - | - |
| | 70% - 85% | 321 353 | - | - | - |
| | over 85% | 197 162 | - | - | - |
| Gross amount | | 1 125 195 | - | - | - |
| Allowance for impairment | | (672 365) | - | - | - |
| Net amount | | 452 830 | - | - | - |
| IBNR portfolio (past due&non past due) | | | | | |
| | up to 0.10% | 15 893 956 | 1 458 128 | 11 716 133 | 831 715 |
| | 0.10% - 0.30% | 8 733 853 | - | - | - |
| | 0.30% - 0.65% | 8 055 863 | - | - | - |
| | over 0.65% | 6 366 816 | - | - | - |
| Gross amount | | 39 050 488 | 1 458 128 | 11 716 133 | 831 715 |
| IBNR provision | | (336 887) | - | - | - |
| Net amount | | 38 713 601 | 1 458 128 | 11 716 133 | 831 715 |
| Other receivables | | 104 755 | - | - | - |
| Off-balance sheet exposures | | | | | |
| Financing granted | | 10 858 874 | - | - | - |
| Guarantees | | 2 221 700 | - | - | - |
| Nominal value of derivatives - purchased | | - | - | - | 52 130 997 |
| Allowance for impairment | | (16 619) | - | - | - |
| Off-balance sheet exposures - total | | 13 063 955 | - | - | 52 130 997 |

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

| 31.12.2011 | Provision cover | Loans and advances to customers | Loans and advances to banks | Investment securities | Financial assets held for trading* |
|---|-----------------|---------------------------------|-----------------------------|-----------------------|------------------------------------|
| Individually impaired | | | | | |
| | up to 50% | 585 928 | - | - | - |
| | 50% - 70% | 138 015 | - | - | - |
| | 70% - 85% | 110 916 | - | - | - |
| | over 85% | 125 334 | - | - | - |
| Gross amount | | 960 193 | - | - | - |
| Allowance for impairment | | (412 720) | - | - | - |
| Net amount | | 547 473 | - | - | - |
| Collectively impaired | | | | | |
| | up to 50% | 471 565 | - | - | - |
| | 50% - 70% | 184 123 | - | - | - |
| | 70% - 85% | 385 096 | - | - | - |
| | over 85% | 177 794 | - | - | - |
| Gross amount | | 1 218 578 | - | - | - |
| Allowance for impairment | | (656 575) | - | - | - |
| Net amount | | 562 003 | - | - | - |
| IBNR portfolio (past due&non past due) | | | | | |
| | up to 0.10% | 9 099 273 | 1 204 172 | 11 652 195 | 5 836 043 |
| | 0.10% - 0.30% | 14 343 794 | - | - | - |
| | 0.30% - 0.65% | 4 747 809 | - | - | - |
| | over 0.65% | 8 984 157 | - | - | - |
| Gross amount | | 37 175 033 | 1 204 172 | 11 652 195 | 5 836 043 |
| IBNR provision | | (345 950) | - | - | - |
| Net amount | | 36 829 083 | 1 204 172 | 11 652 195 | 5 836 043 |
| Other receivables | | 78 614 | - | - | - |
| Off-balance sheet exposures | | | | | |
| Financing granted | | 8 149 493 | - | - | - |
| Guarantees | | 1 475 440 | - | - | - |
| Nominal value of derivatives - purchased | | - | - | - | 67 124 916 |
| Allowance for impairment | | (21 224) | - | - | - |
| Off-balance sheet exposures - total | | 9 603 709 | - | - | 67 124 916 |

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

IBNR portfolio

| | Loans and advances to customers | |
|---------------------|---------------------------------|-------------------|
| | 31.12.2012 | 31.12.2011 |
| Non-past due | 37 236 020 | 35 829 301 |
| Past-due | 1 814 468 | 1 345 732 |
| 1-30 days | 1 298 818 | 1 098 866 |
| 31-60 days | 398 948 | 166 543 |
| 61-90 days | 105 352 | 71 801 |
| > 90 days | 11 350 | 8 522 |
| Gross amount | 39 050 488 | 37 175 033 |

Allowances for impairment by classes

| Provision cover | Loans and advances to customers | | Loans and advances to banks | |
|--|---------------------------------|--------------------|-----------------------------|------------|
| | 31.12.2012 | 31.12.2011 | 31.12.2012 | 31.12.2011 |
| Individual allowance for impairment | | | | |
| up to 50% | (110 543) | (105 510) | - | - |
| 50% - 70% | (197 267) | (94 519) | - | - |
| 70% - 85% | (101 400) | (88 132) | - | - |
| over 85% | (125 745) | (124 559) | - | - |
| Total individual allowance for impairment | (534 955) | (412 720) | - | - |
| Collective allowance for impairment | | | | |
| up to 50% | (83 818) | (76 857) | - | - |
| 50% - 70% | (153 454) | (108 404) | - | - |
| 70% - 85% | (249 742) | (299 928) | - | - |
| over 85% | (185 351) | (171 386) | - | - |
| Total collective allowance for impairment | (672 365) | (656 575) | - | - |
| IBNR | | | | |
| up to 0.10% | (6 195) | (4 119) | - | - |
| 0.10%-0.30% | (15 210) | (22 562) | - | - |
| 0.30%-0.65% | (37 025) | (21 714) | - | - |
| over 0.65% | (278 457) | (297 555) | - | - |
| Total IBNR | (336 887) | (345 950) | - | - |
| Total allowance for impairment | (1 544 207) | (1 415 245) | - | - |

Credit risk concentration

Bank Zachodni WBK Group adheres to the standards provided for in the Banking Law with regard to the concentration of risk bearing exposures to a single entity or a group of entities connected in terms of capital or organisation. As at 31.12.2012, pursuant to art. 71 of the Banking Law Act, the maximum limits for the Group amounted to:

- PLN 2 081 436 k (25% of Group's own funds).

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

The analysis of the Group's exposures in terms of sector concentrations, carried out at the end of December 2012, proved that the Group does not have any exposures in excess of the limits imposed by the regulator.

A list of the 20 largest borrowers (or capital-related group of borrowers) of Bank Zachodni WBK Group (performing loans) as at 31.12.2012 (including exposures of individual customers towards subsidiaries of BZ WBK).

| Industry code (PKD) | Industry description | Total credit exposure | Balance sheet exposure incl. towards subsidiaries | Committed credit lines, guarantees, treasury limits and capital investments |
|-----------------------------|----------------------|-----------------------|---|---|
| 06 | MINING | 1 069 820 | 292 292 | 777 528 |
| 35 | POWER INDUSTRY | 856 560 | 3 536 | 853 024 |
| 27 | MANUFACTURING | 800 818 | - | 800 818 |
| 19 | RAFINERY | 737 274 | 323 922 | 413 352 |
| 68 | REAL ESTATE SERVICES | 732 323 | 730 033 | 2 290 |
| 35 | POWER INDUSTRY | 600 485 | 363 | 600 122 |
| 68 | REAL ESTATE SERVICES | 569 648 | 507 660 | 61 988 |
| 46 | WHOLESALE TRADE | 534 007 | 534 007 | - |
| 68 | REAL ESTATE SERVICES | 473 900 | 473 900 | - |
| 59 | MULTIMEDIA | 456 112 | 333 456 | 122 656 |
| 68 | REAL ESTATE SERVICES | 395 638 | 293 325 | 102 313 |
| 56 | CATERING | 372 921 | 8 693 | 364 228 |
| 07 | MINING | 357 136 | 5 154 | 351 982 |
| 41 | CONSTRUCTION | 339 034 | 333 214 | 5 820 |
| 68 | REAL ESTATE SERVICES | 337 971 | 292 764 | 45 207 |
| 61 | TELECOMMUNICATION | 272 144 | 241 647 | 30 497 |
| 46 | WHOLESALE TRADE | 261 924 | 234 904 | 27 020 |
| 10 | FOOD INDUSTRY | 250 630 | - | 250 630 |
| 05 | MINING | 249 718 | 182 648 | 67 070 |
| 68 | REAL ESTATE SERVICES | 240 741 | 213 661 | 27 080 |
| Total gross exposure | | 9 908 804 | 5 005 179 | 4 903 625 |

A list of the 20 largest borrowers (or capital-related group of borrowers) of Bank Zachodni WBK Group (performing loans) as at 31.12.2011 (including exposures of individual customers towards subsidiaries of BZ WBK).

| Industry code (PKD) | Industry description | Total credit exposure | Balance sheet exposure incl. towards subsidiaries | Committed credit lines, guarantees, treasury limits and capital investments |
|-----------------------------|----------------------|-----------------------|---|---|
| 68 | REAL ESTATE SERVICES | 817 422 | 799 430 | 17 992 |
| 68 | REAL ESTATE SERVICES | 710 686 | 643 824 | 66 862 |
| 19 | RAFINERY | 671 869 | 499 064 | 172 805 |
| 35 | POWER INDUSTRY | 616 500 | 289 588 | 326 912 |
| 46 | WHOLESALE TRADE | 535 000 | 535 000 | - |
| 68 | REAL ESTATE SERVICES | 510 582 | 510 582 | - |
| 41 | CONSTRUCTION | 398 178 | 377 178 | 21 000 |
| 07 | MINING | 377 820 | 14 148 | 363 672 |
| 68 | REAL ESTATE SERVICES | 377 147 | 328 306 | 48 841 |
| 23 | CERAMICS PRODUCTION | 367 254 | 356 029 | 11 225 |
| 59 | MULTIMEDIA | 356 809 | 170 613 | 186 196 |
| 41 | CONSTRUCTION | 317 615 | 177 097 | 140 518 |
| 61 | TELECOMMUNICATION | 325 000 | 294 503 | 30 497 |
| 68 | REAL ESTATE SERVICES | 315 175 | 314 683 | 492 |
| 35 | POWER INDUSTRY | 284 676 | 1 399 | 283 277 |
| 41 | CONSTRUCTION | 282 473 | 273 551 | 8 922 |
| 64 | FINANCIAL SERVICES | 257 575 | 164 943 | 92 632 |
| 68 | REAL ESTATE SERVICES | 257 270 | 140 669 | 116 601 |
| 68 | REAL ESTATE SERVICES | 248 480 | 205 501 | 42 979 |
| 68 | REAL ESTATE SERVICES | 241 747 | 229 288 | 12 459 |
| Total gross exposure | | 8 269 278 | 6 325 396 | 1 943 882 |

Industry concentration

The credit policy of Bank Zachodni WBK Group assumes diversification of credit exposures. Risk of particular industry affects value of the exposure limit. In order to ensure adequate portfolio diversification and control the risk of overexposure to a single industry, the Group provides funding to sectors and groups or capital units representing a variety of industries. As at 31.12.2012, the highest concentration level was recorded in the "property" sector (22% of the BZ WBK Group exposure), "manufacturing" (13%) and "distribution" (14%).

Groups of PKD by industries:

| Industry | Gross exposure | | |
|------------------|---|-------------------|-------------------|
| | 31.12.2012 | 31.12.2011 | |
| Property | 9 146 877 | 10 000 795 | |
| Manufacturing | 5 362 394 | 5 009 463 | |
| Distribution | 5 825 206 | 4 856 776 | |
| Agriculture | 1 143 513 | 1 006 619 | |
| Construction | 1 142 668 | 1 086 923 | |
| Financial sector | 920 673 | 1 040 992 | |
| Energy | 843 660 | 767 532 | |
| Transportation | 821 831 | 698 915 | |
| Other industries | 2 349 797 | 2 292 017 | |
| A | Total Business Loans | 27 556 619 | 26 760 032 |
| B | Retail (including mortgage loans) | 13 750 387 | 12 593 772 |
| A+B | BZ WBK Group portfolio | 41 307 006 | 39 353 804 |
| C | Other receivables (commercial bonds, reverse repo) | 104 755 | 78 614 |
| A+B+C | Total BZ WBK Group | 41 411 761 | 39 432 418 |

Market risk

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

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

The activity and strategies on market risk management are directly supervised by the Risk Management Forum.

General principles of market risk management

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

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

Interest rate and FX risks linked to the banking business is managed centrally by the Financial Management Division. The Division is also responsible for acquiring funding, managing liquidity and making transactions on behalf of ALCO. This activity is controlled by the measures and limits approved from time to time by the Risk Management Forum, the bank's Management Board and the Supervisory Board.

The debt securities and the interest rate derivatives portfolio is managed by ALCO, which takes all decisions on the portfolio's value and structure.

The market risk on the trading portfolio is managed by the Global Banking and Markets Division, which is also responsible for the ownership supervision over Brokerage House. The Group's trading activity is subject to a system of measures and limits, including Value at Risk, stop loss, position limits and sensitivity limits. This limits are approved by the Risk Management Forum, the bank's Management Board and the Supervisory Board.

The Financial Risk Department within the Risk Management Division is responsible for ongoing assessment of the current risk, implementation of control procedures and risk monitoring and reporting. The Department is also responsible for shaping the market risk policy, proposing risk assessment methodologies and ensuring consistency of the risk management process across the Group. Owing to the fact that the Department is a part of the Risk Management Division, the risk assessment and monitoring processes are separate from the risk-taking units.

Market risk generated by equity instruments, which exists in Brokerage House' portfolio (shares, stock exchange indices) is managed by the Brokerage House and supervised by BZ WBK Risk Management Forum.

Assessment methods

BZ WBK Group uses several methods to assess its market risk exposure. The methods employed for the banking portfolio are the MVE and NII sensitivity measures, while the methods used for the trading portfolio include: Value at Risk (VaR), stop loss, sensitivity measures (PV01) and stress tests. The risk assessment methodology is subject to an independent initial and periodic validation, the results of which are presented for approval to the Models and Methodology Panel (part of the Risk Management Forum).

VaR is determined by means of a statistical modelling process as a difference between the mark-to-market value of positions and the market values based on the most severe movements in market rates from a determined observation window. VaR is calculated separately for interest rate risk, FX risk and the repricing risk of the equity instruments portfolio of Brokerage House.

Due to the limitations of the VaR methodology, the Group augments it by stress tests and by sensitivity measurement that shows how position value changes in reaction to price/profitability movements.

Interest rate risk in the banking book

The interest rate risk in the banking book is the risk of adverse impact of interest rate changes on the Group's income and the value of its assets and liabilities. The main source of interest rate risk are transactions entered in the bank's branches and in the business and corporate centres, as well as the transactions made in the money market by the Financial Management Division. Additionally, interest rate risk can be generated by transactions concluded by other units, e.g. through acquisition of municipal/commercial bonds, or the bank's borrowings from the interbank market. However, all positions that generate a repricing risk are transferred for management to the Financial Management Division, where the bank's dealers enter into transactions in the interbank markets so as to manage the overall interest rate risk profile according to the approved risk strategy and in compliance with the allocated risk limits.

The bank's subsidiaries also mitigate their exposure to the interest rate risk. If there is a mismatch between the repricing of assets and liabilities, the company enters into appropriate transactions via the standard bank accounts held with the bank or makes derivative transactions with the bank, which from the transaction date manages the risk as part of the global limit of BZ WBK Group.

The interest rate risk in the banking book is managed based on the following limits:

- NII sensitivity limit (i.e. sensitivity of the net interest income to a parallel shift of the yield curve by 100 bp);
- MVE sensitivity limit (i.e. sensitivity of the market value of equity to a parallel shift of the yield curve by 100 bp).

The sensitivity measures for 2012 are presented in the table below.

| | NII Sensitivity | MVE Sensitivity |
|------------------------------------|-------------------|-------------------|
| 1 day holding period | 31.12.2012 | 31.12.2012 |
| Maximum | 90 | 140 |
| Average | 48 | 70 |
| as at the end of the period | 90 | 131 |
| Limit | 75 | 150 |

In Q4 2012, the NII limit was exceeded as a result of redevelopment of the investment portfolio structure. The excess was reported to the bank's Management Board and Supervisory Board.

Interest rate risk in the trading book

The trading book contains securities and derivatives held by the Global Banking and Markets Division for trading purposes. The instruments are marked to market each day, and any changes in their value are reflected in the profit and loss.

The key methods of measurement of the interest rate risk in the banking books include the VaR methodology, stop loss, PV01 sensitivity measurement and stress tests.

The VaR is calculated for the open positions of the Global Banking and Markets by establishing the difference between the market valuation of the interest rate transactions based on the current yield curves, and the valuation based on the "worst case" yield curve, which is calculated based on the fluctuations in the interest rates.

The "stop-loss" mechanism is used for managing the risk of losses on the items covered by the rules of fair valuation through profit and loss.

Stress tests are used in addition to these measures by providing an estimate of the potential losses in the event of materialisation of the stressed conditions in the market. The assumptions of stress scenarios are based on sensitivity reports and on extreme market rate movement scenarios set using the highest daily and monthly changes in interest rates.

The table below shows risk measures at the end of 2012 for 1-day position holding period. Due to the change in the rules of market risk management and the change of VaR calculation methodology these data are not comparable with the 2011 data.

| Interest rate risk | VAR |
|-----------------------------|-------------------|
| 1 day holding period | 31.12.2012 |
| Average | 2 089 |
| Maximum | 5 261 |
| Minimum | 165 |
| as at the end of the period | 745 |
| Limit | 7 749 |

FX risk

FX risk is the risk that adverse movements in foreign exchange rates will have an impact on results (and result in losses). This risk is managed by the VaR limit for the open currency positions in the Group's trading portfolio. Stress tests are used in addition to this measure by providing an estimate of the potential losses in the event of materialisation of the stressed conditions in the market. Stress tests use the currency exposure and the scenarios of extreme movements in currency rates based on historical data. Furthermore, the stop loss mechanism is used for managing the risk of losses on the trading positions.

In accordance with its policy, the Group does not maintain open positions on currency options. Transactions made with clients are immediately closed in the wholesale market thus limiting the bank's exposure to the market risk on the currency options portfolio.

Open positions of subsidiaries (excluding Dom Maklerski BZ WBK -Brokerage House) are negligible and are not included in the daily risk assessment. Brokerage House has been granted an FX VaR limit, used for managing the open positions linked to the market maker activity.

The table below illustrates the risk measures at the end of December 2012. Due to the change in the rules of market risk management and the change of VaR calculation methodology these data are not comparable with the 2011 data.

| FX risk | VAR | VAR Brokerage |
|-----------------------------|-------------------|-------------------|
| 1 day holding period | 31.12.2012 | 31.12.2012 |
| Average | 613 | 3.8 |
| Maximum | 1 542 | 8.9 |
| Minimum | 142 | 1.4 |
| as at the end of the period | 382 | 5.0 |
| LIMIT | 1 550 | 102.3 |

FX Balance Sheet

In 2012, the FX structure of the credit assets and deposit liabilities remained relatively unchanged. However, given the values expressed in original currencies, a net assets decrease was noted. The FX gap was financed mainly by the FX swap transactions and cross-currency swaps.

See the Group's main FX positions in the tables below - as at 31st December 2012 and in comparable period.

| 31.12.2012 | PLN | EUR | CHF | Other | Total |
|--------------------------------------|-------------------|-------------------|------------------|------------------|-------------------|
| ASSETS | | | | | |
| Cash and balances with central banks | 3 813 867 | 261 539 | 6 911 | 74 957 | 4 157 274 |
| Loans and advances to banks | 177 431 | 923 101 | 21 087 | 336 509 | 1 458 128 |
| Loans and advances to customers | 27 630 869 | 9 334 513 | 2 051 604 | 850 568 | 39 867 554 |
| Investment securities | 11 011 199 | 704 934 | - | - | 11 716 133 |
| Selected assets | 42 633 366 | 11 224 087 | 2 079 602 | 1 262 034 | 57 199 089 |
| LIABILITIES | | | | | |
| Deposits from banks | 735 899 | 587 583 | 2 771 | 24 797 | 1 351 050 |
| Deposits from customers | 40 622 210 | 5 106 393 | 60 863 | 1 287 628 | 47 077 094 |
| Subordinated liabilities | - | 409 110 | - | - | 409 110 |
| Selected liabilities | 41 358 109 | 6 103 086 | 63 634 | 1 312 425 | 48 837 254 |

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

Equity investment risk

The entity responsible for equity price risk management is Brokerage House. The source of this risk are transactions conducted on Brokerage House own account via stock exchanges and MS CTO (shares, futures).

This risk is measured using a Value at Risk model based on the historical method.

The process of managing the market risk in brokerage house is supervised by the BZ WBK Risk Management Forum which among others allocates of the VaR limit to the brokerage house and approves of changes in the risk measurement methodology and in the risk management process.

The table below presents risk levels in 2012:

| Equity risk | VAR Brokerage |
|-----------------------------|-------------------|
| 1 day holding period | 31.12.2012 |
| Average | 697 |
| Maximum | 3 074 |
| Minimum | 72 |
| as at end of the period | 138 |
| LIMIT | 4 029 |

Liquidity risk

Liquidity risk is the risk that the bank fails to meet its contingent and non-contingent obligations towards customers and counterparties as a result of a mismatch of financial cash flows.

Liquidity Risk Management

The BZ WBK Group Liquidity Management Policy is designed to:

- ensure the ability to finance assets and satisfy claims, both current and future, in a timely manner and at an economic price;
- manage the maturity mismatch between assets and liabilities;
- set a scale of the liquidity risk in the form of various internal limits;
- ensure proper organization of the liquidity management process within the Group;
- prepare the organization for emergence of adverse factors, either external or internal;
- ensure compliance with regulatory requirements, both qualitative and quantitative.

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

In addition, the policy's aim is to ensure an adequate structure of funding the growing scale of the Group's business by maintaining liquidity ratios at pre-defined levels. The Group uses a number of other limits and observation ratios (including the loans to deposits ratio, the ratio of dependence on funding in the wholesale market, and the ratios required by Basel 3: LCR and NSFR). In terms of the long-term liquidity, in addition to the internal measures, the Group uses a limit corresponding to the regulatory limit, which requires that the equity and the stable sources of funding should fully cover the credit portfolio and non-liquid assets (e.g. fixed assets).

Management Process

The responsibility for supervision over the liquidity risk management process rests on the Assets and Liabilities Committee (ALCO), which also provides advice to the Management Board. ALCO prepares management strategies and recommends to the Management Board appropriate actions with regard to strategic liquidity management.

Day-to-day management of liquidity is delegated to the Financial Management Division. The Assets and Liabilities Management Department, which is a part of the Division, is responsible for developing and updating the relevant liquidity management strategies.

The Group has a scenario-based contingency plan approved by the Management Board to cater for unexpected liquidity problems, whether caused by external or internal factors. The plan also contains stress test with system and idiosyncratic scenarios.

Risk Measurement and Reporting

The responsibility for assessment and reporting of the liquidity risk rests on the Risk Management Division, specifically the Financial Risk Department.

The role of the Department is to draft liquidity management policies, carry out stress tests and to measure and report on risk.

Liquidity is measured by means of the modified liquidity gap, which is designed separately for the PLN and currency positions. The reported contract positions are subject to modifications based on: statistical analyses of the deposit and credit base behaviour, evaluation of the possibility to liquidate State Treasury securities by selling or pledging them in repo transactions or the lombard loan with NBP, evaluation of transaction rolling in the interbank market. The actual liquidity gap is used to set liquidity ratios, i.e. the ratio of projected consolidated inflows to projected outflows in the particular period. Concurrently, liquidity is measured in accordance with KNF Resolution no. 386/2008 on setting liquidity standards for banks, and with the requirements laid down in Basel 3.

As an addition, stress tests are used in order to assess the Group's exposure to liquidity risk and the maximum demand for the sources of funding if the particular scenarios materialise.

Contractual gap analysis based on remaining time maturity as at 31.12.2012 and 31.12.2011:

| 31.12.2012 | up to 1 month | from 1 to 3 months | from 3 to 12 months | from 1 to 3 years | from 3 to 5 years | over 5 years | rate insensitive | Total |
|---|---------------------|--------------------|---------------------|--------------------|--------------------|--------------------|--------------------|-------------------|
| Cash and balances with central banks | 4 157 274 | - | - | - | - | - | - | 4 157 274 |
| Loans and advances to banks | 1 448 023 | - | 10 101 | 4 | - | - | - | 1 458 128 |
| Financial assets held for trading | 124 597 | 67 040 | 315 953 | 120 358 | 97 806 | 92 260 | 13 701 | 831 715 |
| Loans and advances to customers | 3 657 446 | 3 536 697 | 8 319 223 | 10 554 442 | 5 984 488 | 9 359 465 | (1 544 207) | 39 867 554 |
| Investment securities | 2 099 256 | - | 2 743 139 | 1 752 017 | 3 881 162 | 572 450 | 668 109 | 11 716 133 |
| Other items | - | - | - | - | - | - | 1 988 373 | 1 988 373 |
| Long position | 11 486 596 | 3 603 737 | 11 388 416 | 12 426 821 | 9 963 456 | 10 024 175 | 1 125 976 | 60 019 177 |
| Deposits from banks | 1 032 117 | 234 192 | 84 741 | - | - | - | - | 1 351 050 |
| Financial liabilities held for trading | 120 729 | 77 054 | 160 611 | 187 156 | 114 286 | 68 995 | - | 728 831 |
| Deposits from customers | 29 403 871 | 6 477 429 | 9 718 649 | 408 507 | 46 009 | 1 022 629 | - | 47 077 094 |
| Subordinated liabilities | 4 378 | - | - | - | - | 404 732 | - | 409 110 |
| Other items | - | - | - | - | - | - | 10 453 092 | 10 453 092 |
| Short position | 30 561 095 | 6 788 675 | 9 964 001 | 595 663 | 160 295 | 1 496 356 | 10 453 092 | 60 019 177 |
| Gap-balance sheet | (19 074 499) | (3 184 938) | 1 424 415 | 11 831 158 | 9 803 161 | 8 527 819 | (9 327 116) | |
| Contingent liabilities- sanctioned | | | | | | | | |
| Financing related | 160 468 | 527 386 | 3 168 368 | 2 041 461 | 1 315 048 | 3 646 092 | (15 960) | 10 842 863 |
| Guarantees | 42 129 | 111 557 | 1 117 208 | 508 840 | 124 938 | 317 079 | (659) | 2 221 092 |
| Derivatives settled in gross terms | | | | | | | | |
| Inflows | 3 762 151 | 2 108 001 | 2 432 156 | 5 690 297 | 3 578 758 | 1 958 704 | - | 19 530 067 |
| Outflows | 5 242 802 | 2 607 920 | 2 912 675 | 5 687 380 | 3 690 862 | 1 943 246 | - | 22 084 885 |
| Gap – off-balance sheet | (1 683 248) | (1 138 862) | (4 766 095) | (2 547 384) | (1 552 090) | (3 947 713) | 16 619 | |

| 31.12.2011 | up to 1 month | from 1 to 3 months | from 3 to 12 months | from 1 to 3 years | from 3 to 5 years | over 5 years | rate insensitive | Total |
|---|---------------------|--------------------|---------------------|--------------------|--------------------|-------------------|--------------------|-------------------|
| Cash and balances with central banks | 1 425 541 | - | - | - | - | - | - | 1 425 541 |
| Loans and advances to banks | 1 204 172 | - | - | - | - | - | - | 1 204 172 |
| Financial assets held for trading | 4 661 829 | 140 617 | 304 613 | 462 572 | 112 061 | 101 545 | 52 806 | 5 836 043 |
| Loans and advances to customers | 3 909 314 | 2 259 770 | 7 650 355 | 10 063 993 | 6 314 173 | 9 234 813 | (1 415 245) | 38 017 173 |
| Investment securities | 444 775 | 139 372 | 2 101 636 | 3 510 893 | 1 725 321 | 3 049 565 | 680 633 | 11 652 195 |
| Other items | - | - | - | - | - | - | 1 661 519 | 1 661 519 |
| Long position | 11 645 631 | 2 539 759 | 10 056 604 | 14 037 458 | 8 151 555 | 12 385 923 | 979 713 | 59 796 643 |
| Deposits from banks | 1 907 732 | 534 624 | 47 866 | 14 848 | - | - | - | 2 505 070 |
| Financial liabilities held for trading | 203 130 | 124 926 | 219 964 | 271 622 | 70 549 | 41 526 | - | 931 717 |
| Deposits from customers | 32 366 263 | 8 350 390 | 4 362 508 | 840 078 | 25 451 | 884 792 | - | 46 829 482 |
| Subordinated liabilities | 3 971 | - | - | - | - | 437 263 | - | 441 234 |
| Other items | - | - | - | - | - | - | 9 089 140 | 9 089 140 |
| Short position | 34 481 096 | 9 009 940 | 4 630 338 | 1 126 548 | 96 000 | 1 363 581 | 9 089 140 | 59 796 643 |
| Gap-balance sheet | (22 835 465) | (6 470 181) | 5 426 266 | 12 910 910 | 8 055 555 | 11 022 342 | (8 109 427) | |
| Contingent liabilities- sanctioned | | | | | | | | |
| Financing related | 240 855 | 816 218 | 3 764 863 | 1 707 233 | 873 999 | 746 325 | (19 506) | 8 129 987 |
| Guarantees | 21 837 | 125 522 | 365 540 | 854 757 | 83 807 | 23 977 | (1 718) | 1 473 722 |
| Derivatives settled in gross terms | | | | | | | | |
| Inflows | 4 831 340 | 4 596 635 | 4 957 739 | 1 894 827 | 1 443 679 | 1 489 611 | - | 19 213 831 |
| Outflows | 4 950 048 | 4 572 971 | 4 989 123 | 2 045 457 | 1 693 035 | 1 676 614 | - | 19 927 248 |
| Gap – off-balance sheet | (381 400) | (918 076) | (4 161 787) | (2 712 620) | (1 207 162) | (957 305) | 21 224 | |

Liquidity Policy Report - Modified Liquidity Gap:

| Liquidity risk | <1W | <1M | >1M |
|--------------------------|------------------|-------------------|--------------------|
| 31.12.2012 | | | |
| Qualifying Liquid Assets | 11 625 907 | 22 316 | 2 557 625 |
| Treasury inflows | 1 601 209 | 4 227 328 | 10 623 160 |
| Other inflows | 2 923 994 | 436 793 | 37 197 905 |
| Treasury outflows | (1 238 695) | (4 380 125) | (11 211 499) |
| Other outflows | (5 246 928) | (276 015) | (48 862 975) |
| GAP | 9 665 487 | 30 297 | (9 695 784) |
| Cumulative GAP | 9 665 487 | 9 695 784 | - |
| 31.12.2011 | | | |
| Qualifying Liquid Assets | 12 401 619 | 1 040 043 | 500 000 |
| Treasury inflows | 1 510 347 | 1 996 766 | 13 323 359 |
| Other inflows | 257 777 | 362 208 | 39 998 386 |
| Treasury outflows | (1 595 397) | (3 047 512) | (14 480 063) |
| Other outflows | (3 870 719) | (796 333) | (47 600 481) |
| GAP | 8 703 627 | (444 828) | (8 258 799) |
| Cumulative GAP | 8 703 627 | 8 258 799 | - |

At the end of 2012, a change was observed in the profile of the contract maturity of the deposit base (an increase in the maturity of deposits up to 12 months) with a parallel fall in the value of deposits and an increase in the amounts due from customers compared with the end of 2011. As a result of these changes, investments in short-term liquid assets were reduced, but a sufficient buffer of liquid assets is maintained as required by the regulator and the Group's internal regulations.

In 2012 and in the comparable period, all the key supervisory measures applicable to the Group were maintained at the required levels.

Operational Risk

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

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

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

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

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

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

- Identification and estimation of operational risk

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

- Reporting on operational incidents and lessons learned

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

- Analysis of risk indicators

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

- Business continuity management

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

- Regular reporting to the Risk Management Committee and Supervisory Board

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

- Insurance

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

Legal & compliance risk

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

Risk Identification and Assessment

In the BZ WBK Group, individual processes are managed by relevant units.

Responsibilities of the Legal and Compliance Division relate to the “conduct of business” compliance obligations, including implementation of new products, protection of clients' rights, anti-money laundering, protection of sensitive information and protection of personal data.

The identification, interpretation and communication roles relating to other legal and regulatory obligations have been assigned to functions with specialist knowledge in those areas. All issues regarding compliance with employment law are assigned to HR Management Division; compliance with taxation law and reporting requirements is the responsibility of Financial Accounting and Control Division, while compliance with prudential regulations is the responsibility of Risk Management Division.

Risk management and mitigation

The Bank's Management Board adopted a policy statement – consistent with the policy operated by the strategic shareholder – on compliance with legal and regulatory obligations, which was approved by the Supervisory Board. The policy provides the Compliance Area with the relevant mandate to support senior managers in effective management of compliance risk. The Compliance Area escalates all issues to the Risk Management Committee and Audit and Compliance Committee of the Supervisory Board.

The Audit and Compliance Committee regularly reviews key compliance issues identified by the Compliance Area as part of monitoring of new products, regulatory activity, upcoming legislative initiatives and customers' complaints.

The Risk Management Committee ensures execution of applicable regulations and approves principles of internal control and compliance policy framework. It also ensures independence and sufficient resources of the Compliance Area.

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The Compliance Area's major responsibilities include in particular (subject to the specific responsibility of Financial Accounting and Control Division, Risk Management Division and HR Management Division):

- independent identification, assessment and monitoring of compliance risk the Group is exposed to (with a particular focus on new or modified products and services and the issues connected with inside information, conflict of interest or private account shares dealing by employees);
- providing advice and reporting to the Risk Management Committee, bank's Management Board and Audit and Compliance Committee on the effectiveness of the processes established to ensure compliance with laws and regulations within its area of responsibility;
- providing the management and staff with guidance on compliance risk and adequate risk management policies and procedures;
- centralisation of contacts with market regulators (KNF, UOKiK, GIIF and GIODO).

Legal and regulatory (compliance) risk management is coordinated by the Compliance Area reporting to the Management Board Member. The Area coordinates and supervises the process of compliance risk management across BZ WBK Group through subsidiary compliance units and pursuant to the applicable law.

Risk monitoring & reporting

The Compliance Area undertakes risk-based monitoring of compliance with relevant policies, procedures, regulatory requirements and codes of best practice. Monitoring is carried out by centralised units, Compliance Officers in dedicated units and subsidiaries, as well as staff of other controlling units acting on behalf of the Compliance Area (for branch network).

Risk prioritised compliance monitoring plans are prepared based on the risk assessment process. Monitoring is particularly focused on the issues connected with MiFID compliance.

The annual monitoring plan, accepted by the Audit and Compliance Committee, is reviewed and updated on a regular basis. Issues emerging from compliance monitoring are escalated for management attention, and action plans and implementation dates are agreed with the Compliance Area, which is also responsible for monitoring the timeliness and quality of delivery of such action plans.

5. Capital management

Introduction

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

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

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

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

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

Capital Policy

The Group's capital management policy envisages the minimum level of solvency ratio at 10% (calculated according to the Banking Law and KNF Resolutions) both for the Bank and the Group (watch limit has been set at 12%).

At the same time Tier 1 capital ratio (core equity capital to Risk Weighted Assets for credit, market and operational risk) should be maintained at a minimum level of 9% both for the Bank and the Group.

Regulatory Capital

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

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

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

The tables below show capital requirement for the Group as of 31 December 2012 and 2011:

| | | 31.12.2012 | 31.12.2011 |
|----|----------------------------|------------|------------|
| I | Total Capital requirement | 4 028 522 | 3 696 882 |
| II | Own funds after reductions | 8 325 742 | 6 977 554 |
| | CAD [II/(I*12.5)] | 16.53% | 15.10% |

Internal Capital

The underlying aim of Pillar 2 of the New Capital Accord is to carry out assessment of the internal capital adequacy, both current and future (ICAAP), independent from the regulatory methods. Under the ICAAP process, the Group estimates, allocates and maintains the required level of internal capital to ensure secure conduct of its banking business in accordance with the bank's risk appetite statement.

In 2012, BZ WBK Group finalised implementation of the new internal capital assessment methodology. The new internal capital assessment model based on the statistical loss estimation models for measurable risks, such as credit risk, operational risk and own assessment of capital requirements for other material risks not covered by the model, e.g. reputation risk, compliance risk or model risk.

The internal capital assessment process uses the Group's internal risk assessment models, including rating and scoring systems, and the risk parameters coming from these models, showing the likelihood of default by the customers of BZ WBK Group and suffering potential losses arising from the default.

Results of the ICAAP process are an element of assessment of the current and future capital requirements, and are the basis for assessment of risk appetite and the Group's strategy.

BZ WBK Group performs an internal assessment of capital requirements also in stressed conditions, taking into account different macroeconomic scenarios.

The internal capital estimation models are assessed and reviewed annually to adjust them to the scale and profile of the Group's business and to take account of any new risks and the management judgement.

The review and assessment is the responsibility of the Group's risk management committees, including: ALCO and the Models and Methodology Panel, which is part of the Risk Management Forum.

Subordinated liabilities

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

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

Detailed information on subordinated liabilities is presented in Note 33.

6. Net interest income

| | 01.01.2012 -31.12.2012 | 01.01.2011 -31.12.2011 |
|--|---------------------------|---------------------------|
| Interest income | | |
| Loans and advances to enterprises | 1 502 167 | 1 307 357 |
| Loans and advances to individuals, of which: | 1 213 859 | 1 042 925 |
| <i>Home mortgage loans</i> | 420 853 | 362 108 |
| Debt securities incl.: | 676 370 | 754 311 |
| <i>Investment portfolio held to maturity</i> | - | 287 123 |
| <i>Investment portfolio available for sale</i> | 567 980 | 342 168 |
| <i>Trading portfolio</i> | 108 390 | 125 020 |
| Leasing agreements | 172 509 | 177 026 |
| Loans and advances to banks | 90 463 | 78 264 |
| Public sector | 23 315 | 22 232 |
| Reverse repo transactions | 11 611 | 6 283 |
| Interest recorded on hedging IRS | 177 191 | 25 335 |
| Total | 3 867 485 | 3 413 733 |
| Interest expense | | |
| Deposits from individuals | (903 127) | (719 500) |
| Deposits from enterprises | (443 642) | (387 122) |
| Repo transactions | (84 070) | (131 700) |
| Public sector | (92 795) | (61 504) |
| Deposits from banks | (22 020) | (23 401) |
| Subordinated liabilities | (20 754) | (21 921) |
| Total | (1 566 408) | (1 345 148) |
| Net interest income | 2 301 077 | 2 068 585 |

As at 31.12.2012 net interest income includes interest on impaired loans of PLN 80 969 k (as at 31.12.2011 - PLN 114 153 k).

7. Net fee and commission income

| | 01.01.2012 -31.12.2012 | 01.01.2011 -31.12.2011 |
|---|---------------------------|---------------------------|
| Fee and commission income | | |
| eBusiness & payments | 440 379 | 391 533 |
| Current accounts and money transfer | 245 383 | 243 932 |
| Foreign exchange commissions | 233 782 | 224 263 |
| Asset management fees | 220 440 | 273 520 |
| Credit commissions | 154 931 | 115 509 |
| Insurance commissions | 108 401 | 68 758 |
| Brokerage commissions | 85 324 | 128 670 |
| Credit cards | 73 537 | 63 040 |
| Off-balance sheet guarantee commissions | 14 751 | 12 875 |
| Finance lease commissions | 5 146 | 4 069 |
| Issue arrangement | 4 932 | 15 321 |
| Distribution fees | 3 766 | 12 971 |
| Other commissions | 5 266 | 4 203 |
| Total | 1 596 038 | 1 558 664 |
| Fee and commission expense | | |
| eBusiness & payments | (93 892) | (77 907) |
| Distribution fees | (29 256) | (36 260) |
| Brokerage commissions | (19 186) | (28 371) |
| Commissions paid to credit agents | (11 916) | (12 174) |
| Credit cards | (10 014) | (7 168) |
| Finance lease commissions | (9 155) | (7 268) |
| Asset management fees and other costs | (7 390) | (8 369) |
| Other | (30 243) | (23 475) |
| Total | (211 052) | (200 992) |
| Net fee and commission income | 1 384 986 | 1 357 672 |

Included above is fee and commission income on credits, credits cards, off-balance sheet guarantees and finance leases of PLN 248 365 k (31.12.2011: PLN 195 493 k) and fee and commission expenses on credit cards, finance leases and paid to credit agents of PLN (31 085) k (31.12.2011: PLN (26 610) k) other than fees included in determining the effective interest rate, relating to financial assets and liabilities not carried at fair value through profit and loss.

8. Dividend income

| | 01.01.2012 -31.12.2012 | 01.01.2011 -31.12.2011 |
|--|---------------------------|---------------------------|
| Dividend income | | |
| Dividends from investment portfolio entities | 54 404 | 66 702 |
| Dividends from trading portfolio entities | 1 344 | 1 323 |
| Total | 55 748 | 68 025 |

9. Net trading income and revaluation

| | 01.01.2012 -31.12.2012 | 01.01.2011 -31.12.2011 |
|---|---------------------------|---------------------------|
| Net trading income and revaluation | | |
| Profit/(loss) on derivative instruments | 129 821 | 133 446 |
| Profit on interbank FX transactions | 18 083 | 96 773 |
| Other FX related income | 13 622 | 25 965 |
| Profit on market maker activity | 2 996 | 8 455 |
| Profit on equity instruments | 433 | - |
| Profit on debt instruments | (610) | 2 512 |
| Total | 164 345 | 267 151 |

Net trading income and revaluation includes the write-back of adjustments of derivatives resulting from counterparty risk in the amount of PLN 3 340 k for 2012 (of PLN 14 030 k for 2011).

10. Gains (losses) from other financial securities

| | 01.01.2012 -31.12.2012 | 01.01.2011 -31.12.2011 |
|--|---------------------------|---------------------------|
| Gains (losses) from other financial securities | | |
| Profit on sale of debt securities | 174 105 | 6 761 |
| Profit on sale of equity shares | 4 492 | 6 138 |
| Allowance for impairment | (1 386) | (2 321) |
| Total profit (losses) on financial instruments | 177 211 | 10 578 |
| Change in fair value of underlying hedged positions | 60 344 | (2 070) |
| Change in fair value of hedging instruments | (57 503) | 3 205 |
| Total profit (losses) on hedging and hedged instruments | 2 841 | 1 135 |
| Total | 180 052 | 11 713 |

11. Other operating income

| | 01.01.2012 -31.12.2012 | 01.01.2011 -31.12.2011 |
|---|---------------------------|---------------------------|
| Other operating income | | |
| Income on sale of services | 14 851 | 12 611 |
| Reimbursements of BGF charges | 11 274 | 10 649 |
| Release of provision for legal cases and other assets | 9 542 | 6 974 |
| Recovery of other receivables | 1 609 | 3 320 |
| Settlements of leasing agreements | 3 072 | 2 474 |
| Insurance indemnity received | 773 | 1 753 |
| Received compensations, penalties and fines | 558 | 1 644 |
| Other | 7 993 | 10 379 |
| Total | 49 672 | 49 804 |

12. Impairment losses on loans and advances

| | 01.01.2012 -31.12.2012 | 01.01.2011 -31.12.2011 |
|--|---------------------------|---------------------------|
| Impairment losses on loans and advances | | |
| Collective and individual impairment charge | (538 908) | (371 079) |
| Incurred but not reported losses charge | 19 263 | (4 713) |
| Recoveries of loans previously written off | 13 272 | 7 006 |
| Off balance sheet credit related items | 4 580 | (3 955) |
| Total | (501 793) | (372 741) |

13. Employee costs

| | 01.01.2012 -31.12.2012 | 01.01.2011 -31.12.2011 |
|--|---------------------------|---------------------------|
| Employee costs | | |
| Salaries and bonuses | (792 309) | (816 189) |
| Salary related costs | (123 004) | (117 235) |
| Staff benefits costs | (22 054) | (22 214) |
| Professional trainings | (16 723) | (17 526) |
| Retirement fund, holiday provisions and other employee-related costs | 966 | (3 645) |
| Total | (953 124) | (976 809) |

14. General and administrative expenses

| | 01.01.2012 | 01.01.2011 |
|--|--------------------|--------------------|
| General and administrative expenses | -31.12.2012 | -31.12.2011 |
| Maintenance and rentals of premises | (226 577) | (216 709) |
| IT systems costs | (93 537) | (90 032) |
| Marketing and representation | (77 072) | (83 646) |
| Bank Guarantee Fund, Polish Financial Supervision Authority and National Depository for Securities | (49 386) | (42 660) |
| Consulting fees | (45 711) | (27 459) |
| Postal and telecommunication costs | (39 721) | (46 313) |
| Car, transport expenses, carriage of cash | (36 950) | (35 044) |
| Other external services | (35 914) | (36 428) |
| Sundry taxes | (19 188) | (19 525) |
| Stationery, cards, cheques | (18 642) | (25 974) |
| Data transmission | (13 853) | (15 744) |
| KIR, SWIFT settlements | (12 430) | (11 307) |
| Security costs | (10 648) | (12 481) |
| Costs of repairs | (5 018) | (5 264) |
| Other | (15 341) | (13 750) |
| Total | (699 988) | (682 336) |

15. Other operating expenses

| | 01.01.2012 | 01.01.2011 |
|--|--------------------|--------------------|
| Other operating expenses | -31.12.2012 | -31.12.2011 |
| Donation paid | (4 634) | (1 988) |
| Charge of provisions for legal cases and other assets | (2 675) | (13 394) |
| Costs of purchased services | (1 757) | (2 289) |
| Paid compensations, penalties and fines | (1 568) | (2 012) |
| Other membership fees | (824) | (849) |
| Liquidation of fixed assets, intangible assets and assets for disposal | - | (6 527) |
| Other | (14 684) | (16 804) |
| Total | (26 142) | (43 863) |

16. Corporate income tax

| | 01.01.2012 -31.12.2012 | 01.01.2011 -31.12.2011 |
|-----------------------------|---------------------------|---------------------------|
| Corporate income tax | | |
| Current tax charge | (464 147) | (277 757) |
| Deferred tax | 89 743 | (37 806) |
| Total | (374 404) | (315 563) |

| | 01.01.2012 -31.12.2012 | 01.01.2011 -31.12.2011 |
|---|---------------------------|---------------------------|
| Corporate total tax charge information | | |
| Profit before tax | 1 837 039 | 1 542 430 |
| Tax rate | 19% | 19% |
| Tax calculated at the tax rate | (349 037) | (293 062) |
| Non-deductible expenses | (9 591) | (11 144) |
| Sale of receivables | (12 587) | (13 968) |
| Non-taxable income (dividends) | 9 744 | 12 584 |
| Non-tax deductible bad debt provisions | (7 567) | (10 067) |
| Other | (5 366) | 94 |
| Total income tax expense | (374 404) | (315 563) |

| | 31.12.2012 | 31.12.2011 |
|---|-------------------|-------------------|
| Deferred tax recognised directly in equity | | |
| The amount of deferred tax recognised directly in equity totaled: | | |
| Relating to equity securities available-for-sale | (94 386) | (94 743) |
| Relating to debt securities available-for-sale | (94 445) | (20 965) |
| Relating to cash flow hedging activity | (15 784) | (12 183) |
| Total | (204 615) | (127 891) |

17. Earnings per share

| | 01.01.2012 -31.12.2012 | 01.01.2011 -31.12.2011 |
|--|---------------------------|---------------------------|
| Net earnings per share (PLN/share) | | |
| Profit attributable to ordinary shares | 1 433 847 | 1 184 347 |
| Weighted average number of ordinary shares | 73 835 488 | 73 076 013 |
| Net earnings per share (PLN) | 19.42 | 16.21 |
| Profit attributable to ordinary shares | 1 433 847 | 1 184 347 |
| Weighted average number of ordinary shares | 73 835 488 | 73 076 013 |
| Weighted average number of potential ordinary shares * | 302 683 | 274 273 |
| Diluted earnings per share (PLN) | 19.34 | 16.15 |

- * The weighted average number of potential ordinary shares takes into account the number of share options granted under the incentive scheme described in note 51.

18. Cash and balances with central banks

| | 31.12.2012 | 31.12.2011 |
|---|------------------|------------------|
| Cash and balances with central banks | | |
| Cash | 1 084 108 | 932 600 |
| Current accounts in central banks | 3 073 166 | 290 908 |
| Term deposits | - | 202 033 |
| Total | 4 157 274 | 1 425 541 |

BZ WBK holds an obligatory reserve on a current account in the National Bank of Poland. The figure is calculated as a fixed percentage of the monthly average balance of the customers' deposits. As at 31.12.2012 the rate was 3.5%, as at 31.12.2011 – 3.5%. In accordance with the applicable regulations, the amount of the calculated provision is reduced by the equivalent of EUR 500 k.

19. Loans and advances to banks

| Loans and advances to banks | 31.12.2012 | 31.12.2011 |
|-----------------------------|------------------|------------------|
| Loans and advances | 916 567 | 428 823 |
| Current accounts, other | 473 748 | 775 349 |
| Buy-sell-back transaction | 67 813 | - |
| Total | 1 458 128 | 1 204 172 |

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

20. Financial assets and liabilities held for trading

The fair value of derivative financial instruments is determined using market quotations, discounted cash flow models and options valuation models, as appropriate.

Option contracts are stated at fair value using the market quotations or the option valuation models, as appropriate.

| Financial assets and liabilities held for trading | 31.12.2012 | | 31.12.2011 | |
|---|----------------|----------------|------------------|----------------|
| | Assets | Liabilities | Assets | Liabilities |
| Trading derivatives | 641 051 | 711 669 | 700 252 | 872 544 |
| Interest rate operations | 365 874 | 371 136 | 314 053 | 308 585 |
| Options | 564 | 564 | 132 | 132 |
| IRS | 356 991 | 358 516 | 304 421 | 300 206 |
| FRA | 8 319 | 12 056 | 9 500 | 8 247 |
| FX operations | 275 177 | 340 533 | 386 199 | 563 959 |
| CIRS | 75 561 | 152 711 | 42 149 | 120 636 |
| Forward | 27 050 | 22 343 | 97 509 | 32 182 |
| FX Swap | 142 466 | 135 140 | 150 924 | 316 003 |
| Spot | 901 | 1 140 | 2 015 | 1 536 |
| Options | 29 199 | 29 199 | 93 602 | 93 602 |
| Debt and equity securities | 190 664 | - | 5 135 791 | - |
| Debt securities | 176 963 | - | 5 082 985 | - |
| Government securities: | 175 487 | - | 431 084 | - |
| - bonds | 175 487 | - | 431 084 | - |
| Central Bank securities: | - | - | 4 647 956 | - |
| - bills | - | - | 4 647 956 | - |
| Other securities: | 1 476 | - | 3 945 | - |
| - bonds | 1 476 | - | 3 945 | - |
| Equity securities: | 13 701 | - | 52 806 | - |
| - listed | 13 701 | - | 52 806 | - |
| Short sale | - | 17 162 | - | 59 173 |
| Total financial assets/liabilities | 831 715 | 728 831 | 5 836 043 | 931 717 |

Financial assets and liabilities held for trading - trading derivatives include value adjustments resulting from counterparty risk in the amount of PLN (30) k as at 31.12.2012, PLN (396) k as at 31.12.2011.

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

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

All financial assets measured at fair value through profit and loss are assigned to this category due to the trading character of the transactions. At 31.12.2012 and in comparable period there were no cases of instruments designated to financial assets measured at fair value through profit and loss at initial recognition.

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

| Derivatives' nominal values | | 31.12.2012 | 31.12.2011 |
|--|--|-------------------|-------------------|
| 1. Term derivatives (hedging) | | 14 675 607 | 10 702 996 |
| a) | Single-currency interest rate swaps | 1 085 000 | 341 696 |
| b) | Macro cash flow hedge -purchased (IRS) | 2 213 144 | 2 269 914 |
| c) | Macro cash flow hedge -purchased (CIRS) | 5 585 823 | 3 768 628 |
| d) | Macro cash flow hedge -sold (CIRS) | 5 791 640 | 4 322 758 |
| 2. Term derivatives (trading) | | 67 094 143 | 82 651 253 |
| a) | Interest rate operations | 35 333 886 | 49 413 206 |
| | Single-currency interest rate swaps | 27 982 342 | 31 449 423 |
| | FRA - purchased amounts | 6 850 000 | 17 900 000 |
| | Options | 501 544 | 63 783 |
| b) | FX operations | 31 760 257 | 33 238 047 |
| | FX swap – purchased amounts | 8 020 505 | 11 006 569 |
| | FX swap – sold amounts | 8 008 784 | 11 127 200 |
| | Forward- purchased amounts | 1 483 082 | 2 088 999 |
| | Forward- sold amounts | 1 482 429 | 2 041 784 |
| | Cross-currency interest rate swaps – purchased amounts | 4 965 537 | 1 320 069 |
| | Cross-currency interest rate swaps – sold amounts | 5 033 742 | 1 405 598 |
| | FX options -purchased | 1 383 089 | 2 123 914 |
| | FX options -sold | 1 383 089 | 2 123 914 |
| 3. Currency transactions- spot | | 1 889 992 | 2 343 838 |
| | Spot-purchased | 944 898 | 1 172 159 |
| | Spot-sold | 945 094 | 1 171 679 |
| 4. Transactions on equity instruments | | 11 300 | 47 369 |
| | Futures - sold | 11 300 | 47 369 |
| Total | | 83 671 042 | 95 745 456 |

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

21. Hedging derivatives

| Hedging derivatives | 31.12.2012 | | 31.12.2011 | |
|----------------------------------|----------------|----------------|----------------|----------------|
| | Assets | Liabilities | Assets | Liabilities |
| IRS hedging fair value | - | 59 912 | 5 110 | 3 723 |
| IRS hedging cash flow | 253 553 | 262 038 | 136 526 | 520 002 |
| Total hedging derivatives | 253 553 | 321 950 | 141 636 | 523 725 |

22. Loans and advances to customers

| Loans and advances to customers | 31.12.2012 | 31.12.2011 |
|--|-------------------|-------------------|
| Loans and advances to enterprises | 25 280 604 | 24 262 182 |
| Loans and advances to individuals, of which: | 13 708 551 | 12 572 576 |
| <i>Home mortgage loans</i> | 8 080 532 | 7 605 063 |
| Finance lease receivables | 2 289 852 | 2 335 543 |
| Loans and advances to public sector | 105 366 | 259 057 |
| Buy-sell-back transaction | 15 234 | 100 |
| Other | 12 154 | 2 960 |
| Gross receivables | 41 411 761 | 39 432 418 |
| Impairment write down | (1 544 207) | (1 415 245) |
| Total | 39 867 554 | 38 017 173 |

As at 31.12.2012 the fair value adjustment due to hedged risk on corporate loans was PLN 0 (as at 31.12.2011: PLN 0).

Finance lease receivables are presented in note 43. Fair value of loans and advances to customers is presented in note 40.

| Movements on impairment losses on loans and advances to customers | 31.12.2012 | 31.12.2011 |
|--|--------------------|--------------------|
| Individual and collective impairment | | |
| As at the beginning of the period | (1 069 296) | (1 069 646) |
| Charge/write back of current period | (538 908) | (371 079) |
| Write off/Sale of receivables | 381 667 | 352 347 |
| Transfer | 16 215 | 24 829 |
| F/X differences | 3 001 | (5 747) |
| Balance at the end of the period | (1 207 321) | (1 069 296) |
| IBNR | | |
| As at the beginning of the period | (345 949) | (337 975) |
| Charge/write back of current period | 19 263 | (4 713) |
| Transfer | (13 018) | 27 |
| F/X differences | 2 818 | (3 288) |
| Balance at the end of the period | (336 886) | (345 949) |
| Impairment write down | (1 544 207) | (1 415 245) |

23. Investment securities available for sale

| Investment securities available for sale | 31.12.2012 | 31.12.2011 |
|--|-------------------|-------------------|
| Available for sale investments - measured at fair value | | |
| Debt securities | 11 048 024 | 10 971 561 |
| Government securities: | 7 711 424 | 10 893 773 |
| - bonds | 7 711 424 | 10 893 773 |
| Central Bank securities: | 2 099 256 | - |
| - bills | 2 099 256 | - |
| Commercial securities: | 1 237 344 | 77 788 |
| - bonds | 1 237 344 | 77 788 |
| Equity securities | 627 180 | 629 194 |
| - listed | 13 441 | 19 475 |
| - unlisted | 613 739 | 609 719 |
| Investment certificates | 40 929 | 51 440 |
| Total | 11 716 133 | 11 652 195 |

As at 31.12.2012 fixed interest rate debt securities measured at fair value amount to PLN 9 838 570 k, variable interest rate securities amount to PLN 1 209 454 k.

As at 31.12.2011 fixed interest rate debt securities measured at fair value amount to PLN 9 986 695 k, variable interest rate securities amount to PLN 984 866 k.

As at 31.12.2012 fair value adjustment resulting from fair value hedge on available for sale bonds totaled PLN 62 554 k (as at 31.12.2011: PLN 1 233 k).

Unlisted equity investments classified as available-for-sale for which no active market exists are recognized at cost and tested for impairment or their fair value is assessed based on valuation models. The Group performs the review of the fair value of its unlisted available-for-sale financial instruments at each balance sheet date. The review did not reveal any material changes in the disclosed carrying amounts of the instruments. Fair value of the investments into the companies from the Aviva Polska Group was determined for three key investments. Valuation was conducted using the peer comparison method as well as discounted cash flow analysis.

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



| Movements on investment securities available for sale | Debt securities | Financial instruments representing equity rights | Total |
|---|-------------------|--|-------------------|
| As at 1 January 2012 | 10 971 561 | 680 634 | 11 652 195 |
| Additions | 41 537 666 | 9 323 | 41 546 989 |
| Disposals (sale and maturity) | (41 659 215) | (21 439) | (41 680 654) |
| Fair value adjustment | 448 057 | 987 | 449 044 |
| Movements on interest accrued | (226 281) | - | (226 281) |
| Allowances for impairment | - | (1 386) | (1 386) |
| F/X differences | (23 764) | (10) | (23 774) |
| As at 31 December 2012 | 11 048 024 | 668 109 | 11 716 133 |

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

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

24. Financial assets held to maturity

| Financial assets held to maturity | 31.12.2012 | 31.12.2011 |
|-----------------------------------|------------|------------|
| Government securities: | - | - |
| - bonds | - | - |
| Total | - | - |

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

| Movements on financial assets held to maturity | 31.12.2012 | 31.12.2011 |
|--|------------|------------------|
| Balance as at 1 January | - | 5 749 408 |
| Reclassification* | - | (4 627 410) |
| Maturity | - | (1 086 827) |
| Fair value amortisation | - | 10 206 |
| Movements on interest accrued | - | (45 377) |
| As at end of reporting period | - | - |

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

25. Investments in associates and joint ventures

| Investments in associates and joint ventures | 31.12.2012 | 31.12.2011 |
|--|----------------|----------------|
| Associates | 61 647 | 61 682 |
| Joint ventures | 54 038 | 42 830 |
| Total | 115 685 | 104 512 |

| Movements on investments in associates and joint ventures | 31.12.2012 | 31.12.2011 |
|---|----------------|----------------|
| Balance as at 1 January | 104 512 | 87 360 |
| Share of profits/(losses) | 19 746 | 11 104 |
| Transfer | - | 4 050 |
| Sale/acquisition | (4 541) | 5 018 |
| Other/dividend | (4 032) | (3 020) |
| Balance at the end of the period | 115 685 | 104 512 |

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

Details of acquisition of associates and joint ventures are disclosed in note 47.

Investments in associates and joint ventures as at 31.12.2012

| Name of entity | POLFUND - Fundusz Poręczeń Kredytowych S.A.* | BZ WBK Aviva Towarzystwo Ubezpieczeń na Życie S.A.* | BZ WBK Aviva Towarzystwo Ubezpieczeń Ogólnych S.A.* | Metrohouse & Partnerzy S.A.* | Krynicki Recykling S.A.** | Total |
|--------------------------------|--|--|--|---------------------------------|---------------------------------|-----------|
| Registered office | Szczecin | Poznań | Poznań | Warszawa | Olsztyn | |
| Type of connection | Associate | Joint venture | Joint venture | Associate | Associate | |
| % of holding*** | 50.00 | 50.00 | 50.00 | 21.23 | 24.54 | |
| Balance sheet value | 41 733 | 27 502 | 26 536 | 4 506 | 15 408 | 115 685 |
| Total assets | 89 088 | 1 012 477 | 273 876 | 5 187 | 113 957 | 1 494 585 |
| Own funds of entity, of which: | 83 466 | 53 047 | 51 183 | 1 610 | 43 604 | 232 910 |
| Share capital | 16 000 | 24 250 | 27 000 | 1 083 | 1 488 | 69 821 |
| Other own funds, of which: | 67 466 | 28 797 | 24 183 | 527 | 42 116 | 163 089 |
| <i>from previous years</i> | 2 389 | - | - | (1 600) | - | 789 |
| <i>net profit (loss)</i> | 3 697 | 12 943 | 14 165 | (722) | 3 204 | 33 287 |
| Liabilities of entity | 5 622 | 959 430 | 222 693 | 3 577 | 70 353 | 1 261 675 |
| Revenue | 10 316 | 594 262 | 103 242 | 20 809 | 24 211 | 752 840 |
| Costs | 5 895 | 578 116 | 85 689 | 21 531 | 20 534 | 711 765 |

*selected financial information as at end of November 2012

**selected financial information as at end of September 2012

***states percentage share of associates or joint venture profits

| Name of entity | Business |
|--|---|
| POLFUND - Fundusz Poręczeń Kredytowych S.A. | providing lending guarantees, investing and managing funds invested in companies, management |
| BZ WBK Aviva Towarzystwo Ubezpieczeń na Życie S.A. | life insurance |
| BZ WBK Aviva Towarzystwo Ubezpieczeń Ogólnych S.A. | property and personal insurance |
| Metrohouse & Partnerzy S.A. | selling and purchasing real estate, mediating in the real property trade, serving financial consultancy |
| Krynicki Recykling S.A. | waste management |

Investments in associates and joint ventures as at 31.12.2011

| Name of entity | POLFUND - Fundusz Poręczeń Kredytowych S.A.* | BZ WBK Aviva Towarzystwo Ubezpieczeń na Życie S.A. | BZ WBK Aviva Towarzystwo Ubezpieczeń Ogólnych S.A. | Metrohouse & Partnerzy S.A.* | Krynicki Recykling S.A.** | Holicon Group S.A.* | Total |
|--------------------------------|--|---|---|---------------------------------|---------------------------------|------------------------|------------------|
| Registered office | Szczecin | Poznań | Poznań | Warszawa | Olsztyn | Poznań | |
| Type of connection | Associate | Joint venture | Joint venture | Associate | Associate | Associate | |
| % of holding*** | 50.00 | 50.00 | 50.00 | 21.23 | 24.54 | 47.09 | |
| Balance sheet value | 38 464 | 20 102 | 22 728 | 4 297 | 14 356 | 4 565 | 104 512 |
| Total assets | 83 982 | 688 412 | 210 051 | 6 401 | 70 276 | 16 365 | 1 075 487 |
| Own funds of entity, of which: | 76 929 | 40 204 | 45 455 | 3 358 | 40 031 | 9 736 | 215 713 |
| Share capital | 16 000 | 24 250 | 27 000 | 1 083 | 1 488 | 8 600 | 78 421 |
| Other own funds, of which: | 60 929 | 15 954 | 18 455 | 2 275 | 38 543 | 1 136 | 137 292 |
| from previous years | 2 616 | (4 222) | - | (1 006) | 6 551 | 793 | 4 732 |
| net profit (loss) | 2 980 | 5 028 | 11 125 | 431 | 856 | 343 | 20 763 |
| Liabilities of entity | 7 053 | 648 208 | 164 596 | 3 043 | 30 245 | 6 629 | 859 774 |
| Revenue | 8 096 | 497 348 | 94 075 | 21 248 | 19 609 | 34 963 | 675 339 |
| Costs | 4 081 | 491 564 | 80 229 | 488 | 18 691 | 34 113 | 629 166 |

*selected financial information as at end of November 2011

**selected financial information as at end of September 2011

***states percentage share of associates or joint venture profits

| Name of entity | Business |
|--|---|
| POLFUND - Fundusz Poręczeń Kredytowych S.A. | providing lending guarantees, investing and managing funds invested in companies, management |
| BZ WBK Aviva Towarzystwo Ubezpieczeń na Życie S.A. | life insurance |
| BZ WBK Aviva Towarzystwo Ubezpieczeń Ogólnych S.A. | property and personal insurance |
| Metrohouse & Partnerzy S.A. | selling and purchasing real estate, mediating in the real property trade, serving financial consultancy |
| Krynicki Recykling S.A. | waste management |
| Holicon Group S.A. | business outsourcing services incl.: call and contact centre, HR management |

26. Intangible assets

| Intangible assets Year 2012 | Licences, patents etc. | Other (incl. know-how) | Capital expenditures | Total |
|---|---------------------------|---------------------------|-------------------------|-------------------|
| Gross value - beginning of the period | 702 328 | 6 019 | 78 089 | 786 436 |
| Additions from: | | | | |
| - purchases | - | - | 42 717 | 42 717 |
| - intangible assets taken for use | 78 013 | - | - | 78 013 |
| - transfers | 2 | - | 4 | 6 |
| Disposals from: | | | | |
| - liquidation | (551) | - | (26) | (577) |
| - intangible assets taken for use | - | - | (78 013) | (78 013) |
| - transfers | (20 487) | - | (137) | (20 624) |
| Gross value - end of the period | 759 305 | 6 019 | 42 634 | 807 958 |
| Accumulated depreciation - beginning of the period | (629 251) | (6 019) | - | (635 270) |
| Additions/disposals from: | | | | |
| - current year | (51 291) | - | - | (51 291) |
| - liquidation | 380 | - | - | 380 |
| - transfers | 5 561 | - | - | 5 561 |
| Write down/Reversal of impairment write down | - | - | - | - |
| Accumulated depreciation- end of the period | (674 601) | (6 019) | - | (680 620) |
| Balance sheet value | | | | |
| Purchase value | 759 305 | 6 019 | 42 634 | 807 958 |
| Accumulated depreciation | (674 601) | (6 019) | - | (680 620) |
| As at 31 December 2012 | 84 704 | - | 42 634 | 127 338 |

| Intangible assets Year 2011 | Licences, patents etc. | Other (incl. know-how) | Capital expenditures | Total |
|---|---------------------------|---------------------------|-------------------------|-------------------|
| Gross value - beginning of the period | 667 481 | 6 045 | 44 594 | 718 120 |
| Additions from: | | | | |
| - purchases | - | - | 76 855 | 76 855 |
| - intangible assets taken for use | 41 470 | - | - | 41 470 |
| - transfers | 29 | - | 52 | 81 |
| Disposals from: | | | | |
| - liquidation | (6 649) | - | (1 360) | (8 009) |
| - intangible assets taken for use | - | - | (41 470) | (41 470) |
| - transfers | (3) | (26) | (582) | (611) |
| Gross value - end of the period | 702 328 | 6 019 | 78 089 | 786 436 |
| Accumulated depreciation - beginning of the period | (539 527) | (6 032) | - | (545 559) |
| Additions/disposals from: | | | | |
| - current year | (94 740) | (12) | - | (94 752) |
| - liquidation | 5 640 | - | - | 5 640 |
| - transfers | (23) | 25 | - | 2 |
| Write down/Reversal of impairment write down | (601) | - | - | (601) |
| Accumulated depreciation- end of the period | (629 251) | (6 019) | - | (635 270) |
| Balance sheet value | | | | |
| Purchase value | 702 328 | 6 019 | 78 089 | 786 436 |
| Accumulated depreciation | (629 251) | (6 019) | - | (635 270) |
| As at 31 December 2011 | 73 077 | - | 78 089 | 151 166 |

27. Property, plant and equipment

| Property, plant & equipment Year 2012 | Land and buildings | Equipment | Transportation means | Other fixed assets | Capital expenditures | Total |
|---|-----------------------|-------------------|-------------------------|-----------------------|-------------------------|-------------------|
| Gross value - beginning of the period | 652 931 | 270 608 | 67 057 | 335 722 | 22 312 | 1 348 630 |
| Additions from: | | | | | | |
| - purchases | - | - | - | - | 39 919 | 39 919 |
| - leasing | - | - | 23 301 | - | - | 23 301 |
| - fixed assets taken for use | 1 162 | 23 412 | 242 | 8 775 | - | 33 591 |
| - transfers | - | 173 522 | 536 | - | 97 | 174 155 |
| Disposals from: | | | | | | |
| - sale, liquidation, donation | (4 680) | (16 857) | (3 278) | (6 226) | (216) | (31 257) |
| - fixed assets taken for use | - | - | - | - | (33 590) | (33 590) |
| - transfers | - | (24) | (27 259) | (152 896) | (41) | (180 220) |
| Gross value - end of the period | 649 413 | 450 661 | 60 599 | 185 375 | 28 481 | 1 374 529 |
| Accumulated depreciation - beginning of the period | (344 977) | (222 601) | (27 019) | (254 240) | - | (848 837) |
| Additions/disposals from: | | | | | | |
| - current year | (25 235) | (39 173) | (9 731) | (12 510) | - | (86 649) |
| - sale, liquidation, donation | 2 878 | 16 670 | 2 562 | 5 983 | - | 28 093 |
| - transfers | (21) | (104 723) | 18 263 | 99 156 | - | 12 675 |
| Accumulated depreciation- end of the period | (367 355) | (349 827) | (15 925) | (161 611) | - | (894 718) |
| Balance sheet value | | | | | | |
| Purchase value | 649 413 | 450 661 | 60 599 | 185 375 | 28 481 | 1 374 529 |
| Accumulated depreciation | (367 355) | (349 827) | (15 925) | (161 611) | - | (894 718) |
| As at 31 December 2012 | 282 058 | 100 834 | 44 674 | 23 764 | 28 481 | 479 811 |

| Property, plant & equipment Year 2011 | Land and buildings | Equipment | Transportation means | Other fixed assets | Capital expenditures | Total |
|---|-----------------------|------------------|-------------------------|-----------------------|-------------------------|------------------|
| Gross value - beginning of the period | 657 934 | 312 229 | 44 786 | 327 140 | 23 921 | 1 366 010 |
| Additions from: | | | | | | |
| - purchases | - | - | - | - | 41 760 | 41 760 |
| - leasing | - | - | 16 704 | - | - | 16 704 |
| - fixed assets taken for use | 4 876 | 23 842 | 1 362 | 13 553 | - | 43 633 |
| - transfers | - | 49 | 19 444 | 19 288 | 416 | 39 197 |
| Disposals from: | | | | | | |
| - sale, liquidation, donation | (9 879) | (46 225) | (1 943) | (24 246) | (151) | (82 444) |
| - fixed assets taken for use | - | - | - | - | (43 634) | (43 634) |
| - transfers | - | (19 287) | (13 296) | (13) | - | (32 596) |
| Gross value - end of the period | 652 931 | 270 608 | 67 057 | 335 722 | 22 312 | 1 348 630 |
| Accumulated depreciation - beginning of the period | (296 795) | (256 466) | (30 652) | (234 561) | - | (818 474) |
| Additions/disposals from: | | | | | | |
| - current year | (56 433) | (31 409) | (10 054) | (23 227) | - | (121 123) |
| - sale, liquidation, donation | 8 230 | 45 883 | 1 693 | 22 818 | - | 78 624 |
| - transfers | 21 | 19 391 | 11 994 | (19 270) | - | 12 136 |
| Accumulated depreciation - end of the period | (344 977) | (222 601) | (27 019) | (254 240) | - | (848 837) |
| Balance sheet value | | | | | | |
| Purchase value | 652 931 | 270 608 | 67 057 | 335 722 | 22 312 | 1 348 630 |
| Accumulated depreciation | (344 977) | (222 601) | (27 019) | (254 240) | - | (848 837) |
| As at 31 December 2011 | 307 954 | 48 007 | 40 038 | 81 482 | 22 312 | 499 793 |

28. Net deferred tax assets

| Deferred tax asset | 31.12.2012 | 31.12.2011 |
|---|------------------|------------------|
| Provisions for loans | 168 286 | 200 098 |
| Unrealized liabilities due to derivatives | 214 291 | 89 177 |
| Other provisions which are not yet taxable costs | 56 085 | 64 496 |
| Deferred income | 96 420 | 88 562 |
| Difference between balance sheet and taxable value of leasing portfolio | 69 001 | 63 624 |
| Unrealized interest on credits, loans and securities | 115 773 | 42 063 |
| Depreciation, amortisation - effects of a change in estimate | 14 771 | 14 560 |
| Unrealised FX translation differences from b/s valuation of receivables and liabilities | 405 | 441 |
| Other | 2 477 | 588 |
| Total | 737 509 | 563 609 |
| Deferred tax liability | 31.12.2012 | 31.12.2011 |
| Revaluation of financial instruments available for sale* | (188 832) | (116 092) |
| Unrealised receivables on derivatives | (170 315) | (99 118) |
| Unrealised interests from loans, securities and interbank deposits | (85 780) | (70 225) |
| Provision due to application of investment relief | (3 088) | (3 269) |
| Unrealised FX translation differences from b/s valuation of receivables and liabilities | (3 437) | (5 687) |
| Cash flow hedges valuation* | (15 784) | (12 183) |
| Other | (12 236) | (12 016) |
| Total | (479 472) | (318 590) |
| Net deferred tax assets | 258 037 | 245 019 |

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

As at 31 December 2012 the calculation of deferred tax asset did not include purchased receivables of PLN 14 728 k and loans that will not be realised of PLN 56 485 k.

As at 31 December 2011 the calculation of deferred tax asset did not include purchased receivables of PLN 14 757 k and loans that will not be realised of PLN 62 345 k.

| Movements on net deferred tax | 31.12.2012 | 31.12.2011 |
|--|-------------------|-------------------|
| As at the beginning of the period | 245 019 | 309 164 |
| Changes recognised in income statement | 89 743 | (37 806) |
| Changes recognised in other net comprehensive income | (76 725) | (26 473) |
| Transfer | - | 134 |
| Balance at the end of the period | 258 037 | 245 019 |

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

29. Assets classified as held for sale

| Assets classified as held for sale | 31.12.2012 | 31.12.2011 |
|---|-------------------|-------------------|
| Land and buildings | - | 82 511 |
| Equipment | - | 93 |
| Total | - | 82 604 |

As an effect of not meeting requirements described in IFRS 5, Bank decided to reclassify repossessed assets from line Assets classified as held for sale to Other assets.

30. Other assets

| Other assets | 31.12.2012 | 31.12.2011 |
|--|-------------------|-------------------|
| Sundry debtors * | 512 439 | 237 764 |
| Settlements of stock exchange transactions | 44 287 | 47 983 |
| Interbank and interbranch settlements | 76 800 | 85 414 |
| Prepayments | 44 994 | 43 930 |
| Repossessed assets** | 74 764 | - |
| Other | 665 | 1 011 |
| Total | 753 949 | 416 102 |

* "Sundry debtors" include balance of unsettled transactions with the National Depository for Securities (KDPW). Changes in the settlements are associated with the occurrence of non-trading days on the Warsaw Stock Exchange in the days before the end of the accounting period.

** As an effect of not meeting requirements described in IFRS 5, Bank decided to reclassify repossessed assets from line Assets classified as held for sale to Other assets.

31. Deposits from banks

| Deposits from banks | 31.12.2012 | 31.12.2011 |
|----------------------------|-------------------|-------------------|
| Loans from other banks | 59 388 | 143 572 |
| Repo transactions | 668 150 | 2 240 824 |
| Term deposits | 331 073 | 12 495 |
| Current accounts | 292 439 | 108 179 |
| Total | 1 351 050 | 2 505 070 |

As at 31.12.2012 fair value adjustment for hedged deposit totaled PLN nil (as at 31.12.2011 – PLN nil).

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

32. Deposits from customers

| Deposits from customers | 31.12.2012 | 31.12.2011 |
|------------------------------------|-------------------|-------------------|
| Deposits from individuals | 28 636 346 | 27 111 339 |
| Term deposits | 15 991 323 | 14 822 913 |
| Current accounts | 12 605 499 | 12 254 430 |
| Other | 39 524 | 33 996 |
| Deposits from enterprises | 16 538 707 | 17 881 182 |
| Term deposits | 9 224 568 | 11 786 350 |
| Current accounts | 5 618 926 | 4 702 194 |
| Sell-buy-back transactions | 205 033 | - |
| Loans | 1 186 187 | 1 047 963 |
| Other | 303 993 | 344 675 |
| Deposits from public sector | 1 902 041 | 1 836 961 |
| Term deposits | 648 281 | 806 083 |
| Current accounts | 1 251 996 | 1 028 988 |
| Other | 1 764 | 1 890 |
| Total | 47 077 094 | 46 829 482 |

As at 31.12.2012 deposits held as collateral totaled PLN 244 389 k (as at 31.12.2011 - PLN 190 840 k).

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

33. Subordinated liabilities

| Subordinated liabilities | Nominal value | Currency | Redemption date | As at the end of the period |
|-------------------------------|---------------|----------|-----------------|-----------------------------|
| Subordinated liabilities | 100 000 | EUR | 05.08.2020 | 409 110 |
| As at 31 December 2012 | | | | 409 110 |

| Movements in Subordinated Liabilities | 31.12.2012 | 31.12.2011 |
|--|------------------|------------------|
| As at the beginning of the period | 441 234 | 395 230 |
| Increase (due to): | 20 263 | 69 003 |
| - interest on subordinated loan | 20 263 | 21 921 |
| - FX differences | - | 47 082 |
| Decrease (due to): | (52 387) | (22 999) |
| - interest repayment | (19 560) | (22 999) |
| - FX differences | (32 827) | - |
| As at the end of the period | 409 110 | 441 234 |
| Short-term | 4 378 | 3 971 |
| Long-term (over 1 year) | 404 732 | 437 263 |

BZ WBK Group issued subordinated debt to mitigate FX rate sensitivity and increase efficiency of own funding. In line with the KNF decision subordinated liabilities have been recognised as the supplementary capital and since Q4 2010 are included in the solvency ratio calculations. Other details on these liabilities are disclosed in Note 5.



34. Other liabilities

| Other liabilities | 31.12.2012 | 31.12.2011 |
|---|----------------|------------------|
| Provisions: | 226 696 | 252 387 |
| <i>Employee provisions</i> | 190 865 | 206 274 |
| <i>Provisions for legal claims</i> | 15 912 | 17 590 |
| <i>Provisions for off balance sheet credit facilities</i> | 16 619 | 21 223 |
| <i>Other</i> | 3 300 | 7 300 |
| Interbank and interbranch settlements | 217 711 | 369 125 |
| Other deferred and suspended income | 106 727 | 119 791 |
| Accrued liabilities | 67 121 | 56 244 |
| Sundry creditors | 250 671 | 182 849 |
| Settlements of stock exchange transactions | 63 490 | 39 760 |
| Public and law settlements | 43 711 | 36 769 |
| Finance lease related settlements | 21 650 | 25 267 |
| Other | 735 | 263 |
| Total | 998 512 | 1 082 455 |

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

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

| Change in provision | 31.12.2012 | 31.12.2011 |
|---|-------------------|-------------------|
| As at the beginning of the period | 252 387 | 247 275 |
| Employee provisions | 206 274 | 212 540 |
| Provisions for legal claims | 17 590 | 17 518 |
| Provisions for off balance sheet credit facilities | 21 223 | 17 217 |
| Other | 7 300 | - |
| Provision charge | 226 677 | 236 446 |
| Employee provisions | 183 058 | 192 818 |
| Provisions for legal claims | 711 | 1 836 |
| Provisions for off balance sheet credit facilities | 42 908 | 34 492 |
| Other | - | 7 300 |
| Utilization | (185 847) | (188 610) |
| Employee provisions | (184 201) | (187 496) |
| Provisions for legal claims | (1 622) | (1 165) |
| Provisions for off balance sheet credit facilities | (24) | 51 |
| Other | - | - |
| Write back | (66 521) | (42 724) |
| Employee provisions | (14 266) | (11 588) |
| Provisions for legal claims | (767) | (599) |
| Provisions for off balance sheet credit facilities | (47 488) | (30 537) |
| Other | (4 000) | - |
| Balance at the end of the period | 226 696 | 252 387 |
| Employee provisions | 190 865 | 206 274 |
| Provisions for legal claims | 15 912 | 17 590 |
| Provisions for off balance sheet credit facilities | 16 619 | 21 223 |
| Other | 3 300 | 7 300 |

35. Share capital

31.12.2012

| Series/ issue | Type of share | Type of preferences | Limitation of rights to shares | Number of shares | Nominal value of series/issue |
|---------------|---------------|---------------------|--------------------------------|-------------------|-------------------------------|
| A | bearer | none | none | 5 120 000 | 51 200 |
| B | bearer | none | none | 724 073 | 7 241 |
| C | bearer | none | none | 22 155 927 | 221 559 |
| D | bearer | none | none | 1 470 589 | 14 706 |
| E | bearer | none | none | 980 393 | 9 804 |
| F | bearer | none | none | 2 500 000 | 25 000 |
| G | bearer | none | none | 40 009 302 | 400 093 |
| H | bearer | none | none | 115 729 | 1 157 |
| I | bearer | none | none | 1 561 618 | 15 616 |
| | | | | 74 637 631 | 746 376 |

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

The shareholder having a minimum 5 % of the total number of votes at the BZW BK Annual General Meeting of Shareholders was Banco Santander S.A. The company's interest in the share capital and the voting power of Bank Zachodni WBK is 94.23 %. The remaining shares are in free float.

Capital increase and admission of new shares to trading on the stock exchange

- On 6 July 2012, the bank completed a private subscription of ordinary bearer shares, series I, without pre-emptive rights. The 1 561 618 shares with a nominal value of PLN 10 were fully acquired by the European Bank for Reconstruction and Development (EBRD). The issue price was PLN 212.60 per share. The subscription took place under the resolution of the Annual General Meeting of Shareholders of Bank Zachodni WBK of 10 May 2012.
- On 9 August 2012, i.e. on the day of registration of the appropriate amendments to the Bank's Statutes in the National Court Register, the share capital of Bank Zachodni WBK was increased by PLN 15,616,180 to PLN 746,376,310. The increased capital was fully paid up.
- The Management Board of Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange) issued Resolution no. 846/2012 of 27 August 2012 confirming admission of the ordinary series I shares to trading on the main market.
- Under § 38 section 1 and section 3 of the Warsaw Stock Exchange Regulations, the Management of the Warsaw Stock Exchange decided that the shares would be admitted to the main market effective from 30 August 2012, following registration of the shares by the National Depository of Securities and marking them with code PLBZ00000044. After the shares were registered on 30 August 2012, the total number of shares of Bank Zachodni WBK increased to 74 637 631.

31.12.2011

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

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

The shareholder having a minimum 5% of the total number of votes at the BZWBK Annual General Meeting of Shareholders was Banco Santander S.A. The company's interest in the share capital and the voting power of Bank Zachodni WBK is 96.25%. The remaining shares are in free float.

36. Other reserve funds

| Other reserve funds | 31.12.2012 | 31.12.2011 |
|------------------------------|------------------|------------------|
| General banking risk fund | 649 810 | 649 810 |
| Share premium | 578 082 | 261 699 |
| Other reserves of which: | 4 476 788 | 3 787 375 |
| <i>Reserve capital</i> | 4 236 966 | 3 559 505 |
| <i>Supplementary capital</i> | 239 822 | 227 870 |
| Total | 5 704 680 | 4 698 884 |

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

Reserve capital as at 31.12.2012 includes share scheme charge of PLN 58 648 k and reserve capital as at 31.12.2011 includes share scheme charge of PLN 38 177 k.

Other movements of other reserve funds are presented in "movements on consolidated equity" for 2012 and 2011.

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

Reserve capital is created from profit allocations in the amount adopted by the General Meeting of Shareholders. The decision on reserve capital use is taken by the General Meeting of Shareholders.

37. Revaluation reserve

| Revaluation reserve | 31.12.2012 | 31.12.2011 |
|---|----------------|----------------|
| As at 31 December | 545 318 | 433 134 |
| Net change in available for sale investments, of which: | 560 432 | 18 902 |
| Increase: | 563 986 | 20 475 |
| - related to debt investments purchased before current reporting period | 449 042 | 15 218 |
| - related to debt investments purchased/assigned in the period | 70 299 | - |
| - related to equity investments purchased before current reporting period | - | 128 |
| - net change in available for sale investments matured in the period | 44 645 | 5 129 |
| Decrease: | (3 554) | (1 573) |
| - related to equity investments purchased before current reporting period | (1 676) | - |
| - related to equity investments purchased in the period | (1 878) | - |
| - net change in available for sale investments matured in the period | - | (1 573) |
| Measurement at fair value of reclassified bonds * | - | 69 132 |
| Gross valuation related to cash flow hedge | 18 955 | 61 632 |
| Decrease in revaluation reserve related to sale of investments | (175 581) | (11 009) |
| Deferred tax adjustment | (76 724) | (26 473) |
| Total | 872 400 | 545 318 |

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

38. Hedge accounting

The Group applies hedge accounting in line with the risk management assumptions described in note 4 of the annual consolidated financial statements.

Fair value hedge

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

- Fixed rate debt securities denominated in PLN, forming a group of assets covered with an interest rate hedge,
- PLN deposits.

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

The tables below contain details about individual groups of hedge transactions for 2012 and 2011:

| 31.12. 2012 | Bonds |
|--|--------------------|
| Nominal value of hedging position in PLN k | 1 085 000 |
| Fair value adjustment of hedging instrument in PLN k | (60 909) |
| Fair value adjustment of hedged instrument due to hedged risk asset/(liability) in PLN k | 62 804 |
| Hedged risk | Exchange rate risk |
| Period over which the instruments have an impact on the bank's results | up to 2022 |

| 31.12. 2011 | Bonds | Deposits |
|--|---|------------|
| Nominal value of hedging position in PLN k | 211 696 | 130 000 |
| Fair value adjustment of hedging instrument in PLN k | 2 678 | (82) |
| Fair value adjustment of hedged instrument due to hedged risk in PLN k | (2 658) | 93 |
| Hedged risk | Exchange rate risk and interest rate risk | |
| Period over which the instruments have an impact on the bank's results | up to 2018 | up to 2013 |

In addition, BZ WBK subsidiaries - BZ WBK Finanse & Leasing S.A. and BZ WBK Leasing S.A. - concluded IRS transactions with the bank with a view to hedging the fair value of their selected items of the statement of financial position. Details about these transactions are presented in the tables below:

| 31.12.2012 | BZ WBK Leasing S.A. | BZ WBK Finanse&Leasing S.A. |
|--|--|-----------------------------|
| Nominal value of hedging position in PLN k | 40 882 | 40 882 |
| Fair value adjustment of hedged instrument due to hedged risk asset/(liability) in PLN k | 110 | 110 |
| Hedged risk | Movements in the fair value resulting from currency risk and | |
| Period over which the instruments have an impact on the companies' results | up to 2014 | up to 2014 |

| 31.12.2011 | BZ WBK Leasing S.A. | BZ WBK Finanse&Leasing S.A. |
|--|--|-----------------------------|
| Nominal value of hedging position in PLN k | 66 252 | 66 252 |
| Fair value adjustment of hedged instrument due to hedged risk asset/(liability) in PLN k | (418) | (418) |
| Hedged risk | Movements in the fair value resulting from currency risk and | |
| Period over which the instruments have an impact on the companies' results | up to 2014 | up to 2014 |

Cash flow hedging

Bank Zachodni WBK Group applies future cash flow hedge accounting. Hedge relationships are created using CIRS. The objective is to hedge against the risk of variability of future cash flow arising from fluctuations in exchange rates and market interest rates. A cash flow hedge is used in respect of foreign currency loans carrying variable interest rate.

Hedged items are measured at amortised cost. Hedging items are measured at fair value. Once effectiveness criteria of hedge accounting are met, a change in the fair value of hedging instruments is recognised in equity.

As of 31 December 2012, the nominal value of the hedging item was PLN 8 004 784 k (31 December 2011 – PLN 6 592 672 k). Adjustment to fair value of the hedging instrument is PLN 83 074 k (31 December 2011 – PLN 64 120 k); the same amount, less deferred tax, is recognised in the Group's equity under revaluation reserve. Hedging instruments have been concluded for a period of time until 2026.

The non-effective portion of measurement of the cash flow hedge was PLN 2 057 k as of 31.12.2012 and PLN 2 525 k as of 31.12.2011. It was taken to the 'Net trading income and revaluation' line of the profit and loss account.

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

The Group raises funds by selling financial instruments under agreements to repurchase these instruments at future dates at a predetermined price.

Repo and sell-buy back transactions may cover securities (notes and treasury bonds) from the Group's balance sheet portfolio.

The foregoing items are not removed from the balance sheet, because the Group retains all rewards (i.e. interest income on pledged securities) and risks (interest rate risk and the issuer's credit risk) attaching to these assets.

| | 31.12.2012 | 31.12.2011 |
|--|---------------------|---------------------|
| | Balance sheet value | Balance sheet value |
| Liabilities valued at amortised cost (contains sell-buy-back): | 873 183 | 2 240 824 |
| Treasury bonds held on the assets side | 872 727 | 2 240 101 |
| Buy-sell-back transactions | 82 947 | 100 |

All of the above-mentioned risks and costs related to the holding of the underlying debt securities in the sell-buy-back transactions remain with the Group, as well as power to dispose them.

The Group also effects reverse repo and buy-sell back transactions at the same price increased by the pre-determined amount of interest.

Financial instruments covered by reverse repo and buy-sell back transactions are not recognised in the balance sheet, because the Group does not retain any rewards or risks attaching to these assets.

These instruments represent a security cover accepted by the Group which may sell or pledge these assets.

Financial instruments held as security for (reverse repo) repurchase agreements may be sold or repledged under standard agreements, under the obligation to return these to the counterparty on maturity of the transaction.

As at 31.12.2012 and 31.12.2011, consolidated statements of financial position contained no financial instruments serving as collateral to repo transactions maturing within a period shorter or equal to that of the main transaction.

40. Fair value

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

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

| Assets | 31.12.2012 | | 31.12.2011 | |
|--|------------|------------|------------|------------|
| | Book Value | Fair Value | Book Value | Fair Value |
| Cash and balances with central banks | 4 157 274 | 4 157 274 | 1 425 541 | 1 425 541 |
| Loans and advances to banks | 1 458 128 | 1 458 134 | 1 204 172 | 1 204 157 |
| Financial assets held for trading | 831 715 | 831 715 | 5 836 043 | 5 836 043 |
| Hedging derivatives | 253 553 | 253 553 | 141 636 | 141 636 |
| Loans and advances to customers | 39 867 554 | 39 949 936 | 38 017 173 | 38 349 947 |
| Investment securities | 11 716 133 | 11 716 133 | 11 652 195 | 11 652 195 |
| Investments in associates and joint ventures | 115 685 | 115 685 | 104 512 | 104 512 |
| Liabilities | | | | |
| Deposits from banks | 1 351 050 | 1 350 969 | 2 505 070 | 2 505 070 |
| Hedging derivatives | 321 950 | 321 950 | 523 725 | 523 725 |
| Financial liabilities held for trading | 728 831 | 728 831 | 931 717 | 931 717 |
| Subordinated liabilities | 409 110 | 409 110 | 441 234 | 441 234 |
| Deposits from customers | 47 077 094 | 47 097 412 | 46 829 482 | 46 829 452 |

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

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

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

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

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

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

In the case of held-to-maturity securities, for the purpose of this disclosure fair value is established on the basis of market quotations.

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

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

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

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

As at 31 December 2012 and in the comparable periods the Group made the following classification of its financial instruments measured at fair value in the statement of financial position:

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

Level II (the measurement methods based on market-derived parameters): This level includes derivative instruments except IRS, CIRS, FX forward, FX swap and FX options contracts concluded with non-bank counterparties as well as debt securities measured using discounted cash flow models (except those securities for which the Group independently estimates the credit spread for the counterparty risk).

Apart from these derivatives, level II also classifies variable-rate State Treasury bonds. These bonds were measured using discounted cash flow models based on the discount curve derived from the market of fixed-rate treasury bonds.

Level III (measurement methods using material non-market parameters): This level includes equity securities that are not quoted in the active market, measured using the expert valuation model; investment certificates measured at the balance sheet date at the price announced by the mutual fund; debt securities (commercial and municipal bonds) and derivative instruments excluded from level I and II (i.e. IRS, CIRS, FX forward, Fx swap and FX options contracts concluded with non-bank counterparties for which the Group independently estimates the credit spread for counterparty risk).

As at 31.12.2012 and in the comparable periods the Group classified its financial instruments to the following fair value levels:

| 31.12.2012 | Level I | Level II | Level III | Total |
|---|------------------|------------------|------------------|-------------------|
| Financial assets | | | | |
| Financial assets held for trading | 174 922 | 478 686 | 178 107 | 831 715 |
| Hedging derivatives | - | 253 553 | - | 253 553 |
| Financial investment assets - debt securities | 6 501 969 | 3 308 711 | 1 237 344 | 11 048 024 |
| Financial investment assets - equity securities | 13 442 | - | 654 667 | 668 109 |
| Total | 6 690 333 | 4 040 950 | 2 070 118 | 12 801 401 |
| Financial liabilities | | | | |
| Financial liabilities held for trading | 17 162 | 637 487 | 74 182 | 728 831 |
| Hedging derivatives | - | 321 950 | - | 321 950 |
| Total | 17 162 | 959 437 | 74 182 | 1 050 781 |

| 31.12.2011 | Level I | Level II | Level III | Total |
|---|-------------------|------------------|----------------|-------------------|
| Financial assets | | | | |
| Financial assets held for trading | 483 088 | 5 176 085 | 176 870 | 5 836 043 |
| Hedging derivatives | - | 141 636 | - | 141 636 |
| Financial investment assets - debt securities | 9 921 220 | 972 552 | 77 789 | 10 971 561 |
| Financial investment assets - equity securities | 19 477 | - | 661 157 | 680 634 |
| Total | 10 423 785 | 6 290 273 | 915 816 | 17 629 874 |
| Financial liabilities | | | | |
| Financial liabilities held for trading | 59 173 | 825 638 | 46 906 | 931 717 |
| Hedging derivatives | - | 523 725 | - | 523 725 |
| Total | 59 173 | 1 349 363 | 46 906 | 1 455 442 |

As at 31 December 2012 and in the comparable period there were no transfers between the first, the second and the third fair value level.

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

| Level III | Financial assets | | | Financial liabilities |
|---------------------------------------|-----------------------------------|---|---|--|
| 31.12.2012 | Financial assets held for trading | Financial investment assets - debt securities | Financial investment assets - equity securities | Financial liabilities held for trading |
| Beginning of the period | 176 870 | 77 789 | 661 157 | (46 906) |
| Profits or losses | 17 093 | 94 675 | (6 888) | 7 119 |
| <i>recognised in income statement</i> | <i>17 093</i> | <i>10 972</i> | <i>-</i> | <i>7 119</i> |
| <i>recognised in equity</i> | <i>-</i> | <i>83 703</i> | <i>(6 888)</i> | <i>-</i> |
| Purchase | - | 1 064 880 | 8 213 | - |
| Sale | - | - | (7 815) | - |
| Matured | (15 856) | - | - | (34 395) |
| Impairment | - | - | - | - |
| At the period end | 178 107 | 1 237 344 | 654 667 | (74 182) |

| Level III | Financial assets | | | Financial liabilities |
|---------------------------------------|-----------------------------------|---|---|--|
| 31.12.2011 | Financial assets held for trading | Financial investment assets - debt securities | Financial investment assets - equity securities | Financial liabilities held for trading |
| Beginning of the period | 190 959 | 80 771 | 659 393 | (49 801) |
| Profits or losses | 17 007 | 314 | 8 985 | 1 980 |
| <i>recognised in income statement</i> | <i>17 007</i> | <i>314</i> | <i>-</i> | <i>1 980</i> |
| <i>recognised in equity</i> | <i>-</i> | <i>-</i> | <i>8 985</i> | <i>-</i> |
| Purchase | - | - | 6 644 | - |
| Sale | - | (3 296) | (8 990) | - |
| Matured | (31 096) | - | - | 915 |
| Impairment | - | - | (2 321) | - |
| Transfer | - | - | (2 554) | - |
| At the period end | 176 870 | 77 789 | 661 157 | (46 906) |

41. Contingent liabilities

Significant court proceedings

As at 31.12.2012 no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the Bank or its subsidiaries amounting to a minimum of 10% of the Group's equity.



The value of all litigation amounts to PLN 135 433 k, which is ca 1.51 % of the Group's equity. This amount includes PLN 44 411 k claimed by the Group, PLN 81 318 k in claims against the Group and PLN 9 704 k of the Group's receivables due to bankruptcy or arrangement cases.

In 2012 the amount of significant court proceedings which had been completed amounted to PLN 100 002 k.

As at 31.12.2011 no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the Bank or its subsidiaries amounting to a minimum of 10% of the Group's equity.

The value of all litigation amounts to PLN 184 217 k, which is ca 2.46 % of the Group's equity. This amount includes PLN 44 624 k claimed by the Group, PLN 132 141 k in claims against the Group and PLN 7 452 k of the Group's receivables due to bankruptcy or arrangement cases.

In 2011 the amount of significant court proceedings which had been completed amounted to PLN 48 737 k.

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

Off balance sheet liabilities

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

| Contingent liabilities - sanctioned | 31.12.2012 | 31.12.2011 |
|---|-------------------|------------------|
| Liabilities sanctioned | | |
| - financial | 10 842 863 | 8 129 987 |
| - credit lines | 9 637 360 | 7 006 625 |
| - credit cards debits | 1 109 436 | 970 702 |
| - import letters of credit | 96 067 | 152 165 |
| - term deposits with future commencement term | - | 495 |
| - guarantees | 2 221 092 | 1 473 722 |
| Total | 13 063 955 | 9 603 709 |

42. Assets and liabilities pledged as collateral

A guaranteed protection fund established by the Bank Zachodni WBK is collateralized by the debt securities.

Under the Bank Guarantee Fund Act, the bank calculated this fund using 0.55% (in the year 2011 the bank calculated this fund using 0.4% rate) of the annual contribution base which is defined the same as for calculating the obligatory reserve.

Accordingly, as at 31 December 2012 Bank Zachodni WBK pledged as collateral PLN 247 176 k of debt securities (PLN 185 039 k as at 31.12.2011).

In 2012 a deposit for PLN 386 165 k was placed with another bank as a collateral for the day-to-day Treasury business (in 2011 it was PLN 695 237 k).

In 2012 BZ WBK hold a deposit for PLN 185 514 k (in 2011 it was PLN 61 781 k) as a collateral for the day-to-day Treasury business.

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

43. Finance and operating leases

Finance leases

Lease agreements where the Group acts as a lessor

Bank Zachodni WBK Group operates on the leasing market through two leasing companies who specialise in funding two different asset categories. BZ WBK Finance & Leasing focuses on lease of machines and equipment as well as computers and office equipment for businesses, while BZ WBK Leasing specialises in financing vehicles for businesses and personal customers.

The item "receivables from customers" contains the following amounts relating to the finance lease obligations:

| Finance leases gross receivables - maturity | 31.12.2012 | 31.12.2011 |
|---|------------------|------------------|
| less than 1 year | 916 518 | 1 028 782 |
| between 1 and 5 years | 1 402 729 | 1 466 300 |
| over 5 years | 260 742 | 293 044 |
| Total | 2 579 989 | 2 788 126 |

| Present value of minimum lease payments - maturity | 31.12.2012 | 31.12.2011 |
|--|------------------|------------------|
| less than 1 year | 909 137 | 970 297 |
| between 1 and 5 years | 1 232 240 | 1 209 309 |
| over 5 years | 148 475 | 155 937 |
| Total | 2 289 852 | 2 335 543 |

| Reconciliation between the gross investment and the present value of minimum lease payments | 31.12.2012 | 31.12.2011 |
|---|------------------|------------------|
| Finance lease gross receivables | 2 579 989 | 2 788 126 |
| Unearned finance income | (290 138) | (452 583) |
| Impairment of finance lease receivables | (93 015) | (96 362) |
| Present value of minimum lease payments, net | 2 196 836 | 2 239 181 |

Lease agreements where the Group acts as a lessee

The BZ WBK Group companies also avail of lease arrangements as lessees, however as the leases are between related entities they were eliminated from the consolidated statement of financial position and profit and loss account.

Operating leases

The BZ WBK Group leases offices in compliance with operational leasing agreements. As a standard, agreements are concluded for 5-10 years. A small part of the offices is subleased outside the Group. In 2012 and 2011 rentals totalled PLN 155 664 k and PLN 151 116 k, respectively. These payments are presented in the profit and loss account under "operating expenses".

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

| Payments - maturity | 31.12.2012 | 31.12.2011 |
|-----------------------|----------------|----------------|
| less than 1 year | 157 480 | 153 865 |
| between 1 and 5 years | 490 823 | 518 363 |
| over 5 years | 245 694 | 211 316 |
| Total | 893 997 | 883 544 |

44. Consolidated statement of cash flow- additional information

The table below specifies components of cash balances of BZ WBK Group.

| Cash components | 31.12.2012 | 31.12.2011 |
|--|------------------|------------------|
| Cash and balances with central banks | 4 157 274 | 1 425 541 |
| Deposits in other banks, current account | 1 448 021 | 1 184 092 |
| Debt securities held for trading | - | 4 647 956 |
| Investment securities | 2 099 256 | - |
| Total | 7 704 551 | 7 257 589 |

Bank Zachodni WBK holds restricted cash.

45. Related party disclosures

The tables below present intercompany transactions. They are effected between subsidiaries, associates, joint ventures and parent entity. Most of the transactions are banking transactions made as part of ordinary business activities and mainly include loans, deposits and guarantees, leasing. Intercompany transactions effected by the bank and its subsidiaries have been eliminated during the consolidation process.

| Transactions with associates and joint ventures | 31.12.2012 | 31.12.2011 |
|---|----------------|----------------|
| ASSETS | 788 | 742 |
| Loans and advances to customers | - | 259 |
| Other assets | 788 | 483 |
| LIABILITIES | 480 770 | 392 882 |
| Deposits from customers | 480 588 | 392 418 |
| Other liabilities | 182 | 464 |
| INCOME | 114 472 | 65 405 |
| Interest income | 24 266 | 8 421 |
| Fee and commission income | 89 893 | 55 662 |
| Gains (losses) from other financial securities | 21 | (21) |
| Other operating income | 292 | 1 343 |
| EXPENSES | 25 787 | 20 236 |
| Interest expense | 22 439 | 17 881 |
| Fee and commission expense | 1 572 | 711 |
| Operating expenses incl.: | 1 776 | 1 644 |
| <i>General and administrative expenses</i> | <i>1 768</i> | <i>1 644</i> |

| Transactions with: | Santander Group 31.12.2012 | Santander Group 31.12.2011 |
|--|-------------------------------|-------------------------------|
| ASSETS | 335 686 | 117 976 |
| Loans and advances to banks, incl: | 283 789 | 81 701 |
| <i>deposits</i> | 197 009 | 70 557 |
| <i>current accounts</i> | 86 780 | 11 144 |
| Financial assets held for trading | 48 729 | 35 230 |
| Hedging derivatives | 3 109 | 1 045 |
| Loans and advances to customers | 2 | - |
| Other assets | 57 | - |
| LIABILITIES | 167 326 | 46 625 |
| Deposits from banks incl.: | 36 328 | 178 |
| <i>current accounts</i> | 36 328 | - |
| <i>deposits</i> | - | 178 |
| Hedging derivatives | - | - |
| Financial liabilities held for trading | 121 440 | 46 446 |
| Deposits from customers | 9 089 | - |
| Other liabilities | 469 | 1 |
| INCOME | (24 131) | (22 327) |
| Interest income | 14 964 | 1 010 |
| Fee and commission income | 307 | 301 |
| Other operating income | 591 | 230 |
| Net trading income and revaluation | (39 993) | (23 868) |
| EXPENSES | 5 873 | 946 |
| Interest expense | 319 | 946 |
| Operating expenses incl.: | 5 554 | - |
| <i>Bank's staff, operating expenses and management costs</i> | 5 554 | - |
| CONTINGENT LIABILITIES | 259 418 | 63 648 |
| Sanctioned: | 158 175 | 49 999 |
| - <i>guarantees</i> | 158 175 | 49 999 |
| Received: | 101 243 | 13 649 |
| - <i>guarantees</i> | 101 243 | 13 649 |
| DERIVATIVES' NOMINAL VALUES | 11 079 645 | 3 415 369 |
| Cross-currency interest rate swaps – purchased amounts | 1 872 728 | - |
| Cross-currency interest rate swaps – sold amounts | 1 909 243 | - |
| Single-currency interest rate swaps | 1 748 351 | 656 927 |
| Options | 468 004 | 45 542 |
| FX swap – purchased amounts | 1 808 349 | 564 471 |
| FX swap – sold amounts | 1 882 817 | 572 762 |
| FX options -purchased | 663 176 | 694 939 |
| FX options -sold | 719 912 | 877 099 |
| Spot-purchased | 3 508 | 1 813 |
| Spot-sold | 3 557 | 1 816 |

Transactions with Members of Management and Supervisory Boards

Remuneration paid to the members of Bank Zachodni WBK Supervisory and Management Boards

31.12.2012

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

| First and last name | Position | Period | PLN k |
|----------------------|-----------------------------------|-----------------------|-------|
| Gerald Byrne | Chairman of the Supervisory Board | 01.01.2012-31.12.2012 | - |
| Jose Antonio Alvarez | Member of the Supervisory Board | 01.01.2012-31.12.2012 | - |
| Witold Jurcewicz | Member of the Supervisory Board | 01.01.2012-31.12.2012 | 176,0 |
| Jose Luis De Mora | Member of the Supervisory Board | 01.01.2012-31.12.2012 | - |
| Piotr Partyga | Member of the Supervisory Board | 01.01.2012-10.05.2012 | 81,2 |
| John Power | Member of the Supervisory Board | 01.01.2012-31.12.2012 | 210,2 |
| Jerzy Surma | Member of the Supervisory Board | 10.05.2012-31.12.2012 | 95,1 |
| Jose Manuel Varela | Member of the Supervisory Board | 01.01.2012-31.12.2012 | - |

Mr John Power received remuneration of PLN 47 k from subsidiaries for his membership in their Supervisory Boards.

In 2012 Mr Gerald Byrne, Mr Jose Manuel Varela, Mr Jose Antonio Alvarez and Mr Jose Luis De Mora decided not to receive remuneration for their membership in the Supervisory Board.

Mr John Power received remuneration for the supervision of the merger process of BZ WBK and Kredyt Bank on behalf of the Supervisory Board in the amount of PLN 746 k.

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

| First and last name | Position | Period | Remuneration | Additional benefits |
|----------------------------|-----------------------------------|-----------------------|--------------|---------------------|
| Mateusz Morawiecki | President of the Management Board | 01.01.2012-31.12.2012 | 1 563,04 | 74,69 |
| Andrzej Burliga | Member of the Management Board | 01.01.2012-31.12.2012 | 951,83 | 86,50 |
| Eamonn Crowley | Member of the Management Board | 01.01.2012-31.12.2012 | 887,29 | 46,22 |
| Justyn Konieczny | Member of the Management Board | 01.01.2012-10.05.2012 | 409,31 | 30,60 |
| Janusz Krawczyk | Member of the Management Board | 01.01.2012-10.05.2012 | 2 586,33 | 0,00 |
| Michael McCarthy | Member of the Management Board | 01.01.2012-31.12.2012 | 1 069,63 | 331,63 |
| Piotr Partyga | Member of the Management Board | 10.05.2012-31.12.2012 | 599,10 | 30,13 |
| Juan de Porras Aguirre | Member of the Management Board | 01.01.2012-31.12.2012 | 1 279,92 | 300,06 |
| Marcin Prell | Member of the Management Board | 01.01.2012-31.12.2012 | 891,88 | 71,73 |
| Marco Antonio Silva Rojas* | Member of the Management Board | 01.11.2012-31.12.2012 | 387,50 | 50,20 |
| Mirosław Skiba | Member of the Management Board | 01.01.2012-31.12.2012 | 951,71 | 82,06 |
| Feliks Szyszkiwiak | Member of the Management Board | 01.01.2012-31.12.2012 | 979,33 | 70,26 |

*Mr Marco Antonio Silva Rojas was appointed to the Management Board of the Bank with effect from 3 September 2012.

Additional benefits received by the Management Board members represent life insurance cover without pension option and, in case of Mr Michael McCarthy, Mr Juan de Porras Aguirre and Mr Marco Antonio Silva Rojas also medical cover, accommodation and travel expenses and school fees.

In the 2012, selected members of the Board were paid holiday equivalent in total amount of PLN 927.05 k

In 2012, none of the Members of the Management Board of Bank Zachodni WBK received any remuneration from subsidiaries or associated entities.

31.12.2011

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

| First and last name | Position | Period | PLN k |
|-----------------------|-----------------------------------|-----------------------|-------|
| Aleksander Szwarc | Chairman of the Supervisory Board | 01.01.2011-20.04.2011 | 88,8 |
| Gerald Byrne | Chairman of the Supervisory Board | 20.04.2011-31.12.2011 | 16,7 |
| Waldemar Frąckowiak | Member of the Supervisory Board | 01.01.2011-20.04.2011 | 64,1 |
| Aleksander Galos | Member of the Supervisory Board | 01.01.2011-20.04.2011 | 57,1 |
| Jacek Ślotala | Member of the Supervisory Board | 01.01.2011-20.04.2011 | 59,1 |
| Piotr Partyga | Member of the Supervisory Board | 01.01.2011-31.12.2011 | 179,8 |
| Witold Jurcewicz | Member of the Supervisory Board | 20.04.2011-31.12.2011 | 115,7 |
| John Power | Member of the Supervisory Board | 01.01.2011-31.12.2011 | 210,9 |
| Anne Maher | Member of the Supervisory Board | 01.01.2011-20.04.2011 | 42,5 |
| Maeliosa O'Hogartaigh | Member of the Supervisory Board | 01.01.2011-20.04.2011 | 63,2 |

Mr John Power received remuneration of PLN 67 k from subsidiaries for his membership in their Supervisory Boards.

In 2011 Mr Jose Manuel Varela, Mr Jose Antonio Alvarez and Mr Jose Luis De Mora decided not to receive remuneration for his membership in the Supervisory Board.

In addition, 2010 and 2011 was a period of substantial change for the bank. Mr Gerry Byrne provided services to the bank during this transition and was paid PLN 4 968 k.

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

| First and last name | Position | Period | Remuneration | Additional benefits |
|------------------------|-----------------------------------|-----------------------|--------------|---------------------|
| Mateusz Morawiecki | President of the Management Board | 01.01.2011-31.12.2011 | 1 563,02 | 74,06 |
| Paul Barry | Member of the Management Board | 01.01.2011-31.07.2011 | 385,06 | 413,16 |
| Andrzej Burliga | Member of the Management Board | 01.01.2011-31.12.2011 | 928,35 | 81,48 |
| Eamonn Crowley | Member of the Management Board | 01.09.2011-31.12.2011 | 288,02 | 5,34 |
| Declan Flynn | Member of the Management Board | 01.01.2011-13.04.2011 | 267,28 | 128,04 |
| Justyn Konieczny | Member of the Management Board | 01.01.2011-31.12.2011 | 1 127,88 | 73,19 |
| Janusz Krawczyk | Member of the Management Board | 01.01.2011-31.12.2011 | 961,00 | 63,35 |
| Michael McCarthy | Member of the Management Board | 01.01.2011-31.12.2011 | 1 054,25 | 585,91 |
| Juan de Porras Aguirre | Member of the Management Board | 01.10.2011-31.12.2011 | 325,54 | 21,30 |
| Marcin Prell | Member of the Management Board | 01.01.2011-31.12.2011 | 889,34 | 72,66 |
| Mirosław Skiba | Member of the Management Board | 01.01.2011-31.12.2011 | 928,27 | 80,70 |
| Feliks Szyszkowski | Member of the Management Board | 01.01.2011-31.12.2011 | 963,75 | 68,65 |

Additional benefits received by the Management Board members represent life insurance cover without pension option and, in case of Mr Paul Barry, Mr Declan Flynn, Mr Michael McCarthy and Mr Juan de Porras Aguirre, also medical cover, accommodation and travel expenses and school fees.

In 2011, none of the Members of the Management Board of Bank Zachodni WBK received any remuneration from subsidiaries or associated entities.

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

31.12.2012

Loans and advances made by the Bank to the Members of the Management Board of BZ WBK and to their relatives totalled PLN 9 797 k. These facilities have been sanctioned on regular terms and conditions.

As at 31.12.2012, the total finance lease receivable provided to members of the Management Board of BZ WBK by the subsidiaries and associates totalled nil.

Social Fund loans and advances provided to the Members of the Management Board totalled nil.

31.12.2011

Loans and advances made by the Bank to the Members of the Management Board of BZ WBK and to their relatives totalled PLN 10 322 k. These facilities have been sanctioned on regular terms and conditions.

As at 31.12.2011, the total finance lease receivable provided to members of the Management Board of BZ WBK by the subsidiaries and associates totalled nil.

Social Fund loans and advances provided to the Members of the Management Board totalled nil.

Provisions for employee benefits disclosed in the note 50 include respectively amounts related to the Management Board of the Bank Zachodni WBK.

31.12.2012

Provision for retirement benefits in the amount of PLN 5 k, provision for unused holidays in the amount of PLN 588 k.

31.12.2011

Provision for retirement benefits in the amount of PLN 761 k, provision for unused holidays in the amount of PLN 812 k.

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

In 2012 Bank issued 31 412 banking writs of execution with total amount of PLN 1 309 816 k.

In 2011 Bank issued 29 916 banking writs of execution with total amount of PLN 1 018 511 k.

47. Acquisitions and sales of investments in subsidiaries and associates

Acquisitions and sales of subsidiaries and associates in 2012

On 21 September 2012, the company BZ WBK Inwestycje Sp. z o.o. signed an agreement to sell all 4 050 000 shares of Holicon Group S.A. at PLN 1.22 per share. The total value of shares sold amounted to PLN 4,941,000.

Acquisitions and sales of subsidiaries and associates in 2011

Krynicki Recycling S.A.

On 17 March 2011, Krynicki Recykling S.A. announced disposal of ordinary bearer shares in Krynicki Recykling S.A. by Adam Krynicki, the President of the Management Board, and Anna Barska, the Chairman of the Supervisory Board. The shares were disposed of via an OTC transaction - so called package deals dd. 15 March 2011 for 87 898 shares at the price corresponding to the nominal value of the shares - each. The agreement for sale of the abovementioned package of the Issuer's shares was entered into on behalf of BZ WBK Inwestycje sp. z o. o. via Brokerage House.

As of 31 December 2011, BZ WBK Inwestycje Sp. z o.o. held 3 652 648 shares, which represented 24.54% of the share capital of Krynicki Recykling S.A. and entitled to 3 652 648 voting rights, i.e. 24.54% of the total voting rights, at the company's AGM.

Krynicki Recykling S.A., with its registered office in Olsztyn, is a company in the environmental protection industry, listed on NewConnect.

Holicon Group S.A.

On 16 April 2010, BZ WBK Inwestycje bought 753 853 shares of Holicon Group S.A. at PLN 1 per share. At the same time, an investment agreement was signed, whereby BZ WBK Inwestycje acquired 3 296 147 convertible bonds at PLN 1. Following the conversion of bonds into shares in April 2011, BZ WBK holds 4 050 000 shares at the nominal price of PLN 1, i.e. 47.09% of the total voting rights at AGM.

48. Investment in joint ventures**BZ WBK AVIVA Towarzystwo Ubezpieczeń na Życie S.A**

In September 2011 BZ WBK made a capital contribution of PLN 5 000 k to BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. seated in Poznań. The raised capital was registered on 26.09.2011.

BZ WBK share of votes remained unchanged at 50%.

In the consolidated financial statements the investment is accounted for using the equity method.

49. Events which occurred subsequently to the end of the period**Merger of Bank Zachodni WBK S.A. and Kredyt Bank S.A.****Transaction**

On 4 January 2013 (date of merger) the Bank registered the business combination of Bank Zachodni WBK and Kredyt Bank S.A. The transaction was settled through the issue of merger shares. As a result, eligible shareholders of Kredyt Bank S.A. were entitled to acquire shares in accordance with the agreed exchange ratio of 6.96 Merger Shares for every 100 shares of the Kredyt Bank. This represents a total of 18 907 458 ordinary shares with a nominal value of PLN 10 each, with a total nominal value of PLN 189 074 580. For the purposes of the settlement, the price of the new shares was determined in the amount of PLN 240.32. This price was calculated on the basis of the average BZ WBK share price over the thirty trading days between 21 November 2012 and 8 January 2013, excluding trading days without required turnover. The table below shows the total amount of the consideration transferred in a business combination and its effects on the equity of the combined entity.

| | as at: | 04.01.2013 |
|----------------------------|--------|------------------|
| Share capital | | 189 074 |
| Other reserve funds | | 4 354 766 |
| Total consideration | | 4 543 840 |

The merger transaction is designed to implement the strategic objectives of the Bank and its major shareholder Banco Santander on the Polish market and will position the bank among the top three universal banks in Poland. As a result of the merger, there will be an increase of the geographical scope of banking distribution network and the complementary businesses of the two banks will be integrated. Bank will increase scope of the services offered and will expand the customer base. This will provide significant strengthening of the bank's market penetration potential and with the blended knowledge and experience of the two banks, the merged entity will be more effective and will achieve a higher quality of its solutions. With the economies of scale and harmonised risk management, the bank's profitability and effectiveness will increase. Cost synergies will be primarily achieved by improvement of processes, adoption of the most effective operational solutions, merger and optimisation of organisational structures and integration of IT systems. Revenue synergies will result from combination of the complementary offerings, cross-selling of the both banks' products, harmonisation of service styles and an increase in productivity.

Analysis of acquired assets and liabilities on a merger day

As at the date of issuance of the Consolidated Annual Report of Bank Zachodni WBK Group for the year ended 31 December 2012 Bank Zachodni WBK Group performed a preliminary and provisional valuation related to the Kredyt Bank acquisition.

The financial information as of 4 January 2013 of Kredyt Bank which formed the basis of this provisional settlement is currently being audited by a qualified auditor, the process is in progress and audit of Kredyt Bank S.A. has not yet been finalized. Consequently, as a result of the audit of the financial statements, the data is still subject to change. Moreover, Bank Zachodni WBK has not completed the process of fair value estimation for the selected assets and liabilities of the Kredyt Bank S.A., in particular: loans and advances to customers, non-current assets, deposits from customers and contingent liabilities. Bank has not completed the fair value estimation of intangible assets that can be recognized in transaction. As a result, the total additional deferred tax asset and liabilities have been calculated based on the best estimates of the Management Board.

As an addition to the above, the auditor of Kredyt Bank has issued an audit opinion to Kredyt Bank Group consolidated financial statements for the year ended 31 December 2012 which contained the following qualification:

“As described in the note 4 to the attached consolidated financial statements the Management Board of Bank Zachodni WBK S.A. after the merger with Kredyt Bank S.A. has performed the analysis of the credit risk relating to Kredyt Bank S.A. loan portfolio as at 31 December 2012. The analysis has been based on new assumptions towards collection scenarios weighted by their probabilities and significantly discounted collaterals for selected individual exposures as well as changed parameters for the calculation of the collective impairment. As a result of the above analysis the Bank has increased the level of loan impairment allowances in the attached financial statements by approx. PLN 319 million for the loans assessed individually and by approx. PLN 258 million for the loans assessed collectively. We have performed a review of the above analysis and based on such review we concluded that we have not been presented with sufficient evidence supporting approx. PLN 333 million of the above increases of impairment allowances. Therefore, we are not able to give our opinion on the reasonableness of such part of the additional loan impairment allowances as at 31 December 2012, and the corresponding impairment charge in the profit and loss for the year ended 31 December 2012 as well as approx. PLN 61 million of deferred tax asset, which has been recognised in relation to such additional loan impairment allowances and the corresponding tax credit in the profit and loss for 2012. Additionally, PLN 258 million out of the above increase in impairment allowances which relates to IBNR and collective impairment was presented in “Provisions” in the liabilities which is not compliant with the adopted accounting standards.”

The final purchase price allocation may differ materially from the preliminary allocation described below due to further refinement of the allocation of purchase price to the fair values of assets and liabilities acquired, and for any impacts resulting from the resolution of the qualification reported by Kredyt Bank Group’s independent auditors, described above. Additionally the above mentioned qualification impacts presented proforma revenue for continuing operations and proforma profit from continuing operations disclosed under “The impact of the acquisition on the results of the Group” section further in this note.

The following table shows the initial estimate of the fair value of acquired assets and liabilities.

| | as at: | 04.01.2013 |
|--|--------|---------------------|
| ASSETS | | |
| Cash and balances with central banks | | 1 429 283 |
| Loans and advances to banks | | 680 206 |
| Financial assets held for trading | | 1 152 738 |
| Hedging derivatives | | 111 200 |
| Loans and advances to customers | | 27 568 167 |
| Investment securities | | 10 377 912 |
| Intangible assets | | 233 831 |
| Property, plant and equipment | | 191 063 |
| Net deferred tax assets | | 352 177 |
| Investment property | | 16 002 |
| Assets classified as held for sale | | 5 709 |
| Other assets | | 77 663 |
| Total assets | | 42 195 951 |
| LIABILITIES | | |
| Deposits from banks | | (5 760 512) |
| Hedging derivatives | | (78 970) |
| Financial liabilities held for trading | | (1 130 233) |
| Deposits from customers | | (31 044 324) |
| Subordinated liabilities | | (978 237) |
| Current income tax liabilities | | (7 238) |
| Other liabilities | | (341 113) |
| Total liabilities | | (39 340 627) |
| Fair value of identifiable net assets | | 2 855 324 |

During the merger Bank recognized PLN 207 756 k of additional assets that meet the conditions for recognition as intangible assets. These assets resulted from the revaluation of the acquired deposits of individual and business customers as well as customer relationships created in former Kredyt Bank. As at the release date of these financial statements, Bank has not completed the process of identification of intangible assets, which would be recognized in accordance with the principles set out in IFRS 3.

Non-controlling interest

Due to the fact that the business combination considered all of the operations of former Kredyt Bank S.A. and the exchange covered 100% of Kredyt Bank SA shares, any non-controlling interests were recognized in the consolidated financial statements of combined entity for the transaction.

Provisional calculation of goodwill

| | as at: | 04.01.2013 |
|---|--------|------------------|
| Goodwill | | |
| Total consideration | | 4 543 840 |
| Less: fair value of identifiable net assets | | (2 855 324) |
| Total | | 1 688 516 |

Goodwill arising on the date of the merger basically represents a premium for control, and results from a potential ability to achieve additional benefits resulting from expected synergies, revenue growth, gained market share, combining competences of employees and increase the efficiency of processes as compared to the fair value of the net assets acquired. These benefits were not recognized separate intangible assets as in this instance the conditions for their individual recognition have not been met.

Bank does not expect tax deductibility of goodwill in future periods.

The impact of the acquisition on the results the Group

If the combination of Bank Zachodni WBK and Kredyt Bank S.A. took place on 1 January 2012, the Group's combined revenue for continuing operations for the year ended 31 December 2012 would amount to PLN 5 758 048 k (including net interest income, net fee and commission income, dividend income, sale of associates, net trading income and revaluation, gains (losses) from other financial securities, other operating income and share in net profits (loss) of entities accounted for by the equity method) and combined profit from continuing operations for the year would total 1 311 398 k (including net interest income, net fee and commission income, dividend income, sale of associates, net trading income and revaluation, gains (losses) from other financial securities, other operating income, operating losses on loans and advances, operating expenses and share in net profits (loss) of entities accounted for by the equity method less corporate income tax).

Management of the Group considers these provisional values as representative and claims them to be an approximate measure of combined performance for the year ended 31 December 2012 assuming the acquisition as of the beginning of the annual reporting period.

In order to provisionally determine the revenues and profits of the Group, assuming that the acquisition took place at the beginning of the current accounting period, the Management Board:

- calculated depreciation of acquired intangible and tangible fixed assets for the year 2012 based on depreciation rates applicable in the Group of Bank Zachodni WBK,
- took into account adjustments resulting from the harmonization of accounting policies, accounting estimates and internal regulations and respectively has calculated their impact for the year 2012,
- adjusted the combined profit for period of the Acquirer for costs that would not have occurred in 2012 if the business combination was already set at the beginning of 2012 (net amount of PLN 13.150k) and for result of non-recurring transaction (net amount of PLN 11.535k).

Fitch's rating action on Bank Zachodni WBK.

On 10th January 2013 Fitch Ratings affirmed ratings for Bank Zachodni WBK and withdrew ratings for Kredyt Bank.

KBC Group NV and KBC Bank NV - notification

Bank Zachodni WBK released the notification received on 9th January 2013 from:

- KBC Group NV and
- KBC Bank NV

on the number of shares directly acquired by KBC Bank NV and indirectly acquired by KBC Group NV due to a merger of BZ WBK with Kredyt Bank S.A. and the percentage share in the total number of votes gained because of the merger, i.e. the notification on exceeding 15% of the total number of votes at the general meeting of BZ WBK shareholders.

Banco Santander S.A. – notification (Reduction of the percentage of the total number of votes)

Bank Zachodni WBK released the notification received on 9th January 2013 from Banco Santander S.A. on the reduction on a total number of votes by 19.04% due to the merger of BZ WBK with Kredyt Bank.

Until 4 January 2013 i.e. the date of the merger Santander held 70 334 512 shares of Bank Zachodni WBK which represented 94.23% of the share capital and the total number of votes at the general meeting of shareholders of Bank Zachodni WBK.

As a result of the merger, effective from 4 January 2013, its interest in the Bank Zachodni WBK share capital and voting rights at the GM of Shareholders was 75.19%.

Santander's subsidiaries do not hold shares of Bank Zachodni WBK.

Resolution of the National Depository for Securities (the "KDPW") on the registration of the series J shares in Bank Zachodni WBK and setting the reference date.

The Management Board of Bank Zachodni WBK announced that on 8 January 2013 it became aware that the management board of the KDPW adopted resolution No. 24/13 on the registration of 18 907 458 series J shares in the Bank, i.e. the shares in the Bank issued in connection with its merger with Kredyt Bank. Pursuant to the KDPW resolution, the registration of the series J shares under code PLBZ00000044 was conditional on the decision of the company operating the regulated market to introduce these shares to trading on the regulated market.

Furthermore, based on this resolution of the KDPW, the reference date was set at 9 January 2013. The information memorandum prepared by the Bank in connection with the merger defines the reference date as the date at which the number of shares in Kredyt Bank held by shareholders of Kredyt Bank will be determined in exchange for which the series J shares in the Bank will be allotted to such shareholders in accordance with an agreed exchange ratio.

Message from the Operations Department of the National Depository for Securities regarding the registration of J series shares in Bank Zachodni WBK.

On 24 January 2013 the Management Board of Bank Zachodni WBK announced that it had received a message from the Operations Department of the National Depository for Securities (Dział Operacyjny Krajowego Depozytu Papierów Wartościowych S.A.) ("KDPW") stating that on 25 January 2013 the KDPW would register 18 907 458 series J shares in the Bank with a nominal value of PLN 10 each, i.e. the merger shares in the Bank issued in connection with its merger with Kredyt Bank which were assigned the code: PLBZ00000044 in compliance with resolution No. 24/13 of the Management Board of the KDPW dated 8 January 2013.

Authorization for issue of Consolidated Financial Statements of Bank Zachodni WBK Group

The consolidated financial statements of Bank Zachodni WBK Group were authorised for issue on 7th of March 2013 by the Management Board of Bank Zachodni WBK. The financial statements will be presented for approval by the shareholders at their Annual General Meeting.

50. Staff benefits

Staff benefits include the following categories:

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

Within these categories, the companies of the BZ WBK Group create the following types of provisions:

Provisions for unused holidays

Liabilities related to unused holidays are stated in the expected amount (based on current salaries) without discounting.

Provisions for employee bonuses

Liabilities related to bonuses are stated in the amount of the probable payment without discounting.

Provisions for retirement allowances

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

Other staff-related provisions

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

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

| Provisions | 31.12.2012 | 31.12.2011 |
|--------------------------------------|----------------|----------------|
| Provisions for unused holidays | 23 428 | 21 289 |
| Provisions for employee bonuses | 125 334 | 139 978 |
| Provisions for retirement allowances | 38 934 | 42 044 |
| Other staff-related provisions | 3 169 | 2 963 |
| Total | 190 865 | 206 274 |

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

Awards for the year 2011 granted in 2012 to the members of the Management Board of Bank Zachodni WBK:

| First and last name | Position | Period | Awards for 2011 |
|----------------------------|-----------------------------------|-----------------------|-----------------|
| Mateusz Morawiecki | President of the Management Board | 01.01.2012-31.12.2012 | 1 870,00 |
| Andrzej Burliga | Member of the Management Board | 01.01.2012-31.12.2012 | 850,00 |
| Eamonn Crowley | Member of the Management Board | 01.01.2012-31.12.2012 | 777,60 |
| Justyn Konieczny | Member of the Management Board | 01.01.2012-10.05.2012 | 1 026,00 |
| Janusz Krawczyk | Member of the Management Board | 01.01.2012-10.05.2012 | 925,00 |
| Michael McCarthy | Member of the Management Board | 01.01.2012-31.12.2012 | 1 004,40 |
| Piotr Partyga | Member of the Management Board | 10.05.2012-31.12.2012 | 0,00 |
| Juan de Porras Aguirre | Member of the Management Board | 01.01.2012-31.12.2012 | 0,00 |
| Marcin Prell | Member of the Management Board | 01.01.2012-31.12.2012 | 799,20 |
| Marco Antonio Silva Rojas* | Member of the Management Board | 01.11.2012-31.12.2012 | 0,00 |
| Miroslaw Skiba | Member of the Management Board | 01.01.2012-31.12.2012 | 850,00 |
| Feliks Szyszkowiak | Member of the Management Board | 01.01.2012-31.12.2012 | 864,00 |

*Mr Marco Antonio Silva Rojas was appointed to the Management Board of the Bank with effect from 3 September 2012

According to the approved remuneration system in the Bank, in case of fulfilling certain criteria, members of the Management Board of the Bank, can be entitled to receive an award for 2012 that would be paid in 2013. As at the date of preparation of these financial statements, the decision in this regard has not been made by the Supervisory Board of the Bank.

Awards for the year 2010 granted in 2011 to the members of the Management Board of Bank Zachodni WBK:

| First and last name | Position | Period | Awards for 2010 |
|---------------------|-----------------------------------|-----------------------|-----------------|
| Mateusz Morawiecki | President of the Management Board | 01.01.2011-31.12.2011 | 1 404,00 |
| Paul Barry | Member of the Management Board | 01.01.2011-31.07.2011 | 479,76 |
| Andrzej Burliga | Member of the Management Board | 01.01.2011-31.12.2011 | 831,60 |
| Declan Flynn | Member of the Management Board | 01.01.2011-13.04.2011 | 635,07 |
| Justyn Konieczny | Member of the Management Board | 01.01.2011-31.12.2011 | 970,00 |
| Janusz Krawczyk | Member of the Management Board | 01.01.2011-31.12.2011 | 740,00 |
| Michael McCarthy | Member of the Management Board | 01.01.2011-31.12.2011 | 719,64 |
| Marcin Prell | Member of the Management Board | 01.01.2011-31.12.2011 | 700,00 |
| Miroslaw Skiba | Member of the Management Board | 01.01.2011-31.12.2011 | 831,60 |
| Feliks Szyszkowiak | Member of the Management Board | 01.01.2011-31.12.2011 | 815,00 |

Additionally, in 2011 the Management Board of the Bank has received bonus in the total amount of PLN 6 725 k reflecting both the retention of Management Board members in the context of the change in ownership and the departure of a number of long-serving Management Board members (Declan Flynn and Paul Barry) on assignment from the previous majority shareholder.

51. Share based incentive scheme

Third edition expired as at 31 March 2011. The scheme did not vest as the condition were not met.

In 2011 4th edition of the BZ WBK incentive scheme has been granted to no more than 500 individuals and is still in operation.

Vesting condition will be considered from two perspectives, separately for every year of operation of the scheme and on a cumulative basis after 3 years.

In every single year annual award not exceeding one third on total award will be considered. Shares will vest on a linear pattern between 25% and 100% contingent on profit before tax (PBT) growth. The range of the scale requires PBT growth between 8% and 15% in first year and between 15% and 22% in second and third year of duration of scheme.

Shares vested in any single year will be allocated to individual after maturity of the edition.

Additionally, after 3 years cumulative award will be considered. Shares will vest on a linear pattern between 25% and 100% contingent on PBT compound annual growth rate in 3 years' time between 12.6% and 19.6%. If number of shares resulting from cumulative assessment will be higher than sum of annual awards vested to date, additional shares will be allocated to individuals up to the amount resulting from cumulative assessment.

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

Share based payments granted:

| | 2011 |
|---|------------|
| Number of share based payments | 312 755 |
| Number of share based payments allocated after initial grant date | 6 312 |
| Share price (PLN) | 227,90 |
| Exercise price (PLN) | 10 |
| Vesting period | 2,75 years |
| Expected volatility | 9,98% |
| Award life | 3 years |
| Risk free rate | 5,19% |
| Fair value per award | PLN 195,08 |
| Dividend yield | 3,51% |

The following table summarizes the share based payments activity:

| | 12 months of 2012 | 12 months of 2011 |
|-----------------------------------|--------------------------------|--------------------------------|
| | Number of share based payments | Number of share based payments |
| Outstanding at 1 January | 317 971 | 268 020 |
| Granted | 4 523 | 319 067 |
| Exercised | - | - |
| Forfeited | (6 577) | (4 713) |
| Expired | - | (264 403) |
| Outstanding at 31 December | 315 917 | 317 971 |
| Exercisable at 31 December | - | - |

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

For the share based payments outstanding as at 31 December 2012 and as at 31 December 2011 the average remaining contractual life is approximately 1 year and 2 years respectively.

The total expense recognized with corresponding increase in equity (other reserve capital) for 12 months of 2012 and 2011 amounts to PLN 20 471 k, and PLN 20 748 k. respectively. The cost of incentive program was recognized based on assumption that the vesting conditions were at the maximum level.

Taking up the Bank's share rights by the Management Board Members under the 2011 Incentive Scheme

On 25 March 2011, the Supervisory Board of Bank Zachodni WBK passed a resolution to launch the 4th Performance Share Incentive Plan. Under the Plan, a total of 321 399 entitlements to conditional share rights were allocated to 498 employees, including 44 852 conditional share rights taken up by the Members of the Bank Management Board. On 17 May 2011 the Supervisory Board of Bank Zachodni WBK passed a resolution stating that the condition of the Third Incentive Scheme from 2008 were not met.

The tables below show details of conditional share rights granted to the Members of the Management Board of BZ WBK. The implementation of these rights depends on certain conditions, the fulfillment of which will be confirmed in future periods.

| No. of awards | | 2012 |
|-----------------------------------|--|----------|
| Outstanding at 1 January | | 44 852 |
| Granted | | 2 855 |
| Termination of appointment | | (9 137) |
| Expired | | - |
| Outstanding at 31 December | | 38 570 |
| Exercisable at 31 December | | - |

| First and last name | Total as at 01.01.2012 | Termination of appointment | Granted during 2012 | Total as at 31.12.2012 |
|---------------------------|------------------------|----------------------------|---------------------|------------------------|
| Mateusz Morawiecki | 10 120 | - | - | 10 120 |
| Andrzej Burliga | 4 282 | - | - | 4 282 |
| Eamonn Crowley | 4 003 | - | - | 4 003 |
| Justyn Konieczny | 5 283 | (5 283) | - | - |
| Janusz Krawczyk | 3 854 | (3 854) | - | - |
| Michael McCarthy | 4 875 | - | - | 4 875 |
| Piotr Partyga | - | - | 2 855 | 2 855 |
| Juan de Porras Aguirre | - | - | - | - |
| Marcin Prell | 3 704 | - | - | 3 704 |
| Marco Antonio Silva Rojas | - | - | - | - |
| Mirosław Skiba | 4 282 | - | - | 4 282 |
| Feliks Szyszkowiak | 4 449 | - | - | 4 449 |
| Total | 44 852 | (9 137) | 2 855 | 38 570 |

| No. of awards | | 2011 |
|-----------------------------------|--|----------|
| Outstanding at 1 January | | 31 093 |
| Granted | | 44 852 |
| Expired | | (31 093) |
| Outstanding at 31 December | | 44 852 |
| Exercisable at 31 December | | - |

| First and last name | Total as at 01.01.2011 | Expired during 2011 | Granted during 2011 | Total as at 31.12.2011 |
|---------------------|------------------------|---------------------|---------------------|------------------------|
| Mateusz Morawiecki | 7 403 | (7 403) | 10 120 | 10 120 |
| Andrzej Burliga | 3 332 | (3 332) | 4 282 | 4 282 |
| Eamonn Crowley | - | - | 4 003 | 4 003 |
| Justyn Konieczny | 5 182 | (5 182) | 5 283 | 5 283 |
| Janusz Krawczyk | 4 442 | (4 442) | 3 854 | 3 854 |
| Michael McCarthy | - | - | 4 875 | 4 875 |
| Marcin Prell | 4 442 | (4 442) | 3 704 | 3 704 |
| Mirosław Skiba | 1 850 | (1 850) | 4 282 | 4 282 |
| Feliks Szyszkowiak | 4 442 | (4 442) | 4 449 | 4 449 |
| Total | 31 093 | (31 093) | 44 852 | 44 852 |

52. Staff level

As at 31 December 2012 the Bank employed 8 295 persons, i.e. 8 217 FTE's.

As at this date, in subsidiaries there were 665 persons employed (incl. 83 persons in the Bank), i.e. 618 FTE's.

In 2012, the average staffing level in Bank Zachodni WBK was 8 386 FTE's whereas the average staffing level in subsidiaries was 628 FTE's.

As at 31 December 2011 the Bank employed 8 802 persons, i.e. 8 726 FTE's.

As at this date, in subsidiaries there were 687 persons employed (incl. 76 persons in the Bank), i.e. 657 FTE's.

In 2011, the average staffing level in Bank Zachodni WBK was 8 992 FTE's whereas the average staffing level in subsidiaries was 678 FTE's.

53. Dividend per share

The Management Board of the Bank will propose a dividend payment to the Shareholders in the amount of PLN 7.60 per share from the profit for 2012.

As disclosed in the note 49, after the balance sheet date, the Bank has issued 18 907 458 shares that are entitled to dividend from 2012 profit.

The final decision on dividend payment and amount shall be made by the Annual General Meeting of Bank Zachodni WBK Shareholders.

On 10 May 2012, the Annual General Meeting of Bank Zachodni WBK adopted a Resolution allocating PLN 584 608 k to dividend for shareholders, from the profit for 2011, which meant that the proposed dividend was PLN 8 per share.

| Signatures of Members of the Management Board | | | |
|--|---------------------------|-----------------|------------------|
| Date | Name | Function | Signature |
| 7.03.2013 | Mateusz Morawiecki | President | |
| 7.03.2013 | Andrzej Burliga | Member | |
| 7.03.2013 | Eamonn Crowley | Member | |
| 7.03.2013 | Michael McCarthy | Member | |
| 7.03.2013 | Piotr Partyga | Member | |
| 7.03.2013 | Juan de Porras Aguirre | Member | |
| 7.03.2013 | Marcin Prell | Member | |
| 7.03.2013 | Marco Antonio Silva Rojas | Member | |
| 7.03.2013 | Mirosław Skiba | Member | |
| 7.03.2013 | Feliks Szyszkowiak | Member | |

| Signature of a person who is responsible for maintaining the book of account | | | |
|---|------------------|------------------------------------|------------------|
| Date | Name | Function | Signature |
| 7.03.2013 | Wojciech Skalski | Financial Accounting Area Director | |