MANAGEMENT BOARD REPORT ON BANK ZACHODNI WBK GROUP PERFORMANCE IN H1 2010

Bank Zachodni WBK S.A.

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I. Overview of BZ WBK Group Performance

The section below is an overview of the financial performance of Bank Zachodni WBK Group in H1 2010 as well as internal and external factors affecting the Group's profit and activity.

Financial Highlights

- Total income increased by 10.6% y-o-y to PLN 1,750 m.
- Total costs increased by 4.3% y-o-y to PLN 852.6 m, with staff and other administrative expenses up 3.8% y-o-y to PLN 773.9 m.
- Profit-before-tax was PLN 682 m and up 42.5% y-o-y.
- Profit-after-tax attributable to the Bank Zachodni WBK shareholders of PLN 483.6 m was 30.9% higher y-o-y.
- Capital adequacy ratio of 13.67% (12.91% as at 31 December 2009).
- Return on equity of 17.7% was stable from 31 December 2009.
- Cost to income ratio improved to 48.7% (51.6% for H1 2009).
- Net impairment losses on loans and advances amounted to PLN 216.8 m compared with PLN 283.4 m in H1 2009.
- NPL ratio increased to 6.3% (5.5% as at 31 December 2009), while the ratio of impairment losses to the average credit volumes was 1.2% (1.3% as at 31 December 2009).
- Loans to deposits ratio of 83.1% as at 30 June 2010 compared with 83.9% as at 31 December 2009.

Key Factors Affecting the Group's Profit and Activity in H1 2010

Business Factors

- Stable customer deposit volumes (+0.2%) compared with 31 December 2009, with minor movements in the structure of deposits by personal and business customer segments.
- Stable gross credit volumes (-0.2% y-t-d), due to the growth in personal loans (+5.8% y-t-d), mainly home mortgages (+9.8% y-t-d), with an offsetting decline in business & public sector loans (-2.4% y-t-d) and finance leases (-6.1% y-t-d).
- Improved financial standing of business borrowers amid more favourable economic climate.
- Close risk monitoring in all areas of the Group's activity and flexible approaches in the changing macroeconomic conditions.
- Decline on a y-t-d basis (-5%) in the net value of assets of mutual funds and private portfolios amid prolonged price adjustments in the stock market in Q2 2010 versus an increase on a y-o-y basis (+14%) due to the stock market growth continued until April 2010.
- Increase in the number of users of BZWBK24 electronic banking (+24% y-o-y) and Moja Firma Plus package (+15% y-o-y).
- Steady expansion of the payment cards base (+16% y-o-y) due to the broad product offering and linked services.
- Stringent cost discipline and sharp focus on process improvement and cost efficiencies.

External Factors

- Continued economic recovery and broadly stable GDP growth rate in both quarters of 2010.
- Increase in foreign trade turnover along with economic recovery.
- Negative trends in the labour market in Q1 2010 and their reversal in Q2 2010 with the improvement in labour demand and annual salary growth rate in enterprises.
- Significant fluctuations in the foreign exchange market and debt market:
  - in Q1 2010 zloty tended to appreciate and bond yields tended to decline,
  - in Q2 2010 the zloty and debt market weakened and the volatility in the financial markets increased, triggered by debt problems in the euro zone and concerns about the second wave of the global economic slowdown.
- On a constant currency basis, slightly lower annual growth rate for total loan sales amid faster annual growth of lending to households and continued decline of annual loan sales to enterprises.
- On a constant currency basis, lower annual growth rate in total deposits amid slower annual growth in household deposits and higher growth rate for corporate deposits.
- More pronounced signs of recovery in the property market, both in supply and demand.
- Decrease of the CPI inflation to 3.0% y-o-y on average in Q1 2010 and to 2.2% y-o-y on average in Q2 2010 from 3.3% y-o-y on average in Q4 2009.

- Stabilisation of the main NBP interest rates with the reference rate still at the record low level of 3.5%.
- Deceleration of the growth trend in stock exchange markets (observed since March 2009) and increased volatility of stock prices in Q2 2010, which limited interest in risky asset classes and slowed down net inflow of funds to mutual funds.

II. Basic Information

1. History and Profile of Bank Zachodni WBK

Background

Bank Zachodni WBK S.A. (Bank Zachodni WBK, BZ WBK) was established following the merger of Bank Zachodni with Wielkopolski Bank Kredytowy. The new Wroclaw-based entity was entered into the business register in the National Court Registry on 13 June 2001 and on 23 June 2001 it debuted on the Warsaw Stock Exchange.

Both predecessors of Bank Zachodni WBK were spun off the National Bank of Poland in 1989. Subsequently, they were privatised and became members of the AIB Group under control of the same investor, i.e. AIB European Investments Ltd. from Dublin, which is a subsidiary of the Allied Irish Banks, p.l.c. (AIB).

Scope of Activities

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

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

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

Distribution Network

As at 30 June 2010, Bank Zachodni WBK operated through 518 outlets, which is the third largest branch network in Poland. As a result of the rapid expansion of the branch network in 2007-2008, the bank's branches are present in all the provinces of Poland.

The bank's distribution network also includes 91 BZ WBK Partner outlets, which are opened in small towns and in residential districts of large cities.

High net worth individuals can also use the comprehensive investment service from the Private Banking offices in Warsaw, Poznan and Wroclaw.

Business customers are serviced through 15 Business Banking Centres located across all key markets in Poland. Corporate customers are serviced through the Corporate Business Centres in Warsaw, Poznan and Wroclaw.

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

Bank Zachodni WBK offers a modern package of electronic banking services called BZWBK24 which gives retail and business customers a convenient and safe access to their accounts and products via the Internet, phone or mobile. With its modern technology the Bank ensures the highest security of electronic services.

2. Share Capital, Ownership Structure and Share Price

Ownership Structure of Share Capital

As at 30 June 2010, the share capital of Bank Zachodni WBK amounted to PLN 730,760,130 and was divided into 73,076,013 ordinary bearer shares with a nominal value of PLN 10 each. Compared with the corresponding period last year, the bank's share capital increased by PLN 1,157,290 following the issue of 115,729 shares that were taken up by the eligible employees as part of the first edition of the BZ WBK Incentive Scheme introduced by the General Meeting resolution on 4 July 2006. The share capital increase was registered by the National Depository of Securities (KDWP S.A.) on 10 July 2009.

According to the information held by the bank's Management Board, as at 27 July 2010 (i.e. the date of approval of the H1 2010 accounts), the shareholder having minimum 5% of the total number of votes at the BZ WBK Annual General Meeting of Shareholders was Dublin-based AIB European Investments Ltd., a wholly-owned subsidiary of Allied Irish Banks p.l.c. (AIB). The company's interest in the share capital and the voting power of Bank Zachodni WBK S.A. is 70.4%. The remaining shares are in free float.

Shareholder	Number of Shares Held		% in the Share Capital		Number of Votes at AGM		Voting Power at AGM	
	30.06.2010	30.06.2009	30.06.2010	30.06.2009	30.06.2010	30.06.2009	30.06.2010	30.06.2009
AIB European Investments Ltd	51 413 790	51 413 790	70,40%	70,50%	51 413 790	51 413 790	70,40%	70,50%
Other	21 662 223	21 546 494	29,60%	29,50%	21 662 223	21 546 494	29,60%	29,50%
Total	**73 076 013**	**72 960 284**	**100,00%**	**100,00%**	**73 076 013**	**72 960 284**	**100,00%**	**100,00%**

Divestment Plans of the Majority Shareholder of Bank Zachodni WBK

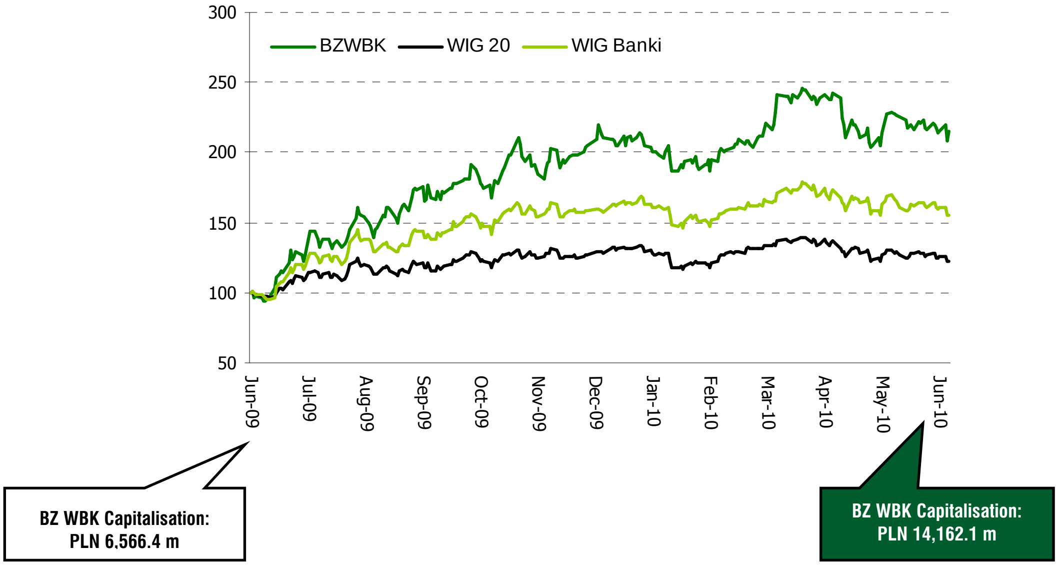
On 30 March 2010, AIB Bank announced its intention to sell its entire stake in Bank Zachodni WBK. AIB is going to dispose of its Polish, UK and US assets to meet the capital requirements of the market regulators. AIB Corporate Finance, in co-operation with the investment bank Morgan Stanley, has embarked on the task of implementing the action plan aimed at selling Bank Zachodni WBK.

Share Price

The upward trend prevailing on the Warsaw Stock Exchange (WSE) since March 2009 decelerated markedly in Q2 2010 as a result of the prolonged correction in the stock market. Since April 2010 share prices have been more volatile and investors have been more nervous amid the news of the high indebtedness and deficit of the Euro zone countries, and the worse-than-expected macroeconomic data from the USA and the Asian markets.

On a y-o-y basis, the WSE WIG Index increased by 29.5%, WIG20 by 21.9%, and WIG-Banks by 55.7%. The price of Bank Zachodni WBK shares, which is represented in these indices, increased by 115.3% from PLN 90.0 on 30 June 2009 to PLN 193.8 m on 30 June 2010.

BZ WBK Share Quotations and Indices
(30-06-2009 = 100)



3. Bank Zachodni WBK Rating

Bank Zachodni WBK has a credit rating agreement with Fitch Ratings.

The table below shows the ratings assigned to Bank Zachodni WBK by Fitch in 2009 and in the first half of 2010.

Fitch Ratings Announcements on BZ WBK:

Rating	Announcement of 12.05.2010	Announcement of 13.02.2009	Announcement of 15.01.2009
Long-term Issuer Default Rating	BBB+	BBB+	BBB+
Short-term Issuer Default Rating	F2	F2	F2
Long-term and Short-term Rating Outlook	stable	negative	stable
Individual Rating	C	C	C
Support Rating	3	3	2

In H1 2010 the agency released two announcements on the bank. In its announcement of 31 March 2010, Fitch Ratings stated that the intended sale by AIB of its shares in Bank Zachodni WBK would not have an immediate impact on the latter's ratings. In the announcement of 12 May 2010, the outlook for the long-term IDR was increased from negative to stable, and the other ratings were confirmed.

As the agency explained, the higher rating outlook reflects the bank's ability to remain highly profitable in the adverse economic environment. The quality of the bank's credit portfolio continues to be better than the Polish market average and the currency structure of loans makes the bank less vulnerable to the Polish zloty volatility. Furthermore, the recovery of the real estate market has reduced the risks related to the bank's exposure to the commercial property sector.

According to Fitch Ratings Ltd., the intended sale of Bank Zachodni WBK by its majority shareholder (AIB) should not materially affect the bank's business during the transition period. The speculations about the divestment prior to the announcement had not impacted the bank's position in the market, including the banking deposits market.

The Long-term IDR and the Short-term IDR are now based on the individual strength of the bank, while the support rating reflects the moderate likelihood of potential support from the Polish government. Once the bill is concluded and the name of the buyer is known, Fitch Ratings will revise its short-term IDR and the long-term IDR to reflect the agency's assessment of the potential support available to the bank from its new majority shareholder.

4. Composition of Bank Zachodni WBK Group

Subsidiaries

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

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

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

No changes took place in the Group composition compared with 30 June 2009 and 31 December 2009.

Joint Ventures and Associates

In the consolidated financial statements of Bank Zachodni WBK for H1 2010, the following companies are accounted for using the equity method in accordance with IAS 28 and 31:

Joint ventures:

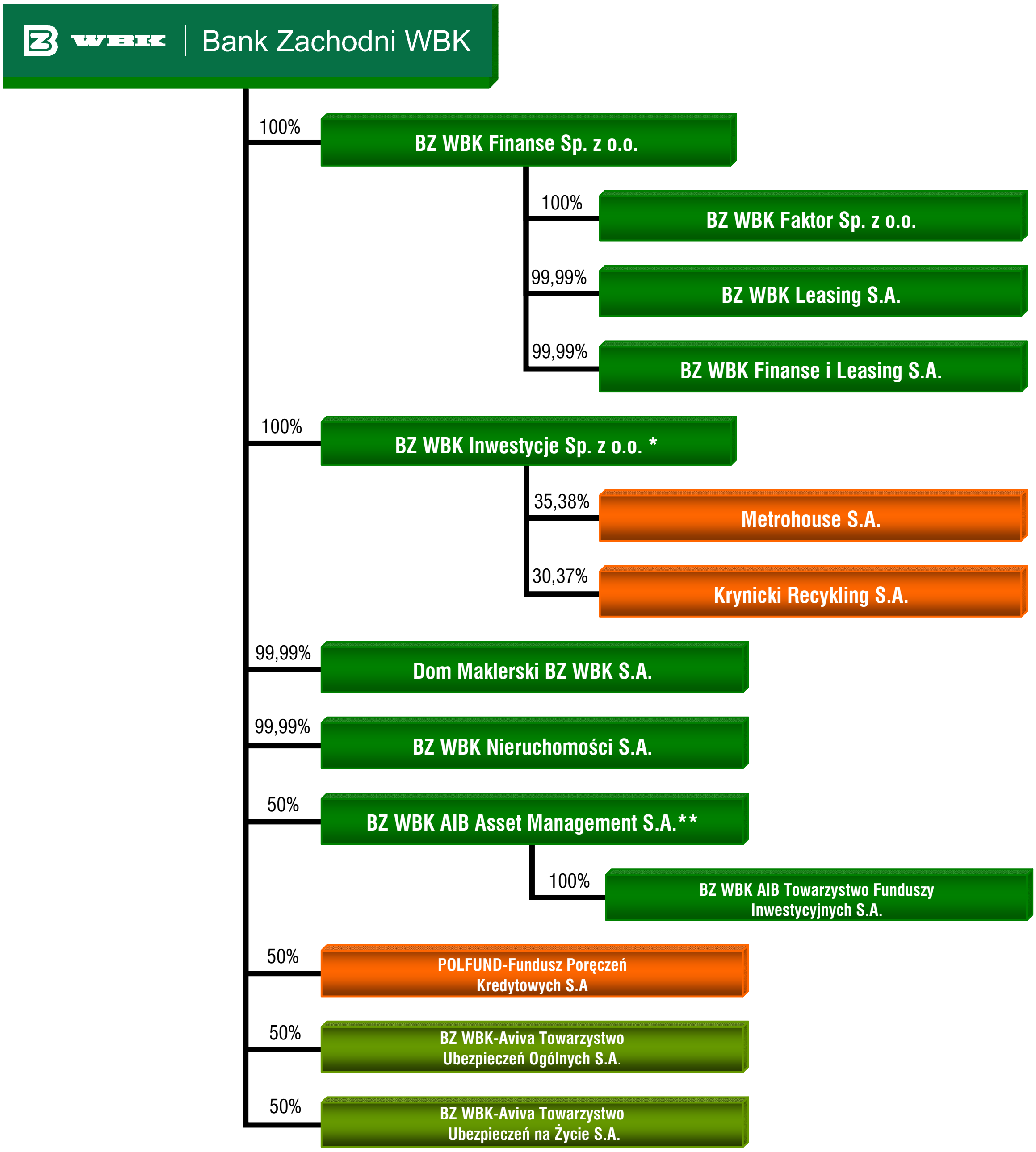
1. BZ WBK-Aviva Towarzystwo Ubezpieczeń Ogólnych S.A.
2. BZ WBK-Aviva Towarzystwo Ubezpieczeń na Życie S.A.

Associates:

1. Krynicki Recykling S.A. - associated undertaking of BZ WBK Inwestycje Sp. z o.o.
2. Metrohouse S.A. - associated undertaking of BZ WBK Inwestycje Sp. z o.o.
3. POLFUND - Fundusz Poręczeń Kredytowych S.A.

No changes took place in the list of joint ventures and associates compared with 30 June 2009 and 31 December 2009.

Organisational Chart of Bank Zachodni WBK Group



* The associates of BZ WBK Inwestycje Sp. z o.o., i.e. Metrohouse S.A. and Krynicki Recykling S.A. were classified as associated undertakings, given the Bank's significant influence on their operations. The shares of the companies were acquired as part of the bank's strategy of building a portfolio of "pre-IPO" investments.

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

Legend:

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

5. Other Equity Investments

As at 30 June 2010, Bank Zachodni WBK Group owned a shareholding higher than 5% in the following entities:

Ref.	Company	Share in the Share Capital	Voting Power at AGM
1.	Holicon Group S.A.	14,21%	14,21%
2.	Krajowa Izba Rozliczeniowa S.A.	11,48%	11,48%
3.	Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK S.A.	10,00%	10,00%
4.	Aviva Towarzystwo Ubezpieczeń na Życie S.A.	10,00%	10,00%
5.	Aviva Towarzystwo Ubezpieczeń Ogólnych S.A.	10,00%	10,00%
6.	Centrum Klima S.A.	9,41%	9,41%
7.	ARKA BZ WBK Fundusz Rynku Nieruchomości 2 Specjalistyczny FIZ	6,48%	-
8.	AWSA Holland II B.V.	5,44%	5,44%
9.	Biuro Informacji Kredytowej S.A.	5,14%	5,14%
10.	NFI Magna Polonia S.A.	5,06%	5,06%

III. Macroeconomic situation in H1 2010

Economic Growth

H1 2010 was a period of recovery for global economy, driven by higher activity of the production industry and stronger foreign trade turnover. At the same time, however, the sustainability of this trend became a concern in view of debt problems in some of the Eurozone countries, expiry of fiscal and monetary stimulus packages as well as a stagnation in the job markets. The economic recovery in Poland continued in the production and exports, driven by the growth of foreign demand and a competitive PLN exchange rate. The severe winter has largely affected the performance of the construction industry and retail trade sector in the first months of the year. It was not until March (when the weather changed) that these industries have started to make up for the losses. The total GDP growth rate went down from 3.3% in Q4 2009 to 3.0% in Q1 2010 and in Q2 2010 remained similar to the levels seen in the previous quarters (according to the available statistics for the period from April till June).

Labour Market and Consumption

Private consumption growth rate went up from 1.7% y-o-y in Q4 2009 to 2.2% y-o-y in Q1 2010 and is estimated to have remained at that level in Q2 2010 (according to the available statistics for the period from April till June). Reversal of former negative trends in the job market contributed to the recovery of consumption demand in H1 2010. Late Q1 and early Q2 2010 saw a growth of employment in the business sector (both on the month-by-month and year-on-year basis) while the average wage growth trend started off from a low level, improving the wage bill growth rate in the enterprise sector. Although some companies still had mass redundancies on their agenda for Q1 2010 (mainly the public sector), the first six months of the year saw an annual growth in the number of job offers to the level unseen since July 2008. Improvement of the job market conditions (in particular, less people being concerned about losing their job) translated into the continued growth of consumer confidence, which - coupled with improved income levels - was yet another driving factor for the stronger consumption demand.

Investments

Unfavorable weather in early 2010 negatively affected the investment activity and thus caused a slump in fixed investments in Q1 2010 (effectively down by 12.4% y-o-y). However, the statistics for April-June indicate that construction companies have made up for the backlog in the delivery of development project, whereby the previously negative annual investment growth rate reached around 1% in Q2. Recovery of the production sector and an increasing utilization of EU funds should lead to sustainable growth of fixed investments in H2. NBP information on the balance of payments show that direct foreign investments have been on the rise as the privatization process accelerated in H1 2010. Inventory rebuilding, which started after 5 consecutive quarters of strong reduction of inventory levels in response to the global crisis, was another important growth driver for the Polish economy in Q1 2010 and, most likely, in Q2 as well.

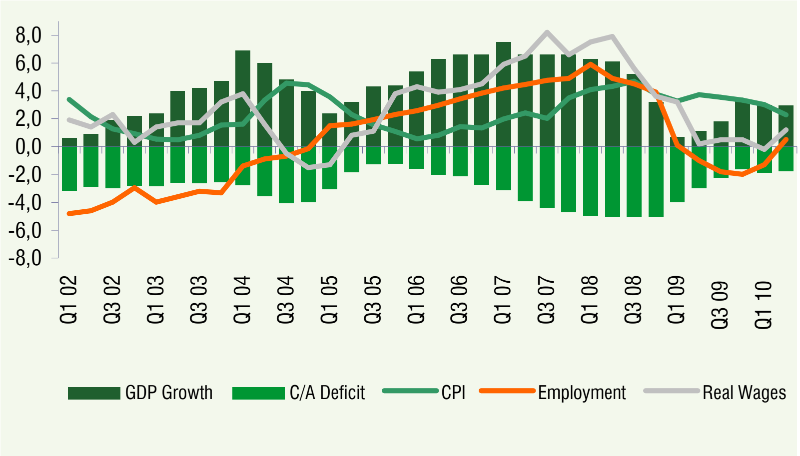
Foreign Trade

After a sharp two-digit drop in the foreign trade turnover in 2009, H1 2010 saw a considerable improvement. The rising foreign demand and stabilization of the PLN exchange rate (still above the break-even point for exporters) have led to a considerable improvement of the export growth rate (in euro terms it went up from 0.1% y-o-y in Q4 2009 to 18.3% y-o-y in Q1 2010 and, most likely, to 23% y-o-y in Q2 2010). Although the import growth rate has also considerably improved, the growth of the domestic demand has not been strong enough to trigger a serious trade deficit and a current account deficit (below 2% of the GDP in H1 2010).

Inflation

The 12-month CPI inflation began to decline in H1 2010, falling from 3.5% in December 2009 down to 2.3% in June 2010, i.e. much below NBP's inflation target. All NBP's core inflation measures have also gone down, confirming that the demand-driven inflation pressure remains low and there are no grounds for tightening the domestic monetary policy in the nearest future. Still, the inflation pressure is generally expected to rise in H2 2010 and the CPI inflation to exceed the inflation target.

Quarterly Macroeconomic Data
(% y-o-y)



Interest Rates

The Monetary Policy Council started a new term of office in January 2010. Also, a new President of the National Bank of Poland was appointed in Q2 2010. Main interest rate remained unchanged. However, the press statement which followed the MPC's meeting in June (the first one held by the new President) signaled a more hawkish tone compared to the past, which might indicate that interest rate increases are likely at the end of the year.

Exchange Rate

In Q1 2010, PLN gained much in value while the yields on Polish treasuries plummeted due to the rising demand for Polish assets from foreign investors. The EUR/PLN exchange rate fell from more than 4.10 at YE 2009 to 3.86 as at the end of March, i.e. by ca. 6%. The EUR depreciated against the USD to a similar extent in the same period, mainly due to the growing concerns about the fiscal condition of Greece and other members of the Eurozone. Yields on domestic bonds fell by 40-70 b.p. during the first three months of the year. At the same time, as the money market was stabilizing and the liquidity was improving, WIBOR rates went down by more than 10 b.p. In Q2 2010, fiscal problems were the biggest concern for Eurozone members. The ensuing reduction of the risk appetite on global financial markets weakened the PLN (the EUR/PLN exchange rate was 4.15 as at the end of June) and boosted the yields of domestic bonds (up by 15-45 b.p., depending on the yield curve segment). WIBOR rates continued to fall throughout that period, which reflected the stabilization of the domestic money market.

IV. Business Development of BZ WBK Group in H1 2010

1. Key Business Areas of Bank Zachodni WBK S.A.

Proposition for Personal Customers

- On 17 February 2010, the bank introduced a new upgraded version of the Moneyback Account launched in May 2008. The product features are as follows: no account maintenance fee (subject to minimum monthly inflows at PLN 1,000), no ATM fee in Poland and 1% money back on all non-cash transactions made with the VISA Electron Moneyback card. The sales of the account were supported by a wide-scale and successful advertising campaign featuring Gerard Depardieu.

- In H1 2010, more attractive pricing terms were introduced for flagship personal accounts of Bank Zachodni WBK, including free-of-charge debit cards and Internet transfers for holders of Konto<30 (<30 Accounts) and no ATM fee in Poland for holders of Konto na Obcasach (High Heeled Account) and Konto Aktywni 50+ (Active 50+ Account). Additionally, a promotional campaign was launched which enabled holders of PLN accounts with attached payment cards free-of-charge cash withdrawals from ATMs abroad during the holiday season (21.06.2010 – 30.09.2010).

- The sales of structured products targeted at personal customers continued through H1 2010. In liaison with BZ WBK Brokerage House (acting as an issue agent), the bank made four issues of TOP5 DUO bonds and three issues of FlexInvest BRIC bonds. TOP5 DUO bonds represent 2-year investments with the minimum value of PLN 1,000 which are linked to the price of 5 listed companies included in the WIG20 Index and provide 100% capital protection on redemption. FlexInvest BRIC bonds have a similar investment horizon and minimum value, and track the index of the 40 largest companies listed on Brazilian, Russian, Indian and Chinese stock exchange markets as well as the index reflecting forward contracts on 5-year US treasury bonds. The FlexInvest BRIC bonds offer 100% or 90% capital protection on redemption.

- As part of the Personal Banking offer, VIP customers were offered short-term structured deposits with interest rate linked to the PLN /EUR exchange rate. In all, 28 products were delivered as part of the 8 issues carried out in H1 2010. Since early 2010, bond holders may open an attractively priced 3-month term deposit (during the close period). On 14 April 2010, a parallel offer was open to customers investing in Arka funds or entering into insurance agreements as part of In Plus BZ WBK Investment Programme ("Investment with a bonus").

- On 25 January 2010, Bank Zachodni WBK re-introduced EUR mortgage loans into its loan offer. These facilities are based on 3M LIBOR plus the bank's margin. The LTV ratio for EUR home loans cannot be higher than 70%. Effective from 23 April 2010, the margin applicable to standard home loans was reduced by a maximum of 1 p.p.

- With a view to upgrading PLN mortgage offer, on 4 May 2010 Bank Zachodni WBK reduced the margin grid by a maximum of 0.5 p.p. as part of the bundled offer with a personal account. The promotional margin remained unchanged at 1.35%. The bank also enhanced the availability of PLN home loans by extending the maximum standard LTV ratio to 90%.

- Product and price changes added a competitive edge to the BZ WBK mortgage offer (PLN and EUR) and made it distinctive, thus enabling the launch (June 2010) of a Poland-wide campaign under the banner "Check out the lowest mortgage instalment in Poland!".

- 6 April 2010 saw the launch of MasterCard PAYBACK as part of the loyalty programme delivered by Loyalty Partner Sp. z o.o. The card is offered to customers as a replacement for co-branded cards being withdrawn from the offer.

- Bank Zachodni WBK complies with all the regulations arising from MIFID implementation to the Polish legal system. As part of the adjustment measures, the bank introduced relevant regulations for customers and internal procedures, which enhanced customer protection and quality of investment services. Extensive information campaigns were launched to communicate new legal requirements to customers.

- Bank Zachodni WBK meets the requirements of the Anti-Money Laundering and Counter-Terrorism Financing Act (as amended under the 3rd EU Directive). The bank has implemented all of the statutory regulations and internal procedures within stipulated deadlines, as well as brought its IT systems in line with new regulations. A related information campaign was delivered across the bank. This initiative was accompanied by a series of training sessions on all new requirements and obligations.

Proposition for Business Customers

- The Business Banking Centre model continued to develop in H1 2010. The 15 Business Centres which were set up in early 2009 are now well established, show good business growth and continue to consider opportunities to further expand their network coverage in strategically important locations.

- During H1, the Bank formally split its Corporate Banking Business into two distinct business lines - Large Corporate and Corporate Property. Both these businesses performed strongly during the period with the key focus being on income growth (interest and non-interest), credit quality and service excellence.

- The "high-tech" leasing product which was launched at the end of 2009 continues to provide the Bank with a platform for strong Corporate Leasing growth in new sectors.

- The Bank further streamlined its inter-channel integration model during H1 with a more seamless customer proposition across the areas of Corporate and Business Banking, Treasury, Retail Banking, Private Banking and Investment Banking.

- On 20 January 2010, the bank launched a financial proposal for housing communities. The customers were offered a term loan and a heating-improvement loan up to PLN 200 k for a term of 15 and 10 years, respectively.

- On 15 March 2010, Bank Zachodni WBK expanded its product range with new Business Packages: MINI, OPTI and MAXI. Each package includes a current account and Visa Business Electron card, enables access to electronic banking services and offers attractive transaction fees, including free Internet transfers to Social Security, Tax Office and accounts held with Bank Zachodni WBK. In addition, start-ups are offered exemption from account maintenance fees for 9 months. Implementation of the new Business Packages was supported by the promotional campaign held in April and May 2010.

- The European Investment Bank extended an SME financing line (EUR 100m) to Bank Zachodni WBK, earmarked for entities from the manufacturing, agriculture and service industries. The funds are offered by Bank Zachodni WBK in the form of a modified Business Express loan (Business Express EIB) included in the bank's offer effective from 22 June 2010. The loan (at max. PLN 500k) is extended for financing broadly defined business operations (i.e. the working capital as well as the expenses on asset replacement or purchase).

Direct Banking

- February 2010 saw commencement of a mass migration of the bank's customers to a new BZWBK24 transaction system. The upgraded home banking application, available since October 2009, offers a "buy by click" functionality (no need to sign and return banking documents), facilitates personal data management and provides customers with vital information. The bank has also refreshed the application design, improved its functionality, safeguards and instruction placement options.

- In H1 2010, the mailbox functionality was added to BZWBK24 transactional system to communicate new banking regulations and information to customers. Until the end of June 2010, over 5m messages were sent, which brought significant cost benefits compared to regular mail. Additionally, the bank launched BZWBK24 mobile service, enabling to the mobile phone access to the system.

- On 7 March 2010, Bank Zachodni WBK and BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych signed an agreement whereby the bank commenced the transfer agent service and took over the register database of Arka mutual fund participants. Mutual funds are now handled by BZ WBK Transfer Service Office, via a system that ensures top-quality service and prompt delivery of changes initiated by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych.

- In H1 2010, Bank Zachodni WBK expanded its business operations with respect to third party financial institutions:

    - the bank signed ATM and card support agreements with three cooperative banks;
    - pursuant to the agreement with Bank Pocztowy S.A., the bank took over the management of all cards from the previous service provider; additionally, cooperation framework was developed with respect to contactless credit cards issue and management;
    - the issue and management of credit cards (including contactless cards) for Invest Bank S.A. commenced;
    - EMV card issuing and processing services were launched for FM Bank S.A.,
    - pursuant to the agreement with Nordea Bank Polska S.A., all ATMs were switched from previous CPU to BZ WBK systems; the project for contactless card issue for Nordea Bank is already underway.

Investment Banking

- Bank Zachodni WBK, in liaison with Dom Maklerski BZ WBK S.A., acted as an advisor in the following initiatives:
  - initial public offering of Kulczyk Oil Ventures Inc. with a value of PLN 314 m;
  - initial public offering of EKO S.A. with a value of PLN 95 m;
  - initial public offering of ABC Data S.A. with a value of PLN 52 m;
  - secondary public offering of POZBUD S.A. with a value of PLN 25 m.

- The bank also rendered analytical and advisory services for its customers (in relation to IPOs, valuations, M&As), including financial advice to a number of companies.

- In H1 2010, Bank Zachodni WBK arranged the issues of non-treasury debt securities for 5 entities with a total value of PLN 201.2 m, which were allocated to the entities indicated by the issuers. In addition, two agreements were signed for the arrangement of non-treasury debt securities issue totalling PLN 510 m.

- In March 2010, 22,334 shares of VISA Inc. were sold at USD 91.6930 per share, bringing profit of PLN 3.1 m.

- Pursuant to the cooperation agreement with Aviva Group, Bank Zachodni WBK took up PLN 3 m worth of shares of Aviva Towarzystwo Ubezpieczeń Ogólnych S.A. The shareholding structure has not changed.

Treasury

- During H1 2010 Treasury had a solid performance in both Wholesale and Corporate markets in what were still challenging conditions.

- Treasury Services underwent further restructuring in H1 as the ongoing focus on integrating the sales approach across Treasury and the other Divisions continued, so as to optimize the penetration of the existing client base and deliver a full banking proposition to clients. This integrated approach to sales and marketing is already demonstrating the revenue potential that exits through leveraging the bank franchise particularly in the SME segment. The internet FX dealing platform which was launched in 2009 continues to attract many new customers and there are plans to further expand the services to include Forward FX related activity and subsequently to integrate the platform into an upgraded electronic business banking product which is planned to be launched later in 2011.

- Wholesale markets activity reported strong gains, primarily through strategic interest rate positions taken in anticipation of low PLN interest rates. The current low interest rates has continued to support the strong accrual from these positions. A conservative approach to risk taking has been maintained and proprietary trading activities performed well in what were more difficult trading conditions than those prevailing in 2009.

- Treasury has responsibility for the day-to-day funding and liquidity management of the Group Balance Sheet. Market conditions remain fragile and therefore there continues to be a concentrated focus on managing the balance sheet conservatively in this period. As is evident in a customer loan/deposit ratio of 83% at the end of the first half-year and the holding of a large portfolio of high quality Polish Government Bonds, the bank continues to maintain a conservative liquidity and funding position that provides sufficient contingency against a liquidity shock.

Distribution Network

- With the opening of 6 new branches throughout H1 2010, the BZ WBK branch network grew to 518 outlets as at the end of June 2010 (from 512 as at 31 December 2009).

- Since early 2010, Bank Zachodni WBK has taken measures to enhance integration between Partner outlets and Branch Banking. The bank offered the partners stronger support from the branch network and intensified efforts to eliminate differences between the two channels in terms of service quality and product availability. The product range of the Partner network has been expanded with the following products: savings accounts, 6-month Easy Earning Deposit, payment protection and personal overdraft. In addition, prelimits were introduced as part of personal lending (cash loans) and leasing services were offered to small and micro businesses. As at 30 June 2010, the BZ WBK Partner network comprised 91 outlets (89 as at 31 December 2009).

- The bank's ATM network included 1,048 machines (1,042 ATMs as at 31 December 2009). In H1 2010, the bank developed the project of ATMs upgrade to make them accessible for the sight impaired and the project allowing cash withdrawals of money transfer receipts from ATMs without a card.

- The bank added a number of functionalities to telephone sales, including implementation of the production chat platform on www.bzwbk.pl (enabling online conversations between Telephone and Electronic Sales Centre staff and prospective customers); use of BZ WBK ATMs for customer acquisition (enabling a customer to leave TESC their contact phone number in an ATM – pilot under Moneyback advertising campaign), use of autodialer to support the relations campaign “Welcome Call” for new personal account holders (higher successful call rate).

2. Business Operations of Selected Subsidiaries

Dom Maklerski BZ WBK S.A.

- In H1 2010, the stock trading by Dom Maklerski BZ WBK S.A. (BZ WBK Brokerage House) grew by 24% y-o-y to PLN 20.9 bn. This performance gave the company a market share of 9.3% (down by 1.9 p.p. y-o-y) and the third position in the domestic market.

- In the futures market, which is the second most important WSE market, BZ WBK Brokerage House acted as an agent for concluding 2,143.1 k transactions. This is a 44% increase y-o-y, which secures the company the second position in Poland and a market share of 13.7% (2.1 p.p. up y-o-y).

- In H1 2010, BZ WBK Brokerage House arranged sales of the shares of EKO Holding (IPO) and POZBUD (second public offering). The company also acted as an issue agent for IPOs of KOV and ABC Data and was actively engaged in the privatisation of PZU and Tauron. The Brokerage House arranged one-time placements of shares of the following companies: KGHM, Bogdanka, Jutrzenka and Mennica. The company also liaised with Bank Zachodni WBK in the sale of several series of structured bonds: TOP5 DUO and FlexInvest BRIC.

BZ WBK Finanse & Leasing S.A. and BZ WBK Leasing S.A.

- With a view to facilitating customer service, both leasing companies automated their customer service via phone and implemented the system supporting the review of leasing applications, thus significantly reducing TTY.

- From 1 January till 30 June 2010, the net value of leased assets sold amounted to PLN 625 m, i.e. 11% down compared to H1 2009. The sales of property and vehicles declined, while the lease of machines and equipment increased.

BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A.

- Significant volatility of the stock market in Q2 2010 curbed the upward trend prevailing on the WSE since March 2009. In this environment, the value of net assets managed by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych (BZ WBK AIB Mutual Fund Corporation) increased by 15% y-o-y and went down by 4% y-t-d. With the value of assets worth PLN 10,038.9m, the company gained a 9.8% share in the mutual fund market (vs. 11.3% as at the end of June 2009 and 11.2% as at the end of December 2009) and the second position country-wide.

BZ WBK AIB Asset Management S.A.

- As at 30 June 2010, the value of assets in the private portfolios managed by BZ WBK AIB Asset Management was PLN 1,756 m, an increase of 12% y-o-y and a decrease of 9% y-t-d.

BZ WBK Inwestycje Sp. z o.o.

- The company continues to build its proprietary investment portfolio and search for investors interested in buying its shareholdings.

- In H1 2010, the company carried out the following transactions:
  - Purchase of PLN 303 k worth of shares of BioMaxima S.A. (2.8% of the share capital). BioMaxima operates in the biotechnology sector of laboratory diagnostics market.
  - Purchase of 14.21% of shares for PLN 754 k in Holicon Group S.A. – a SPV holding 100% stock in Holicon Sp. z o.o. - and ca. PLN 3.3 m worth of convertible bonds with Holicon Group S.A. Holicon Sp. z o.o. specializes in Business Process Outsourcing.

3. Awards and Recognitions

For Bank Zachodni WBK:

- Bank Zachodni WBK was the best bank (sixth in the overall classification) in the ranking "Listed Company of the Year" published by daily “Puls Biznesu” on 9 March 2010. The bank earned 70.48 out of 100 points, and was only 5 points short of the ranking leader. The survey was conducted by Pentor Research International, which asked 180 analysts, advisors and stockbrokers to assess the companies listed on the Warsaw Stock Exchange in the following categories: management skills, product and service quality, investor relations, development outlook, achievements in 2009.

- In this year's banking services ranking prepared by Dive Group and published by “Puls Biznesu” on 24 February 2010, Bank Zachodni WBK (together with BOŚ Bank) took the first place among 20 banking institutions examined through mystery shopping. The bank's success is attributable to the outstanding customer service quality.

- In the 11th edition of the Poland-wide competition "HR Management Leader", Bank Zachodni WBK was awarded for application of modern forms of training (10 June 2010). The HR management solutions developed by the bank were recognised for the fourth consecutive year.

- Bank Zachodni WBK came second in the “Bank” category in the best Polish financial institutions ranking published by “Rzeczpospolita” daily on 24 June 2010. An independent expert committee assessed banks against the following criteria: net profit, loans and deposits portfolio, number of accounts, key financial indicators.

- Bank Zachodni WBK hotline managed by Telephone and Electronic Sales Centre received the top rating in recognition of top quality customer service and efficient organisational solutions in the “Bank hotline service quality 05/06 2010” ranking - prepared by ARC Rynek i Opinia, an independent research company.

For Subsidiaries:

- Private portfolios managed by BZ WBK AIB Asset Management S.A. topped the ranking of highest rates of return earned by asset management companies in 2009 and over a 5-year investment horizon, published by the stock exchange newspaper “Parkiet” (30-31 January 2010).

- On 17 February 2010, Dom Maklerski BZ WBK received an award from the Chairman of the Warsaw Stock Exchange, in recognition of the largest trading volumes (exclusive of market maker's transactions) on the NewConnect market in 2009.

- BZ WBK Broerage House came third in the brokerage houses ranking published on 27 April 2010 by “Puls Biznesu” based on the results of mystery shopping. The score of 90.2 out of 100 points proves effective organisation, sound culture and excellent customer service.

- The two largest (in terms of asset value) mutual funds managed by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych, i.e. Arka BZ WBK Akcji FIO (BZ WBK Arka Equity FIO) and Arka BZ WBK Zrównoważony FIO (BZ WBK Arka Balanced Fund) received the top rating (5 stars) in the ranking of mutual fund quality prepared by Analizy Online, an independent research company. Experts appreciated all factors which determine the quality of investment funds: performance and stability, risk, experience of the asset management team, organisation of the investment process and cost levels.

- A manager of BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych (BZ WBK AIB Mutual Funds Corporation) was awarded by the stock exchange newspaper “Parkiet” with a “Gold Portfolio” statuette for the highest rate of return in the balanced funds category, in recognition of the 2009 return of Lukas Dynamiczny Polski subfund.

V. Financial Performance of BZ WBK Group in H1 2010

1. Profit and Loss Account

Overview

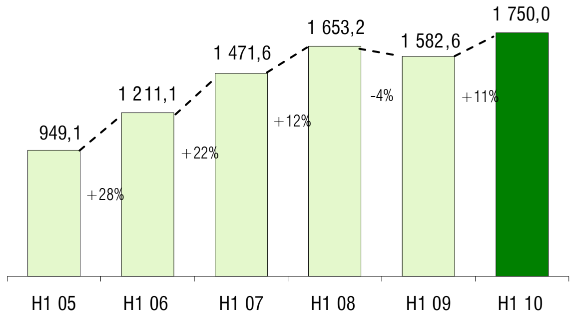
The table below shows year-on-year changes in key items of the Group's consolidated profit and loss account in H1 2010 compared with the corresponding period last year.

PLN m

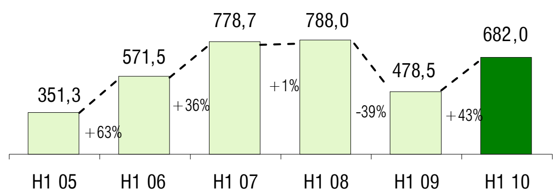
Condensed Profit and Loss Account	H1 2010	H1 2009	Change
Total income	1 750,0	1 582,6	10,6%
Total costs	(852,6)	(817,4)	4,3%
Impairment losses on loans and advances	(216,8)	(283,4)	-23,5%
Profit/loss attributable to the entities accounted for using equity method	1,4	(3,3)	-
Profit-before-tax	**682,0**	**478,5**	**42,5%**
Tax	(165,0)	(85,8)	92,3%
Net profit for the period	**517,0**	**392,7**	**31,7%**
- Net Profit attributable to the shareholders of the parent	**483,6**	**369,4**	**30,9%**
- Net profit attributable to minority shareholders	33,4	23,3	43,3%

In H1 2010, Bank Zachodni WBK Group generated a profit-before-tax of PLN 682 m, i.e. 42.5% more than in the same period last year. The profit-after-tax attributable to the shareholders of Bank Zachodni WBK was PLN 483.6 m and higher by 30.9% y-o-y. This performance reflects the Group's consistent efforts to diversify its income streams, align the product structure to the customer needs and market conditions, execute well-crafted marketing campaigns and deliver effective risk management. It was achieved amid moderate economic growth, gradual stabilisation of the customer deposits market and improved situation in the property market. These positive developments were accompanied, however, by uncertainty about prospects for the world economy, substantial volatility in the stock and FX markets and weak investment activity of Polish companies.

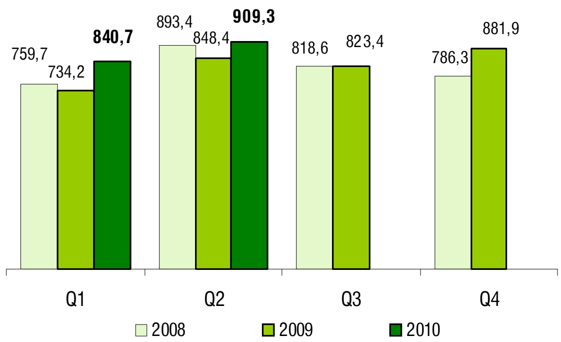
Total Income of BZ WBK Group
in H1 of the Years 2005-2010
(in PLN m)



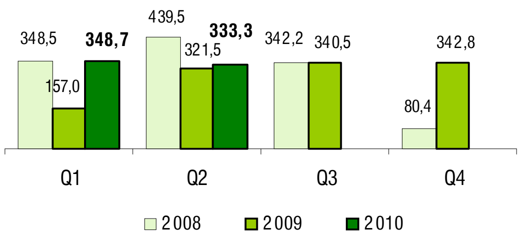
Profit- before-tax of BZ WBK Group
in H1 of the Years 2005-2010
(in PLN m)



Total income of BZ WBK Group by quarters in the years 2008-2010 (PLN m)



Profit-before-tax of BZ WBK Group by quarters in the years 2008-2010 (PLN m)



Income

The total income earned by Bank Zachodni WBK Group in H1 2010 was PLN 1,750m and up 10.6% y-o-y.

PLN m

Total Income	H1 2010	H1 2009	Change
Net interest income	862,8	716,4	20,4%
Net commission income	667,7	640,1	4,3%
Net trading income and revaluation	137,7	129,1	6,7%
Dividend income	53,6	76,0	-29,5%
Other non-interest income *	28,2	21,0	34,3%
Total	**1 750,0**	**1 582,6**	**10,6%**

* other non-interest income includes: 1) income from other financial instruments; 2) other operating income

Net Interest Income

Net interest income amounted to PLN 862.8 m and increased by 20.4% y-o-y as the situation in the Polish deposits market normalized. The price war for deposits that had continued since 2008 escalated in Q1 2009 and then gradually eased off. Still, it resulted in severe erosion of margins in H1 2009. In the current reporting period margins levelled off (annualized net interest margin of BZ WBK Group was 3.80% at the end of Q1 2010 and 3.86% at the end of Q2 2010), despite the pressure from falling cost of funds in the interbank market and revived competition in the bank credit market.

Taking into account other interest-related income from FX Swaps and Basis Swaps (PLN 105 m in H1 2010 and PLN 100.1 m in H1 2009), which are disclosed under "Net trading income and revaluation", the underlying net interest income increased by 18.5% y-o-y.

Net Commission Income

PLN m

Net Commission Income	H1 2010	H1 2009	Change
Direct banking *	133,1	133,8	-0,5%
Mutual fund distribution and asset management	146,1	98,1	48,9%
Account maintenance and cash transactions	124,9	120,3	3,8%
FX fees	97,9	118,2	-17,2%
Credit fees **	73,2	75,8	-3,4%
Brokerage fees	53,0	45,6	16,2%
Insurance fees	38,7	45,6	-15,1%
Other ***	0,8	2,7	-70,4%
Total	**667,7**	**640,1**	**4,3%**

* includes fees for foreign and mass payments, Western Union transfers, trade finance, debit cards, services for third parties as well as other electronic/telecommunications services

** includes selected fees related mainly to lending, leasing and factoring activities which are not amortised to interest income (e.g. credit cards and overdrafts)

*** other net income includes, among others, fees for distribution of structured products (PLN 3.3 m in H1 2010 against PLN 6.6 m in H1 2009) which in the "Condensed Interim Consolidated Financial Statement of BZ WBK Group for 6 months ended 30 June 2010" are recognized as "distribution fees" (Note 6 "Fee income").

In H1 2010, net commission income was PLN 667.7 m and 4.3% higher y-o-y.

The highest y-o-y increases in fee income occurred in the capital markets due to a low base effect connected with the deep downturn observed in the stock market in Q1 2009 and the simultaneous stagnation in the mutual funds business. Bullish sentiments prevailing for 14 consecutive months - until stock prices became volatile in Q2 2010 - drove up the average value of assets under the Group's management (from PLN 9.5 bn in H1 2009 to PLN 12.6 bn in H1 2010), thus increasing the net income from distribution of mutual funds and asset management by 48.9% y-o-y to PLN 146.1 m. In addition, the higher stock trading volumes and large number of stock issues contributed to higher fees from stockbroking and primary market services, which resulted in an increase of total brokerage fee income by 16.2% y-o-y to PLN 53 m.

The above mentioned upward movements were partly offset by the decline in FX and insurance fees. The decrease in the FX fee income of 17.2% y-o-y to 97.9 m was due to reduced foreign exchange flows from the bank's customer base while lower income from insurance fees (down by 15.1%, to PLN 38.7 m) ensued from the slowdown in the sale of cash loans.

Dividend Income

Dividend income of PLN 53.6 m decreased by 29.5% y-o-y. In 2010, Bank Zachodni WBK S.A. recognized lower dividend payout from companies representing Aviva Group as a result of dividend payment (PLN 20.3 m) made by one of them - in December 2009 - from the current year profit.

Net Trading Income and Revaluation

Net trading income and revaluation amounted to PLN 137.7 m, up 6.7% y-o-y. A significant portion of this line is the interest income from FX and Basis Swap transactions, which totalled PLN 105 m in H1 2010 compared with PLN 100.1 m in H1 2009. Net trading income and revaluation also includes the negative valuation adjustment of derivatives resulting from counterparty risk which in H1 2010 was PLN (7.5 m) vs. PLN (29.5 m) in the comparable period last year.

Impairment

After the first 6 months of 2010, the loan impairment charge to the profit and loss account was PLN 216.8 m compared with PLN 283.4 m in H1 2009.

PLN m

Impairment Losses on Loans and Advances	H1 2010	H1 2009
Impairment recognised on incurred and reported losses (individual and collective)	(240,4)	(246,2)
Impairment recognised on incurred but not reported losses (IBNR)	4,1	(38,3)
Recovered debts	14,5	4,6
Impairment recognised on off-balance sheet items	5,0	(3,5)
Total	**(216,8)**	**(283,4)**

The impairment level is an effect of more favourable macroeconomic conditions in Poland compared with 2009 which saw the accumulation of adverse developments triggered by the economic slowdown. In 2010, the financial and market position of large Polish companies is gradually improving, and so is their debt service. Also, the property market is showing clear signals of recovery.

However, small and medium-sized enterprises are still struggling with the effects of the economic slowdown of 2009, which impairs their capacity to meet credit liabilities in a timely manner. The last months of 2009 and Q1 2010 have also brought the deterioration of the situation in the labour market which is deemed a delayed response to the global crisis. Negative trends that emerged, such as higher unemployment, limited demand of enterprises for labour and low pressure on the salary growth, have adversely affected the debt service by a number of personal customers.

Costs

Total costs of Bank Zachodni WBK Group amounted to PLN 852.6 m and were 4.3% higher y-o-y, with sustained focus on cost control and continued implementation of administrative, technological and procedural measures aimed to reduce the Group's cost base. This approach, combined with a sufficiently high pace of income growth, resulted in improved cost to income ratio by 2.9 p.p. y-o-y (from 51.6% in H1 2009 to 48.7% in H1 2010).

PLN m

Total Costs	H1 2010	H1 2009	Change
Staff and other administrative expenses, including	(773,9)	(745,6)	3,8%
- staff expenses	(451,4)	(436,6)	3,4%
- other administrative expenses	(322,5)	(309,0)	4,4%
Depreciation/amortisation	(63,7)	(60,5)	5,3%
Other operating expenses	(15,0)	(11,3)	32,7%
Total	**(852,6)**	**(817,4)**	**4,3%**

In H1 2010, staff expenses increased by 3.4% y-o-y to PLN 451.4 m as a result of accruals for staff bonuses linked to the Group performance in 2010. Base salaries however went down by 3.3% y-o-y along with average staff reduction by c. 380 FTEs despite the salary increase of 3.5% on average effected in April 2010 as part of the annual performance review of employees.

The Group’s other administrative expenses increased by 4.4% y-o-y to PLN 322.5 m. H1 2010 saw a significant fall in the costs of IT usage, data transmission and postal/telecommunication fees based on the review of key contracts and renegotiation of rates with service providers. The effects of the savings initiatives were offset by larger costs of advertising and marketing, maintenance of premises and other external services. The most notable increase was observed in advertising and marketing expenses due to a wider scale of mass media marketing campaigns. In the first half-year, the Group’s main focus was on the promotion of the Moneyback Account. Other advertising campaigns covered the High-Heeled Account, e-Account<30, Aktywni 50+ Account, Business Packages and mutual funds.

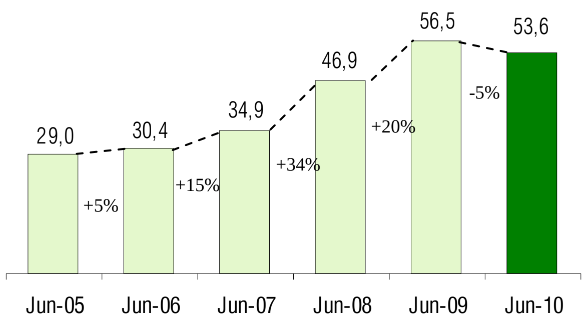
After the first six months of 2010, depreciation was PLN 63.7 m and 5.3% higher y-o-y.

2. Financial Position

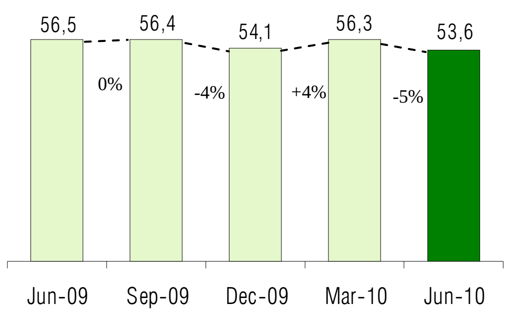
Assets

As at 30 June 2010, total assets of Bank Zachodni WBK Group amounted to PLN 53,583.8 m, a decrease of 0.9% on 31 December 2009. The value and structure of the Group's financial position is determined by the bank (parent), which accounts for 96.3% of the consolidated total assets.

Total Assets of BZ WBK Group
as at 30 June in the Years 2005-2010
(PLN bn)



Total Assets of BZ WBK Group from
30.06.2009 to 30.06.2010 by quarter
(PLN bn)



The table below presents major developments in key categories of the consolidated assets of Bank Zachodni WBK Group as at 30 June 2010 versus 31 December 2009 and 30 June 2009.

PLN m

Assets	30.06.2010	Structure 30.06.2010	31.12.2009	Structure 31.12.2009	30.06.2009	Structure 30.06.2009	Change	Change
	1	2	3	4	5	6	1/3	1/5
Loans and advances to customers *	34 335,4	64,0%	34 570,7	64,0%	36 222,6	64,1%	-0,7%	-5,2%
Investment securities	13 406,1	25,0%	13 292,6	24,6%	13 491,9	23,9%	0,9%	-0,6%
Financial assets held for trading	1 609,7	3,0%	1 344,8	2,5%	1 798,8	3,2%	19,7%	-10,5%
Cash and operations with Central Banks	1 477,9	2,8%	2 660,7	4,9%	2 304,5	4,1%	-44,5%	-35,9%
Loans and advances to banks	1 024,3	1,9%	663,0	1,2%	1 036,2	1,8%	54,5%	-1,1%
Fixed and intangible assets	731,1	1,4%	777,8	1,4%	782,9	1,4%	-6,0%	-6,6%
Other assets	999,3	1,9%	755,4	1,4%	855,7	1,5%	32,3%	16,8%
Total	**53 583,8**	**100,0%**	**54 065,0**	**100,0%**	**56 492,6**	**100,0%**	**-0,9%**	**-5,1%**

* net of impairment losses

Among major movements in assets on end-December 2009, there was a decline of 44.5% in "Cash and operations with the Central Banks" which is due to reduced BZ WBK balance with NBP in the process of day-to-day liquidity management. It should be noted, however, that a similar monthly average requirement for the obligatory reserve was in place for both periods covering analysed balance sheet dates. The decline in cash and operations with the Central Bank was partly offset by an increase in two other asset items: loans and advances to banks and financial assets held for trading. Loans and advances to banks increased by 54.5% y-t-d in conjunction with deposits placed in the inter-bank market as part of the collateral mechanism established to manage risk in derivative transactions while financial assets held for trading increased by 19.7% y-t-d due to investments in short-term government bills and NBP bills.

Credit Portfolio

PLN m

Gross Loans and Advances to Customers	30.06.2010 1	31.12.2009 2	30.06.2009 3	Change 1/2	Change 1/3
Loans and advances to business and public sector customers	21 807,4	22 348,6	24 336,0	-2,4%	-10,4%
Loans and advances to personal customers	11 253,9	10 632,4	9 975,8	5,8%	12,8%
Finance lease receivables	2 541,1	2 706,5	2 919,8	-6,1%	-13,0%
Other *	26,5	22,9	29,1	15,7%	-8,9%
Total	**35 628,9**	**35 710,4**	**37 260,7**	**-0,2%**	**-4,4%**

* net of impairment losses

As at 30 June 2010, gross loans and advances to customers totalled PLN 35,628.9 m and were relatively stable compared with the end of 2009. On a constant currency basis, the total loan-book declined by 1.6% y-t-d, of which the portfolio of business loans and finance leases decreased by 3,6% y-t-d, while personal loans increased by 3.2% y-t-d.

Loans and advances to business and public sector customers were lower by 2.4% y-t-d and amounted to PLN 21,807.4 m. Property loans, which make up a large portion of this portfolio, decreased by 8% y-t-d to PLN 10,565 m in line with declining credit exposures to commercial property sector required by the Group's credit policy.

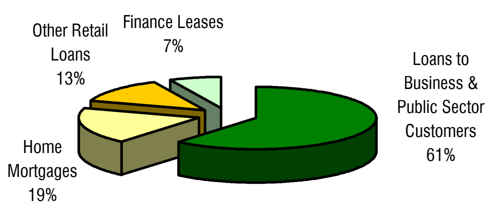
Continually low investment activity of businesses had an adverse impact on finance lease portfolio, which declined by 6.1% to PLN 2,541.1 m.

Loans to personal customers amounted to PLN 11,253.9 m, an increase of 5.8% over the six month period ended 30 June 2010. The main growth driver were mortgage loans, which went up by 9.8% y-t-d to PLN 6,658.5 m due to the quality of the Bank's mortgage proposition with its competitive prices, efficient credit delivery processes and insurance packages. The cash loan portfolio was PLN 3,195.7 m and lower by 0.6% y-t-d.

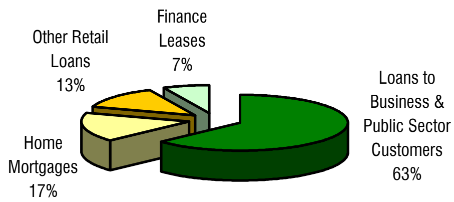
At the end of June 2010, the impaired loans accounted for 6.3% of the gross portfolio versus 5.5% recorded 6 months before. The provision cover ratio for the impaired loans was 41,3% compared with 39.1% as at 31 December 2009.

Loans and Advances to Customers of BZ WBK Group

As of 30.06.2010



As of 31.12.2009



Equity and Liabilities

The table below presents major developments in key categories of the consolidated equity and liabilities of Bank Zachodni WBK Group as at the end of June 2010 versus 31 December 2009 and 30 June 2009.

PLN m

Equity & Liabilities	30.06.2010	Structure 30.06.2010	31.12.2009	Structure 31.12.2009	30.06.2009	Structure 30.06.2009	Change	Change
	1	2	3	4	5	6	1/3	1/5
Deposits from customers	41 298,5	77,1%	41 222,9	76,2%	41 912,3	74,2%	0,2%	-1,5%
Deposits from banks	3 782,6	7,0%	3 830,8	7,1%	4 825,5	8,5%	-1,3%	-21,6%
Financial liabilities held for trading	852,6	1,6%	736,1	1,4%	1 747,5	3,1%	15,8%	-51,2%
Amounts owed to the Central Bank	224,3	0,4%	1 519,2	2,8%	1 381,7	2,4%	-85,2%	-83,8%
Other liabilities	1 178,4	2,2%	719,5	1,3%	1 162,5	2,1%	63,8%	1,4%
Total equity	6 247,4	11,7%	6 036,5	11,2%	5 463,0	9,7%	3,5%	14,4%
Total	**53 583,8**	**100,0%**	**54 065,0**	**100,0%**	**56 486,6**	**100,0%**	**-0,9%**	**-5,1%**

On the liabilities side, there was a significant decrease in the amounts owed to the Central Bank (-85.2% y-t-d) driven by reverse repo transactions. Other liabilities increased significantly (+63.8% y-t-d) due to the higher volume of pending business settlements and less intensive operating mode of the settlement systems beyond the financial year closure. The growth in the financial liabilities held for trading (+15.8% y-t-d) reflects the higher trading in certain derivative transactions and exchange rate impact.

Deposit Base

PLN m

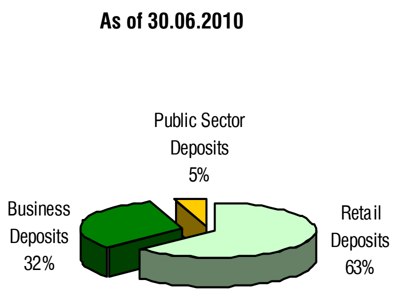
Deposits from Customers	30.06.2010	31.12.2009	30.06.2009	Change	Change
	1	2	3	1/2	1/3
Deposits from personal customers	25 817,5	25 613,7	25 452,7	0,8%	1,4%
Deposits from business and public sector customers	15 481,0	15 609,2	16 459,6	-0,8%	-5,9%
Total	**41 298,5**	**41 222,9**	**41 912,3**	**0,2%**	**-1,5%**

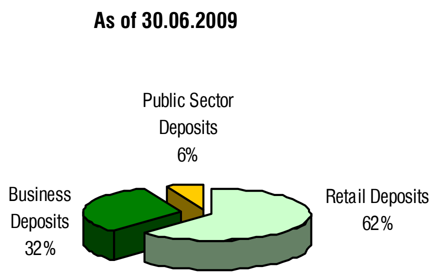
Deposits from customers, which represent 77.1% of the Group's total equity and liabilities, are the primary source of funding the Group's lending business. As at 30 June 2010, customer deposits amounted to PLN 41,298.5m and were close to the level recorded at the end of last year. This value comprises the term deposits of PLN 22,974.3 m (-1.3% y-t-d), funds deposited in current accounts of PLN 17,557.1m (+0.7% y-t-d) and other liabilities.

On a year-to-date basis, the deposit base was also stable in terms of overall customer structure (by business and retail customers).

As of 30 June 2010 r. the Group's deposits from retail customers totaled PLN 25,817.5 m. Slight changes in the structure of these deposits in favour of current accounts are attributable to an increase in the number of personal and savings accounts and lower attractiveness of term deposits in the low interest rate environment. Deposits from business and public sector customers amounted to PLN 15,481 m. In H1 2010, businesses showed an improved liquidity position and allocated more free cash to term deposits, the most popular being negotiated business deposit with a fixed interest rate.

Structures of Deposits from Customers of BZ WBK Group





3. Key Financial Ratios

Selected Financial Ratios	30.06.2010	31.12.2009	30.06.2009
Total costs/Total income	48,7%	50,0%	51,6%
Net interest income/Total income	49,3%	47,5%	45,3%
Net interest margin*	3,86%	3,40%	3,11%
Net commission income/Total income	38,2%	40,0%	40,4%
Customer loans/Customer deposits	83,1%	83,9%	86,4%
NPL ratio	6,3%	5,5%	4,5%
NPL coverage ratio	41,3%	39,1%	40,6%
Impairment losses on loans and advances / Average loans	1,2%	1,3%	1,5%
ROE **	17,7%	17,6%	13,1%
ROA ***	1,8%	1,6%	1,3%
Capital adequacy ratio	13,67%	12,91%	11,50%
Book value per share (in PLN)	85,49	82,61	74,88
Earnings per share (PLN) ****	6,62	12,11	5,06

* interest margin includes interest-related income on FX Swaps and Basis Swaps

** net profit attributable to the shareholders of Bank Zachodni WBK for the 12-month period to equity as at the end of the reporting period, net of current year's profit and minority interests

*** net profit attributable to the shareholders of the parent for the 12-month period to average assets derived from the two comparative reporting periods

**** net profit attributable to the shareholders of the parent for the reporting period divided by the number of ordinary shares

4. Supplementary Information

Selected Transactions with Connected Entities

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

As at 30 June 2010, total exposure arising from loans to subsidiaries (BZ WBK Leasing, BZ WBK Finanse & Leasing, BZ WBK Faktor) was PLN 1,179.7 m versus PLN 1,121.8 m as at 31 December 2009.

As at 30 June 2010, the deposits held by all the subsidiaries with Bank Zachodni WBK totalled PLN 1,057.2 m versus PLN 1,033.0 m 6 months before.

Guarantees to subsidiaries (BZ WBK Finanse & Leasing, BZ WBK Leasing, BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych, BZ WBK Nieruchomosci) totaled PLN 257,1 m versus PLN 254.8 m as at 31 December 2009.

Loans and advances to the parent entity (AIB Group) amounted to PLN 241.2 m (PLN 376.2 m as at 31 December 2009) whereas deposits were PLN 1,547.9 m (PLN 1,631.6 m as at 31 December 2009), including loans received by BZ WBK subsidiaries totalling PLN 829.3 m (PLN 819.8 m as at 31 December 2009 r.).

The inter-company items have been eliminated from the consolidated accounts.

Selected off-Balance Sheet Items

Commitments and Derivatives

Guarantees and commitments of Bank Zachodni WBK Group and nominal amounts of derivative transactions are as follows:

PLN m

Guarantees and Commitments	30.06.2010	31.12.2009	30.06.2009
Financial commitments:	5 343,1	6 345,1	7 116,4
Guarantees	1 173,7	876,2	826,2
Total	**6 516,8**	**7 221,3**	**7 942,6**

PLN m

Derivatives by Nominals	30.06.2010	31.12.2009	30.06.2009
Derivatives - Forward (hedging)	2 252,9	1 773,7	1 948,0
Derivatives - Forward (trading)	54 487,1	50 171,0	78 845,6
Current FX transactions	927,2	1 119,6	1 829,6
Trading in equities	52,1	47,9	36,5
Total	**57 719,3**	**53 112,2**	**82 659,7**

Description of Guarantees

As at 30 June 2010, guarantees sanctioned by Bank Zachodni WBK Group amounted to PLN 1,173.7 m as compared with PLN 876.2 m as at 31 December 2009.

Bank Zachodni WBK guarantees obligations arising from customers' operating activities. These are: payment guarantees, performance bonds, warranty bonds, bid bonds, loan repayment guarantees and customs guarantees. In accordance with the Regulations on Non-Consumer Loans in Bank Zachodni WBK, the bank provides civil law guarantees (mainly: loan repayment guarantees, guarantees of payments for goods or services, advance payment guarantees, performance bonds, customs guarantees) as well as guarantees under Bills of Exchange Law (mainly: loan repayment guarantees, guarantees of payment for goods or services).

The process and information required in the case of guarantees are similar to the lending process. Relevant regulations are contained in the SME Lending Manual and the Corporate & Business Lending Manual.

Significant Court Proceedings

As at 30 June 2010, no case was pending before any court or state administration agencies with relation to any claims made by or against the bank or its subsidiaries that would equal or exceed 10% of the Group's equity.

The value of all litigations totalled PLN 240,9 m which is ca. 3.9% of the Group's equity as at the end of June 2010. This amount includes PLN 51.3 m claimed by the Group, PLN 66,0 m in claims against the Group and PLN 123.6m of the Group's receivables due to bankruptcy or arrangement cases.

5. Factors Which May Affect Financial Results of the Bank in H2 2010

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

- Developments in major world economies, particularly in the European Union which is the market for the vast majority of Polish exports. This factor will have a significant influence on domestic production, and consequently on the financial situation of the domestic companies and the labour market conditions. This in turn will determine trends in the loan portfolio quality and the strength of demand for new loans.

- Predicted stabilisation of NBP interest rates until Q4 2010 amid prospects for moderate economic recovery and gradual return of inflation to the central bank's target in the medium-term.

- Further changes in costs of financing banks' assets, depending among others on the zloty exchange rate, liquidity situation in the banking sector and intensity of the price competition for retail deposits.

- Development of the situation in the global stock markets and its influence on flows between mutual funds and safer assets' classes (deposits).

- Changes in the situation on the housing market and the ensuing tendency in demand for mortgages.

- Further decrease in real estate prices and its impact on the value of collateral accepted by the Group from customers.

- Change of the majority shareholder as a result of the disposal of Bank Zachodni WBK.

VI. Risk Management

1. Risk Management structure in BZ WBK Group

The main objective of risk management in Bank Zachodni WBK Group is to ensure effective operations and support development within the approved risk parameters. Risk management practice is in keeping with the industry benchmarks and Basel II guidance, and covers operational risk as well as the three main financial risk areas: credit risk, market risk and liquidity risk.

The Management Board, which is responsible for shaping and implementing the risk management structure, sets up committees, which are directly accountable for developing risk management methods and monitoring risk levels in specific areas. The activities of these committees are supervised by the Risk Management Committee which defines the risk management strategy in Bank Zachodni WBK Group, in particular identifies key risks, specifies the acceptable risk levels and methods of their measurement, controlling, monitoring and reporting. The following Committees report to the Risk Management Committee: Credit Policy Forum, Credit Committee, Provisions Committee, Operational Risk Management Committee (ORMCo), Market Risk Committee, Assets and Liabilities Management Committee (ALCO), Equity Investment and Underwriting Committee, Interbank Limits Committee, Disclosure Committee, Strategy Committee for Savings and Investment Products and Private Banking Investment Committee.

The Supervisory Board performs on-going supervision over risk management process being supported by the Risk Oversight Committee composed of Supervisory Board Members.

2. Credit Risk Management

Credit Risk Management

Credit Risk

Credit risk is defined as the possibility of suffering a loss if the borrower fails to meet their credit obligation, including payment of interest and fees. Credit risk also arises from the impairment of credit assets and contingent liabilities as a consequence of the borrower's worsening 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.

The “Risk Appetite Statement”, as approved by the Risk Management Committee and the Supervisory Board, is the fundamental document which defines the credit risk profile of the Group. The document sets out strategic limits and their acceptable levels within business operations of the bank and the Group.

The Group's credit risk management involves actions taken as a result of the on-going analysis of the macroeconomic environment and the internal review of the particular credit portfolios. The advanced credit risk assessment tools allow quick remedial action to be taken in response to the first signals of changes in the portfolio quality or structure.

Proactive credit risk management is a prerequisite of the Group’s good standing in the volatile market environment. It is ensured by the following:

- regular review of risk assessment tools and credit policies and their adjustment to current macroeconomic conditions, and
- close monitoring of the existing exposures in the income producing real estate portfolio and balancing their share in the credit portfolio.

These actions have been effective, which is reflected in high quality of the credit portfolio and significantly improved credit risk profile of the Group’s newly built retail portfolios.

Key actions taken by the Group in H1 2010 include:

- review of credit processes to ensure compliance with Recommendation T and commencement of the implementation of necessary changes to conform to the requirements,
- implementation of statistical models designed to counteract frauds,

- implementation and development of statistical models supporting collections and recovery.

Credit Grading

Intensive work has been undertaken for further development of the credit risk assessment tools to conform to the Basel requirements and International Accounting Standards/International Financial Reporting Standards (IAS/IFRS). The Group uses credit risk grading models for its key credit portfolios, including corporate customers, SMEs, home loans, income-producing real estates, cash loans, credit cards and retail overdrafts.

The Group runs a periodic monitoring of credit grading pursuant to the rules described in the lending manuals. Additionally, for selected retail portfolios, automated credit grade verification is carried out based on the number of overdue days or behavioural analysis. Credit grade is also verified at subsequent sanctions.

Calculation of Impairment

In Bank Zachodni WBK and its subsidiaries, impairment charges are recognised in accordance with IAS/IFRS. The charges reflect credit impairment which is recognised if the Group presents an objective evidence that such amounts cannot be recovered in line with the loan agreement. Objective indications of impairment were defined in accordance with the recommendations of Basel Committee and with the International Accounting Standards (IAS 39).

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

Each year, the bank compares the assumptions and parameters used for impairment calculations with the actual situation, including changes of economic conditions, amendments to the bank's credit policies and recovery process. The process provides assurance that impairment charges are recognized correctly. The responsibility for ensuring an adequate level of charges rests with the Provisions Committee.

Credit Risk Stress Testing

Stress testing is a part of the credit risk management process used to evaluate potential effects of specific events, movements in financial and macroeconomic ratios or changes in the risk profile on the Group's condition. Stress tests involve assessment of potential changes in credit portfolio quality when faced with adverse conditions. The process also delivers management information about adequacy of agreed limits and internal capital allocation.

Return on Risk

In its lending activity Bank Zachodni WBK Group focuses on a balanced growth of a high quality loan-book with a good yield and customer satisfaction. High quality credit exposure is ensured by applying principles of loan sanctioning and monitoring, which mitigate the credit risk.

The Group continues to develop and improve risk based methods of pricing loans, allocating capital and measuring returns. Currently, for all significant credit portfolios, EVA-based risk assessment models are used.

Credit Decision Making Process

The credit decision-making process as part of the risk management policy is based upon Individual Discretionary Limits vested in lenders, commensurate with their knowledge and experience relating to particular activities (branch, business and corporate banking). Credit exposures in excess of PLN 25 m are referred to the Credit Committee composed of senior management and top executives.

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

Credit Reviews

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

3. Market Risk and Liquidity Risk Management

The key objective of Bank Zachodni WBK Group's market risk policy is to reduce the impact of interest and FX rates changes on the Group's profitability and market value as well as to increase income within the strictly defined risk limits and to ensure the Group's liquidity.

The market risk associated with the Group's operations stems mainly from services provided to customers and related debt instruments, FX and equity transactions.

Market Risk

The Risk Management Committee approves market risk management strategies and policies as well as limits that define the maximum acceptable exposure to individual risk types, in accordance with the "Risk Appetite Statement".

The Management Board makes its strategic decisions on the basis of recommendations put forward by the ALCO Committee or the Market Risk Committee. The Management Board delegated the direct supervision of market risk management to the two above-mentioned Committees.

The direct market risk management is centralised within the Treasury Division, except for the risk arising from changes in the price of equity instruments, which is managed by the staff of Dom Maklerski BZ WBK S.A. (BZ WBK Brokerage House).

Identification and Assessment of Market Risk

Qualified staff, using appropriate systems and controls, identifies on an on-going basis the market risk connected with retail and commercial activities and transfers it to the Treasury Division. The Treasury Division then executes relevant transactions (e.g. in the inter-bank market, in securities, derivatives, etc.) in order to maintain the risk at an acceptable level.

Market risk is measured and its compliance with the stated risk limits is monitored by qualified personnel independent of the unit which manages and generates the risk. Exposure to market risk is regularly reviewed by Market Risk Committee. Risk limits are periodically reviewed to align them with the bank's strategy and current objectives.

Interest rate and FX risks are monitored using the Value at Risk (VaR) methodology which is a standard industry tool for the measurement of interest rate and FX risk. VaR methodology uses a statistical process to determine the Probable Maximum Loss (PML) in economic value of a transaction or a portfolio of transactions as a result of an adverse change in market parameters. The bank applies the VaR methodology to both the trading and banking portfolio.

Liquidity Risk

Liquidity risk is the risk that the bank fails to meet its contingent and non-contingent commitments made to its customers and contractors.

The Group's liquidity policy is to counter-balance the expected outflows with expected inflows and/or sale of liquid assets (mainly debt securities) to resist any extraordinary or crisis situations triggered by internal factors (e.g. sudden increase in the value of facilities drawn under the sanctioned credit lines) or external ones (e.g. material drop in liquidity on the inter-bank market). The policy covers all assets and liabilities as well as off-balance sheet items impacting the liquidity level.

In H1 2010, the Group focused on keeping its loan-to-deposit ratio at a safe level against the stable deposit base.

At the same time, the level of unencumbered liquid assets (mainly treasury debt securities) provided an appropriate liquidity buffer.

Liquidity Risk Management

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

Also, direct liquidity management is centralised within the Treasury Division in order to keep the risk within the set limits. Compliance with the limits is measured and monitored on a daily basis by qualified staff who are independent of risk-generating units and the managing unit.

Liquidity risk reports and results of stress tests are regularly reviewed by the senior management and by ALCO.

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 is updated on a regular basis.

Identification and Assessment of Liquidity Risk

Liquidity risk is identified and measured daily, mainly using modified liquidity gap reports and regulatory reports. Regular liquidity measurement reports are supported by stress test results.

According to the Group's policy, the bank should have funds sufficient to cover outflows expected over one-month time horizon in full. The liquidity position over a longer time horizon and the level of easily marketable assets are monitored as well.

Since the beginning of 2010, the bank's funds have significantly exceeded the level required to cover the expected outflows.

The bank also complies with Resolution no. 386/2008 of the Polish Financial Supervision Authority (KNF) on liquidity management, in respect of, inter alia, liquidity monitoring, measurement and reporting.

In 2010, the bank has met the regulatory quantitative requirements for liquidity. Key regulatory indicators (i.e. short term liquidity ratio and ratio of coverage of non-liquid assets and assets of limited liquidity with own funds and core external funds) comfortably exceeded the required levels.

4. Operational Risk Management

As per the definition agreed by the Basel Committee on Banking Supervision, operational risk is the risk of loss resulting from external factors or inadequacy or failure of internal processes, human resources and systems.

Operational risk is inherent in all the Group's business processes, 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 and/or reduce the impact of unexpected adverse events.

Bank Zachodni WBK Group applies “Operational Risk Management Policy” and “Operational Risk Management Framework”. In addition, detailed procedures and guidelines are used to define how risks are identified, estimated, monitored and mitigated.

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

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

- Identification and assessment of operational risk.
- Reporting on operational incidents and lessons learned.
- Analysis of risk indicators.
- Business continuity management (BCM).
- Regular reporting to the Risk Management Committee and Supervisory Board.
- Insurance.

5. Legal and Regulatory Risk Management

According to the guidelines of the Basel Committee, legal and regulatory (non-compliance) risk is the risk of sanctions imposed by supervisory authorities, significant financial loss or reputation damage which the Group may be exposed to where the regulations, standards and codes of conduct applicable to the Group's business operations are breached.

Identification and Assessment of Risk

The Compliance Area is accountable for ensuring compliance with legal and regulatory requirements applicable to business operations, including prevention of money laundering and protection of confidential information and personal data. Tasks of identifying, interpreting and propagating knowledge of other legal and regulatory requirements across the Group were assigned to units having competence in such areas. Consequently, the HR Management Division is responsible for compliance with the labour law, the Finance Division is responsible for compliance with the tax law, and the Finance and Risk Management Divisions are responsible for compliance with prudential regulations.

The process of assessing key legal and regulatory (non-compliance) risks in Bank Zachodni WBK Group - as coordinated by the Compliance Area - is undertaken every 6 months. The risks to which Bank Zachodni WBK Group is exposed to are discussed by the Risk Management Committee and the Audit Committee of the Supervisory Board.

Risk Management and Controls

Pursuant to the policy for ensuring compliance with legal and regulatory requirements, which was adopted by the Management Board and approved by the Supervisory Board, the Compliance Area was established and vested with relevant powers, appropriate resources and independence of business units.

The Compliance Area is responsible for, in particular:

- independent identification, assessment and monitoring of the non-compliance risk to which the Group is exposed to ,
- advising and reporting to the Risk Management Committee, the Management Board and the Audit Committee of the Supervisory Board in respect of effectiveness of compliance with legal and regulatory requirements which fall within their remit,
- providing the management and staff with guidance on the non-compliance risk and policies, and procedures for its management,
- supervises and coordinates - to the extent permissible by law - the process of managing the non-compliance risk by the subsidiaries.

Key compliance risks are reviewed by the Audit Committee every six months to assure that the risks are managed appropriately.

Risk Monitoring and Reporting

The Compliance Area undertakes risk-based monitoring of compliance with relevant policies, procedures and regulatory obligations. Monitoring is carried out by dedicated Risk & Compliance Monitoring Office, the Anti-Money Laundering Office and Compliance Officers in selected units and capital market subsidiaries, as well as staff of other controlling units acting on behalf of the Compliance Area across the branch network.

The annual monitoring plan, accepted by the Audit Committee, is reviewed on a regular basis and updated to reflect changes in the risk profile from emerging risks. Issues emerging from compliance monitoring are brought to management attention, and action plans and implementation dates are agreed with the Compliance Area. The implementation of these action plans is monitored by the Compliance Area.

6. Capital Management

Introduction

It is the policy of Bank Zachodni WBK Group to maintain capital at the level appropriate to the type and scale of its business and the risk it is exposed to, in accordance with the applicable Banking Law and regulations of the Polish Financial Supervision Authority.

Pursuant to the New Basel Capital Accord, the Group measures both the minimum regulatory capital requirement (Pillar 1) and the internal capital (Pillar 2) applying in-house models in day-to-day business and risk management.

In addition, the Group's capital level is determined by the ultimate external rating and stress tests results for individual risks identified as material to the business.

The Management Board is accountable for capital management, calculation and maintenance, including assessment of capital adequacy vis-à-vis different economic conditions. Responsibility for general oversight over estimation of internal capital rests with the Supervisory Board.

The Management Board delegated the day-to-day capital management to ALCO/ICAAP Forum. The Committee assesses capital adequacy, including capital adequacy under stressed scenarios, on an ongoing basis. Also, the Committee monitors the existing and required capital level and initiates transactions which affect own funds (e.g. by recommending the amount of dividend to be paid out). ALCO/ICAAP Forum defines the capital policy, principles of capital management and capital adequacy assessment both in the bank and the Group, reviews and approves capital plans and sets out principles of capital allocation to individual business segments when assessing their profitability.

Capital Policy

The solvency ratio, which is the ratio of capital requirements in respect of individual risks to the bank's total capital, after obligatory deductions recognised in accordance with the Banking Law and resolutions of the Polish Financial Supervision Authority, is one of the key measures used by Bank Zachodni WBK Group to manage capital. Under the Banking Law, the minimum capital adequacy ratio is 8% at both the bank and Group level.

Under the Group's capital management policy, the target minimum solvency ratio is 10% (observational limit of 11%) at both the bank and Group level.

At the same time, the Tier 1 capital ratio (which is the ratio of core equity capital to risk-weighted assets for credit, market and operational risks) may not be lower than 8% within both the bank and the Group (additional requirement may be applied as part of the SREP in Pillar 2).

Pillar 1 risks and capital required to cover such risks are assessed quantitatively. The bank uses regulatory approaches to the measurement of these risks. The following approaches are used with regard to individual risk types:

- credit risk - the standardised approach for all portfolios,
- operational risk - the standardised approach,
- market risk - the basic measurement approach.

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

The table below shows rates used to calculate the solvency ratio for the Group as of 30 June 2009, 31 December 2009 and 30 June 2010.

PLN m

	30.06.2010	31.12.2009	30.06.2009
Total capital requirement	3 296,3	3 332,4	3 532,4
Capital and funds after deductions	5 632,1	5 376,5	5 079,4
Solvency ratio	13,67%	12,91%	11,50%

Internal Capital

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

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

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

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

VII. Governing Bodies

Annual General Meeting of Shareholders

The Annual General Meeting of BZ WBK Shareholders (AGM) held on 21 April 2010, approved the reports submitted by the Management Board and the Supervisory Board, granted discharge to the Management and Supervisory Board members for the performance of their duties in the previous year, appointed two new members to the Supervisory Board, resolved on distribution of the net profit and dividend payment of PLN 4 per share. The AGM also approved changes to the bank's Statutes and adopted a consolidated version of the document. The new provisions of the Statutes aligned the bank's business, the procedure of the General Meeting and the powers of the Supervisory Board to the changes in legislation. In addition, more details were added on how the bank's reserves are created and used.

Supervisory Board

As at 30 June 2010, the composition of the Bank Zachodni WBK Supervisory Board was as follows.

Role on the Supervisory Board		Composition as at 30.06.2010
Chairman of the Supervisory Board:	1.	Aleksander Szwarc
Members of the Supervisiory Board:	2.	Gerry Byrne
	3.	Waldemar Frąckowiak
	4.	Aleksander Galos
	5.	Anne Marie Maher
	6.	Maeliosa OhOgartaigh
	7.	Piotr Partyga
	8.	John Power
	9.	Jacek Ślotała

Compared with 30 June and 31 December 2009, the Supervisory Board has two new members: Anne Marie Maher and Piotr Patryga who were appointed by the AGM on 21 April 2010.

The other persons listed above were appointed by the AGM of 18 April 2008 for a joint 3-year term of office.

As at 30 June 2010, the following members of the Supervisory Board held an independent status: Waldemar Frąckowiak, Aleksander Galos, Piotr Partyga, John Power, Aleksander Szwarc and Jacek Ślotała.

The following Supervisory Board committees operate in the bank: Remuneration and Nominations Committee, Audit Committee, Social Responsibility Committee and Risk Oversight Committee. The latter was established in September 2009, and became formally operative in January 2010.

Auditor

In accordance with §32 point 10 of the Statutes of Bank Zachodni WBK and the industry practice, on 9 June 2010 the bank's Supervisory Board passed a resolution appointing KPMG as an auditor to review the bank's stand-alone and consolidated financial statements for the first half of 2010. KPMG audited the bank's financial statements for the prior years and - through other KPMG companies - provided consulting services permitted by law and the bank's internal regulations, whereby adequate impartiality and independence of the auditor was ensured.

Management Board

As at 30 June 2010, the composition of the Bank Zachodni WBK Management Board was as follows:

Role on the Management Board		Composition as at 30.06.2010
Management Board President:	1.	Mateusz Morawiecki
Members of the Management Board:	2.	Paul Barry
	3.	Andrzej Burliga
	4.	Declan Flynn
	5.	Justyn Konieczny
	6.	Janusz Krawczyk
	7.	Jacek Marcinowski
	8.	Michael McCarthy
	9.	Marcin Prell
	10.	Mirosław Skiba
	11.	Feliks Szyszkowiak

The persons listed above were appointed by the Supervisory Board on 21 April 2009 for a joint 3-year term of office.

No changes were made to the BZ WBK Management Board compared with 30 June and 31 December 2009.

Shares in Possession of the Supervisory and Management Board Members

As at the date of approval of the interim report of Bank Zachodni WBK Group for the first half of 2010, the Supervisory Board members did not hold any shares.

Board Members as at 30.06.2010	Number of BZ WBK Shares		
	30.06.2010	31.12.2009	30.06.2009
Waldemar Frąckowiak	-	-	278,0
Other Board Members	-	-	-

Following delivery of the first edition of the "Performance Share Programme" for the year 2006, the Management Board members of Bank Zachodni WBK were allocated 23,084 out of 115,729 H series shares issued as part of the bank's share capital increase. Since the second edition of Bank Zachodni WBK Incentive Scheme has not been exercised and expired on 31 March 2010, the Management Board have currently the conditional right to acquire shares under the 3rd Incentive Scheme. The table below shows shares and rights held by the Management Board Members at the date of approval of the half-yearly report for 2010 and 2009, and the annual report for 2009.

Members of the Management Board as at 30.06.2010	31.06.2010		31.12.2009		30.06.2009	
	No. of BZWBK Shares	Rights	No. of BZWBK Shares	Rights	No. of BZWBK Shares	Rights
Mateusz Morawiecki	3 591	7 403	3 591	9 961	3 591	9 961
Paul Barry	-	-	-	-	-	-
Andrzej Burliga	1 606	3 332	1 606	4 417	1 606	4 417
Declan Flynn	-	-	-	-	-	-
Justyn Konieczny	3 591	5 182	3 591	7 847	3 591	7 847
Janusz Krawczyk	3 397	4 442	3 397	6 661	3 397	6 661
Jacek Marcinowski	3 397	4 442	3 397	6 661	3 397	6 661
Michael McCarthy	-	-	-	-	-	-
Marcin Prell	2 530	4 442	2 530	6 661	2 530	6 661
Mirosław Skiba	1 575	1 850	1 575	2 813	1 575	2 813
Feliks Szyszkowiak	3 438	4 442	3 438	6 661	3 438	6 661
Total	**23 125**	**35 535**	**23 125**	**51 682**	**23 125**	**51 682**

VIII. Representations of the Management Board

True and Fair Presentation of the Financial Statements

According to the Management Board's best knowledge and belief, the financial figures and the comparable data presented in the Interim Report 2010 of Bank Zachodni WBK Group were prepared in keeping with the applicable accounting policies and give a true and fair view of the state of affairs and earnings of Bank Zachodni WBK Group. The Management Board's Report contained in this document shows a true picture of the Group's development, achievements and position (including the underlying risks) in the first half of 2010.

Selection of Auditor

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

Date	Name	Function	Signature
27.07.2010	Mateusz Morawiecki	President	
27.07.2010	Paul Barry	Member	
27.07.2010	Andrzej Burliga	Member	
27.07.2010	Declan Flynn	Member	
27.07.2010	Justyn Konieczny	Member	
27.07.2010	Janusz Krawczyk	Member	
27.07.2010	Jacek Marcinowski	Member	
27.07.2010	Michael McCarthy	Member	
27.07.2010	Marcin Prell	Member	
27.07.2010	Mirosław Skiba	Member	
27.07.2010	Feliks Szyszkowiak	Member	