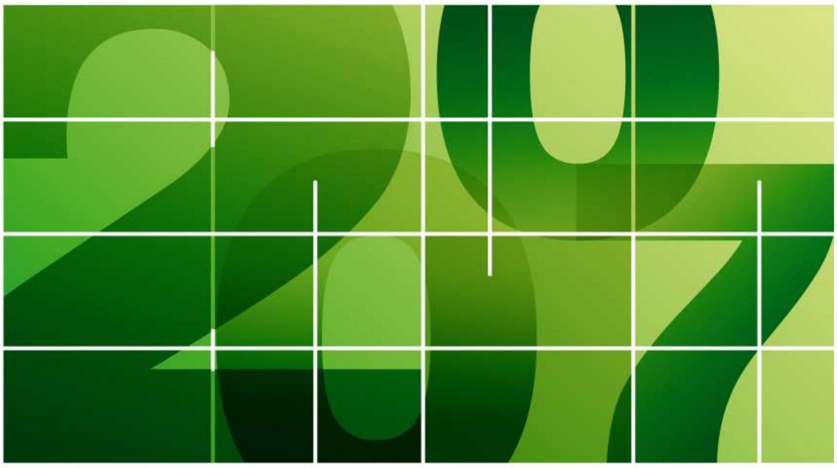


Report of the Management Board on Bank Zachodni WBK S.A. performance in 2007

Bank Zachodni WBK

Contents

I. General Review

In 2007, Bank Zachodni WBK achieved record-breaking profit-before-tax of PLN 979 m

The key drivers of the profit included:

- ***strong momentum in credit delivery***
- ***substantially higher deposit volumes***
- ***inflow of assets to mutual funds in the first half of the year in the favourable stock exchange climate***
- ***growing bancassurance business***
- ***improving sales effectiveness***

Financial Performance in Brief

- **Key financial figures and movements year-on-year:**
  - profit-before-tax was PLN 979 m, an increase of 31.4% y-o-y;
  - profit-after-tax was PLN 809.5 m, an increase of 36.6% y-o-y;
  - higher ROE (up to 26.6% from 19.6% in 2006);
  - total income increased by 20.7%, reflecting growing business volumes;
  - improvement of operational efficiency (C/I ratio down from 60.5% to 58.5%) against controlled cost increases driven by the growth of business and the requirements of development projects;
  - further reduction in the NPL ratio (from 5.2% to 2.8%), confirming the bank's sound credit risk management;
  - positive balance of loan impairment provisions (PLN 0.6 m versus PLN -26.1 m in 2006) as an effect of solid credit decision-making processes and effective debt collection.

Key Factors Affecting the Bank's Profit and Activity

- **Favourable external environment,** including:
  - economic growth and a conducive investment climate in Poland;
  - favourable trends in the stock exchange market reversed in the second half of the year as a result of the turmoil on the US financial markets;
  - growing demand in the credit market;
  - improved labour market and salary levels;
  - higher official interest rates;
  - changes in the structure of household savings.

- **Diversified business growth:**

  - rapid growth of credit volumes: cash loans (+61%), PLN mortgage loans (+52%); business loans (+34%);
  - substantially higher deposit balances (+24% y-o-y);
  - strong contribution to the asset base growth of mutual funds (net assets of funds managed by the subsidiary increased by 32% y-o-y despite the downturn movements on the stock exchange);
  - fast-paced development of promising business lines: bancassurance, third-party services, advisory and share issue services in the equity market;
  - functional, procedural and pricing improvements in products and services.

- **Effective risk and cost management:**

  - continued enablement of credit processes with due regard to maintaining the prudential requirements;
  - managed cost expansion amid growing business of the bank and its subsidiaries, and consistent delivery of the development programmes.

- **Strong focus on service quality:**

  - intensive efforts to improve customer satisfaction with service quality;
  - development of IT technologies for Customer Relationship Management (CRM);
  - foundations laid for the process management system.

- **Dynamic development of distribution channels:**

  - development through organic growth (expansion of branch, Minibank and Mobile Sales networks);
  - high diversification and growing effectiveness of the delivery channels.

Other Key Developments

- Maintaining the "A+" rating assigned to Bank Zachodni WBK S.A. by Fitch Ratings, Ltd. in 2006.
- Launch of the second edition of the incentive scheme for senior executives.
- Signing the agreements with Aviva International Insurance Ltd. to establish two new insurance companies providing insurance products to the bank's customers.
- Obtaining ISO 9001:2000 accreditation for the processes covered by the Total Quality Management System (TQM).

II. Macroeconomic Environment in 2007

Economic Growth

2007 was another very good year for the Polish economy. GDP growth was the highest for a decade, reaching almost 6.5% and exceeding earlier expectations and forecasts. Exports maintained a solid, double-digit growth throughout the year, remaining an important driving force of economic expansion. Domestic demand was gradually gaining importance, supporting a high import growth. Consequently, 2007 was the second year in a row when the net balance of foreign trade hampered GDP growth. Current account balance in relation to GDP was increasing rather slowly throughout the year (e.g. due to high inflow of EU funds) to remain below the moderate GDP level of 4%. As regards domestic demand, a very high growth of fixed investments (over 20% y-o-y) deserves special attention as it contributed to economy's modernisation, replenishment of obsolete equipment and an increase in the economic growth potential. Private consumption increased by more than 5.2%, supported by a solid improvement in households' financial situation as a result of a strong labour market revival and a reduction in tax burden (reduced pension contribution since July 2007).

Labour Market

Fast and broad-based expansion in economic activity triggered a strong increase in demand for labour. Rise in employment accelerated at a pace that was not observed since the start of market economy in the early nineties, exceeding 5% y-o-y at the end of the year. At the same time, supply of workforce was constrained by job migration to the European Union states. Registered unemployment rate fell below 11.4% at the end of the year from 14.8% in December 2006. According to the Labour Force Survey (BAEL), however, unemployment rate fell to 9% in the third quarter, the lowest level in the history of the survey in Poland (since 1996). Amid a large demand for labour with a limited supply (particularly in some sectors of the economy), the upward pressure on wages was building during the year, and pay growth exceeded 10% y-o-y at the end of the year.

Interest Rates

Growth in wages and employment was strong enough to trigger acceleration in unit labour costs growth to above 7% in the third quarter of 2007 from ca. 1.5% on average in 2006. This induced the Monetary Policy Council to start a tightening cycle in monetary policy. Following four rate hikes made during the year, the central bank's main reference rate increased from a record low of 4% at the beginning of the year to 5% in November.

Inflation

Consumer price growth accelerated quite significantly in 2007, reaching 4% y-o-y in December, against 1.4% y-o-y at the end of 2006. However, the rise in inflation was triggered mainly by the surge in prices of food and crude oil resources. Net inflation (excluding prices of food and fuel) remained low throughout the year, close to the lower end of allowed fluctuations band around the target, which resulted, among others, from quite gentle pass-through of rising labour costs on retail prices amid still very good financial standing of enterprises and strong zloty.

Loans and Deposits

2007 was another year of credit market expansion. Very rapid increase in households' debt (ca. 40% y-o-y) was driven mainly by high demand for mortgage loans amid housing market boom, yet demand for consumption loans was gradually gaining importance as well. There was a strong rise in demand for loans from enterprises, which soared almost 25% y-o-y due to, among others, very high growth in capital expenditures.

FX Market

2007 witnessed zloty appreciation, particularly against the US dollar which weakened significantly against the euro. The EUR/PLN strengthened to 3.78 on average in 2007 from 3.90 in 2006, while USD/PLN fell to 2.77 from 3.10 in the previous year. The start of a monetary tightening cycle and expectation for further rate hikes resulted in a rise in Treasury bond yields. The last months of the year witnessed a significant volatility and nervousness in the financial market due to the crunch on the American housing and credit market. It also affected the stock exchange market which in July 2007 entered a period of downturns after several years of upturns.

III. Basic Information

1. History and Current Status of Bank Zachodni WBK

Background

Bank Zachodni WBK S.A. (Bank Zachodni WBK, BZWBK) was established following the merger of Bank Zachodni with Wielkopolski Bank Kredytowy. The new Wrocław-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). After the merger, the AIB Group became owner of a 70.5% stake in Bank Zachodni WBK and maintains such shareholding since that date.

Current Status and Scope of Activities

Universal Bank

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 (Konto<30 Package, Konto24 Prestiz Package, Konto24 VIP Package, Business Package, Agro Package, Package for Freelancers) 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 subsidiaries, including: Dom Maklerski BZ WBK S.A., BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A., BZ WBK AIB Asset Management S.A., Brytyjsko-Polskie Towarzystwo Finansowe WBK-CU Sp. z o.o., BZ WBK Leasing S.A., BZ WBK Finanse & Leasing S.A., BZ WBK Faktor Sp. z o.o. In co-operation with these companies, the bank offers its customers access to brokerage services, mutual funds, insurance, leasing and factoring products.

Key Features of the Offering

The rich offering of the bank allows customers to diversify their savings portfolios and carry out investments that match their individual preferences and investment objectives. The available savings/investment instruments include current and term deposits, savings accounts, index tracker deposits, mutual funds and new investment policy products.

The customers' demand for funding can be satisfied through a variety of loans. The list of credit facilities for business customers includes overdrafts, working capital, revolving, payment, investment, development and preferential loans, leasing and the multi-purpose Business Express facility. The bank also provides funding as part of the EU programmes, enjoying a very good position in the market of EU funds.

The credit offer addressed to personal customers is likewise comprehensive, its core feature being attractively structured home and cash loans.

The bank issues payment cards of the two main card organisations: Visa and MasterCard. The choice of credit, debit and prepaid cards can satisfy even the most demanding customers thanks to their variety and alignment with the requirements and potential of individual market segments. All the bank's credit and debit cards are equipped with chip technology to ensure the highest security of card transactions.

Distribution Channels

As at 31 December 2007, Bank Zachodni WBK operated through 406 outlets. The bank's network covers the whole of Poland, with the highest concentration in Wielkopolska, the Lower Silesia and major cities of Poland, including Warsaw, Kraków, Łódź, Tri-city, Szczecin. The branches are supported by the Mobile Sales structures which are composed of self-employed financial advisors offering credit cards and cash loans. They have been set up in 17 Polish cities and focus on acquiring new customers in locations that are not covered by the bank's branch network.

Corporate customers are serviced through the 6 Corporate Business Centres located in Warsaw, Poznań, Wrocław, Kraków, Gdańsk and Łódź, which maintain close operating relationship with the bank's branches. In addition, Business Banking Centres are being established to provide services to large enterprises from the SME sector.

For customers with basic banking needs, Bank Zachodni WBK has established a network of 26 agency outlets under the brand of Minibank which are targeted at housing estate residents and offer them payment services as well as products such as personal account with a payment card or cash loan.

Through its modern Direct Banking Centre equipped with specialist infrastructure, the bank provides customers with information on its products and services, offers over-the-phone access to transactions and standard products (personal accounts, insurance, credit cards, cash loans, overdrafts) and renders after-sales service.

Bank Zachodni WBK also has a network of 674 ATMs in convenient and most frequented locations.

Electronic Banking Services

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 the accounts via phone, mobile or the Internet, thus facilitating financial management. Business customers can choose between the standard BZWBK24 package and the "Moja firma Plus" package which comes with a number of additional functionalities and a higher transaction limit. The bank ensures the highest security of electronic services by having transactions authorized through the text message (smsKod) or token while access to BZWBK24 Internet is safeguarded by a masked password. Also, customers can monitor the IP addresses that are used for logging onto BZWBK24, as well as authorize their Internet-based transactions using the 3D Secure technology.

In addition to the BZWBK24 solution, corporate customers can avail of Minibank24, a pc-banking system whose functionality covers a broad range of safe banking transactions.

2. Lending Policy

The bank pursues a policy oriented towards maintaining high quality of the loan portfolio by applying and monitoring policies that mitigate the credit risk.

The bank's lending policy consists of a number of rules and guidelines in the form of lending procedures and policies introduced by resolutions and ordinances issued by the Management Board, Management Board Members and Chairman of the Credit Policy Forum.

Credit manuals of Bank Zachodni WBK govern processes related to personal, commercial and corporate lending as well as securities. The individual credit policies provide a direction for lending activity and conditions on which the bank is willing to lend to specific client categories. These include FX Lending and Guarantees Policy, sector policies, policies addressing lending to individual client segments (corporate, SMEs, local authorities) and Credit Scoring Policy. Individual credit products are regulated in detail in their respective procedures.

The credit discretions system is governed by "BZWBK Discretionary Limits Guidelines". It defines credit discretions for particular organisational units engaged in the credit delivery process. Discretions of individual employees vary depending on lending skills, experience and position in the organisational structure of the bank.

The bank's lending procedures and policies are subject to approval by the Credit Policy Forum which is chaired by the Chief Credit Officer or Deputy Chief Credit Officer, and consists of representatives of the Credit Division, Risk Management Division, Customer Relationship & Sales Division, Finance Division, Legal and Compliance Division, and Corporate Banking Area.

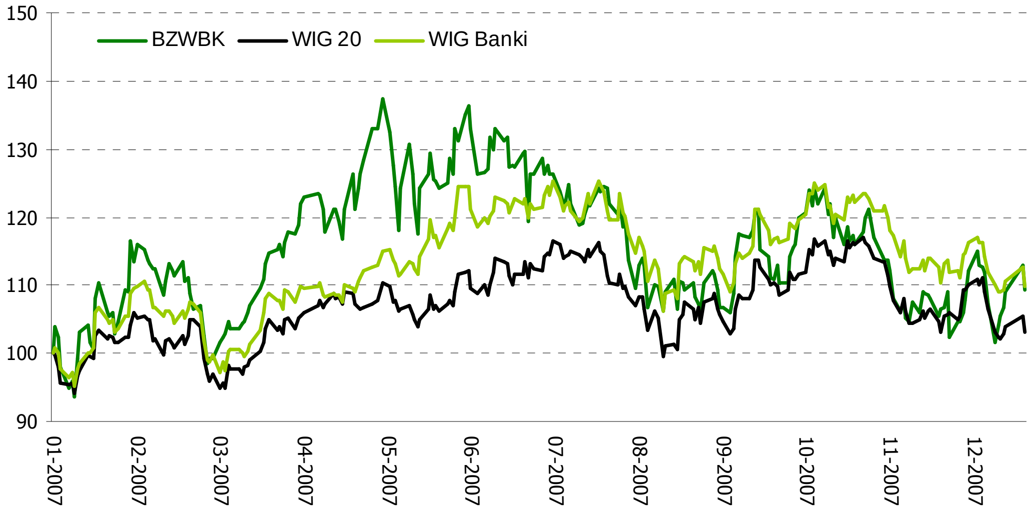
The bank's subsidiaries which specialise in leasing and factoring are governed by their internal credit risk regulations. These are compliant with the standards and policies of Bank Zachodni WBK.

3. Performance of Bank Zachodni WBK Shares

The price of Bank Zachodni WBK's shares increased by 11.6% y-o-y (from PLN 225 as of 29 December 2006 to PLN 251 as of 28 December 2007) against a 12.2% increase in the sectoral WIG Banks index and a 5.2% increase in the WIG 20 index. The share price hit a record high of PLN 315.3 on 4 May 2007, while the lowest yearly level (PLN 215) was recorded on 10 January 2007.

Quotes of Bank Zachodni WBK Shares and Stock Indices

(as of 02-01-2007 = 100)



4. Bank Zachodni WBK Rating

In the press release dated 4 July 2007, Fitch Ratings Ltd. affirmed the ratings assigned to Bank Zachodni WBK. Therefore, as at 31 December 2007 (effective from 17 August 2006) these were as follows:

- long-term Issuer Default Rating: A+
- short-term rating: F1
- long-term rating outlook: stable
- individual rating: C
- support rating: 1

The IDR, short-term and support ratings reflect the potential support available from the majority shareholder AIB with the stable "AA-" rating. The bank's rating is presently higher than Poland's rating (which is "A-" after the increase in January 2007).

Rationale provided with respect to the decision to affirm the ratings of Bank Zachodni WBK draws attention to the following aspects of its financial performance: "The bank remains well capitalized, while profitability and revenue diversification continue to improve"; "The bank has recently built a strong position on the retail service market, even though it did not sanction CHF mortgage loans"; "Asset quality improved in 2006 and in Q1 2007, and reserve coverage is good. The bank's ability to measure and manage credit risk has been strengthened by Basel II preparations".

5. Composition of Bank Zachodni WBK Group

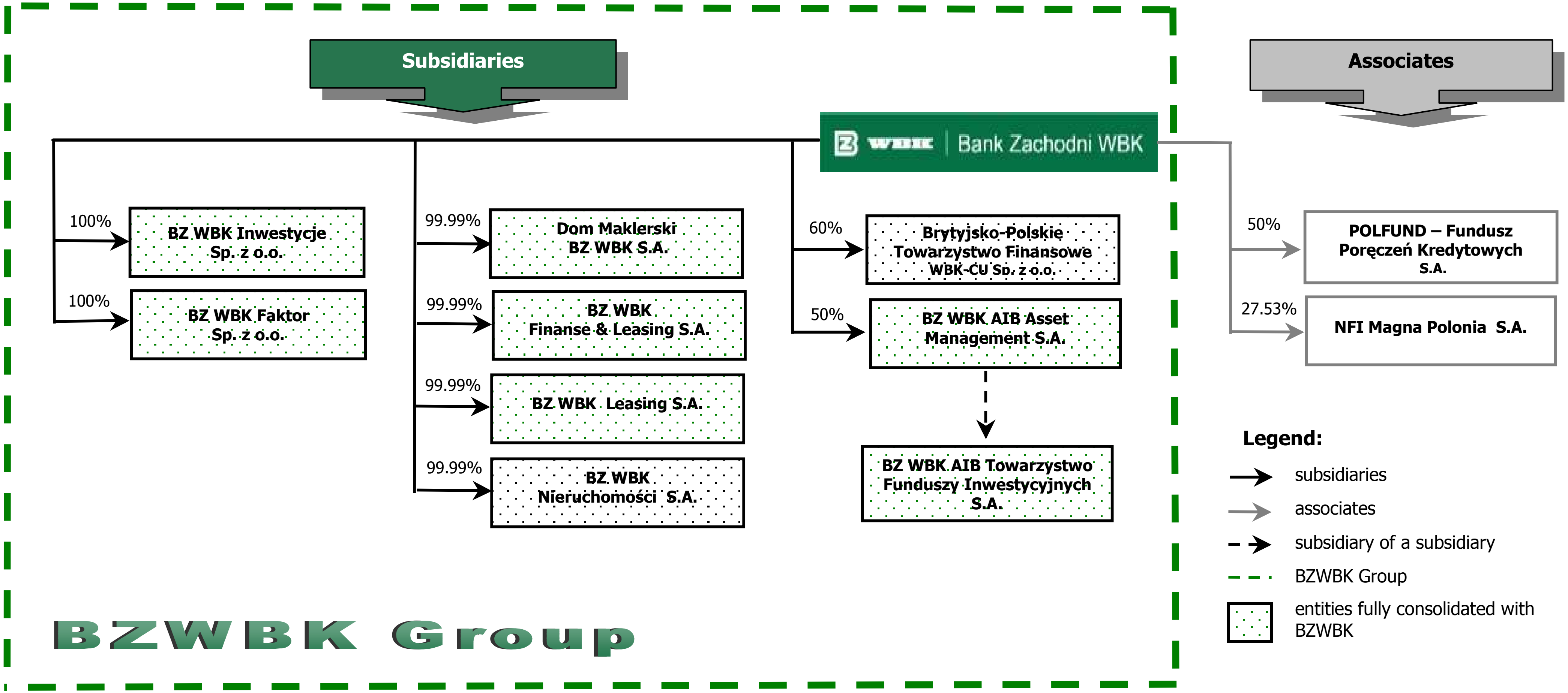
Bank Zachodni WBK forms a Group with the following subsidiaries consolidated on a line-by-line basis. These are:

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

The entities connected with the bank are chiefly financial institutions which conduct specialised activities in securities trading, leasing, asset/fund management, factoring, distribution of insurance/banking products and trading in equity securities. The composition of the Group, the multi-dimensional relationships between its companies and the good coordination of their actions ensure substantial enterprise-wide synergies which improve effectiveness of individual units. In addition to multiple forms of co-operation, the bank gives the subsidiaries access to its extensive branch network, which substantially increases their sales potential. On the other hand, the products and services of subsidiaries supplement the bank's offer and improve its competitive edge in the financial services market. Some of their products, namely investment funds, leasing and factoring have been incorporated in the bank's corporate strategy executed in close liaison with respective subsidiaries.

Compared with the end of December 2006, the composition of the Group does not include BZ WBK Nieruchomości S.A. i Wspólnicy Spółka Komandytowa. This subsidiary was established as an SPV for servicing a leasing agreement with PLL LOT and as soon as it was finalised the entity was wound up and deregistered (27 February 2007).

Entities connected with Bank Zachodni WBK S.A.



IV. Financial performance in 2007

1. Profit and Loss Account

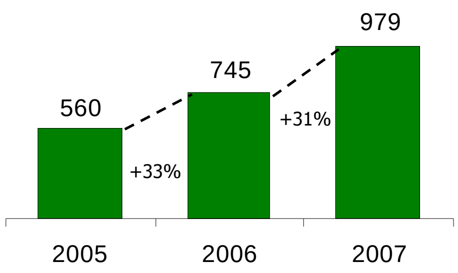
The table below presents developments in key categories of the profit and loss account of the Bank Zachodni WBK in 2007 compared with the previous year.

PLN m

Profit & Loss Account	2007	2006	Change
Total income	2,356.7	1,953.3	+20.7%
Total costs	(1,378.2)	(1,182.0)	+16.6%
Impairment losses on loans and advances	0.6	(26.1)	-
Profit-before-tax	**979.1**	**745.2**	**+31.4%**
Income tax	(169.6)	(152.4)	+11.3%
Profit-after-tax attributable to BZWBK shareholders	**809.5**	**592.8**	**+36.6%**

In 2007, Bank Zachodni WBK posted the profit-before-tax of PLN 979 m, an increase of 31.4% y-o-y. The profit-after-tax was PLN 809.5 m and higher by 36.6% y-o-y. These results were achieved due to the very strong business growth, and especially lending and deposit volumes.

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



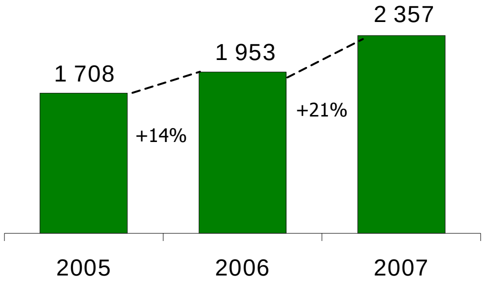
Income

In 2007, the bank posted a total income of PLN 2,356.7 m, an increase of 20.7% on the previous year. The main components of the total income were as follows:

PLN m

Total income	2007	2006	Change
Net interest income	1,182.4	957.4	+23.5%
Net commission income	918.6	811.7	+13.2%
Dividend income	178.0	98.7	+80.3%
Net trading income and revaluation	52.3	27.1	+93.0%
Result on other financial assets	(25.8)	11.7	-
Gains on disposal of subsidiaries and associates	12.7	14.7	-13.6%
Other	38.5	32.0	+20.3%
Total	**2,356.7**	**1,953.3**	**+20.7%**

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



Net Interest Income

Net interest income amounted to PLN 1,182.4 m in 2007 compared with PLN 957.4 m posted in 2006. Due to the presentation changes made in June 2007, this line includes interest on hedging derivatives and profit realised on options whose underlying instrument is an index used in the calculation of the tracker bonds' return rate (total impact of these elements on the net interest income was PLN 30.3 m in 2007 versus PLN -2.5 m for 2006). Taking into account other interest-related income from FX Swaps and Basis Swaps recognised in net trading income (PLN 21.5 m in 2007 and PLN 24.7 m in 2006), the underlying net interest income increased by 22.6% y-o-y. This was achieved due to the growth of business and favourable changes in its structure, with particular impact from the fast growing business and cash loans and a substantially higher volume of demand deposits. The NBP interest rate increases were another driver of the net interest income growth, leading to a higher deposit margin achieved by the bank, but with little effect on the credit margin which was heavily restrained by the competitive market requirements.

Net Commission Income

PLN m

Net commission income	2007	2006	Change
Account maintenance and cash transactions	222.4	227.1	-2.1%
FX fees	211.4	188.3	+12.3%
e-Business & Payments	194.3	180.4	+7.7%
Distribution of mutual funds and asset management	165.1	115.8	+42.6%
Credit, credit card and guarantee fees	83.0	83.0	0%
Insurance fees	40.6	19.2	+111.5%
Other	1.8	-2.1	-
Total	**918.6**	**811.7**	**+13.2%**

Net commission income amounted to PLN 918.6 m and increased by 13.2% y-o-y driven by further expansion of the bank in individual business lines. The most noteworthy changes are as follows:

- The bank's net fee income from fund distribution reached a record level of PLN 165.1 m, an increase of 42.6% y-o-y due to collection of considerable amount of assets from customers investing in Arka BZWBK mutual funds managed by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A.

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

- The net commission income reported by the e-Business and Payments Area increased by 7.7% to PLN 194.3 m. Two product lines from this Area grew particularly strongly and consequently produced noticeable fee income increases, namely "debit cards" (+24%) and "services to third party financial institutions" (+20%). The former line was driven by larger number of debit cards and higher frequency of their use, whereas the latter was impacted by the expansion of the customer base and the scope of services provided. The fee growth generated by the above-mentioned product lines was partly offset by lower income from international payment orders, an effect of the fee reductions in the second half of 2006.

- The bancassurance line is becoming an increasingly important contributor to the fee income. In 2007, it generated an income of PLN 40.6 m, which is 111.5% higher than in 2006 due to the growing sales of cash and mortgage loans insurance and the launch of the investment-linked policy.

- The 2.1% decrease in fees and charges for account maintenance and cash transactions (to PLN 222.4 m) resulted from the higher number of negotiated tariffs for business accounts, the increased migration of customers to electronic channels and the continued reduction of selected personal account maintenance fees.

Dividend Income

Dividend income of PLN 178 m increased by 80.3% y-o-y as a result of a higher dividend paid out by fast growing subsidiary, associate and minority undertakings, including Dom Maklerski BZ WBK S.A. (PLN 49.1 m), BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. (PLN 37.5 m), NFI Magna Polonia S.A. (PLN 7.3m) and the Commercial Union Group members (PLN 60.3 m). In addition, the bank received dividend from its subsidiary BZ WBK Inwestycje Sp. z o.o. (PLN 20.2 m), which had not made such a disbursement in 2006.

Net Trading Income and Revaluation

Net trading income and revaluation increased by 93% up to PLN 52.3 m due to higher income achieved by the bank from derivative transactions. This line also includes income from FX bank-to-bank operations and other FX trading income (PLN 23.1 m in 2007 and PLN 17.4 m in 2006), previously disclosed in FX profit.

Result on Other Financial Assets

The negative result of PLN 25.8 m from other financial assets emerged on the disposal of debt securities from the investment portfolio which had been created by the bank as part of the bank's structural balance sheet risk management (in compliance with the bank's NIRIL - net interest rate insensitive liabilities - management policy). This decision was supported by interest rate hikes and the consequent availability of financial instruments having similar risk profile and higher yield for future periods.

This heading also includes hedge accounting result which shows a negative variance of PLN 3.4 m y-o-y. Prior to the changes in presentation, this item was recognised in a separate profit and loss account line.

Gains on Disposal of Subsidiaries and Associates

In 2007, a profit of PLN 12.7 m was recognised under this line, which represents the sale of NFI Magna Polonia S.A. shares and liquidation of BZ WBK Nieruchomości S.A. i Wspólnicy Spółka Komandytowa. In the corresponding period of 2006, the profit on the disposal of three companies

(AIB WBK Fund Management Sp. z o.o. and LZPS Protektor S.A. and NFI Magna Polonia S.A.) totalled PLN 14.7 m.

Loan Impairment Charge

The balance of loan impairment provisions was positive and amounted to PLN 0.6 m compared to PLN 26.1 m charge posted in 2006. This is the outcome of a number of factors, particularly the effective debt collection, the borrowers' improved service of their debts covered by the "old portfolio" and the high quality of the new loans. With the substantial y-o-y growth in lending volumes (+37%), the level of the loan imapairment charge confirms the soundness of the Bank's credit risk management framework and a sharp focus on ensuring high quality of the portfolio. The effectiveness of this approach to risk management is also evidenced by further reduction of the NPL ratio. At the end of December 2007, the non-performing loans accounted for 2.8% of the gross portfolio with a provision cover at 65.9%. A year before, the corresponding ratios were at 5.2% and 60.5%.

Costs

The sharp increase in the revenue of Bank Zachodni WBK S.A. combined with the rational and controlled cost increases, led to a reduction of the cost-to-income ratio from 60.5% to 58.5% for 2007. This trend confirms the organisation's cost effectiveness, particularly given the fact that the improvement was attained amid the rapid business growth and numerous development initiatives.

Total costs of Bank Zachodni WBK S.A. amounted to PLN 1,378.2 m and were higher by 16.6% y-o-y. The main components were as follows:

Total costs	2007	2006	Change
Staff and other administrative expenses	(1,224.9)	(995.8)	+23.0%
Depreciation	(127.3)	(153.0)	-16.8%
Other operating costs	(26.0)	(33.2)	-21.7%
Total	**1,378.2**	**1,182.0**	**+16.6%**

Staff and Other Administrative Expenses

The staff and other administrative expenses of the bank were 1,224.9 m and 23% up y-o-y, driven by dynamic business development of the bank and delivery of successive stages of the strategic programmes.

- **Staff Expenses**

Staff costs increased by 18.8% y-o-y to PLN 710.2 m as a result of higher employment driven by developing business (+1,002 FTEs), pay increases linked to the annual performance review, growing competition for banking experts in the labour market, bigger performance-related bonuses as well as the cost of development programmes for the managerial staff of all levels.

- **Other Administrative Expenses**

With a strong business growth, the bank's other administrative expenses increased by 29,3% y-o-y to PLN 514.7 m. This movement results mainly from the Bank's intensive promotional activity designed to support the sales of its strategic products, e.g. BZ WBK Arka mutual funds, cash loans, home mortgages, savings accounts and selected personal accounts. The office space lease and maintenance expenses were also a strong driving force due to the bank's expansion of distribution channels, including the branch network, the Mobile Sales network, the Corporate Business Centres and their supporting functions in the Business Support Centre. As a consequence of the development and modernisation initiatives, there was also a significant growth in the cost of renovation of premises and equipment supply to branches. Consultancy costs increased as well, due to the larger number of projects requiring expert skills. The bank's savings initiatives (renegotiation of contracts, monitoring of suppliers' market, streamlining of internal processes) coupled with rigorous planning and control of operating costs budgets, continued to successfully reduce the administrative expenses.

Depreciation

Depreciation totalled PLN 127.3 m and decreased by 16.8% y-o-y due to the continued optimisation of the bank's asset base.

2. Balance Sheet

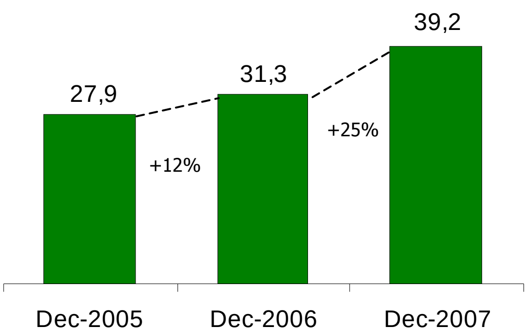
The table below presents major developments in key categories of the balance sheet of Bank Zachodni WBK at the end of December 2007 versus December 2006.

PLN m

Balance-Sheet Items	31-12-2007	*Balance Sheet Structure 31-12-2007*	31-12-2006	*Balance Sheet Structure 31-12-2006*	Change
Balance sheet total	39,195.2	*100.0%*	31,333.0	*100.0%*	+25.1%
Assets					
Loans and advances to customers*	22,150.6	*56.51%*	16,172.4	*51.61%*	+37.0%
Investment securities	9,698.3	*24,74%*	7,993,8	*25,51%*	+21,3%
Loans and advances to banks	2,563.8	*6.54%*	3,149.3	*10.05%*	-18.6%
Cash and operations with Central Bank	2,206.3	*5.63%*	1,534.5	*4.90%*	+43.8%
Financial assets held for trading	1,148.7	*2.93%*	1,048.0	*3.34%*	+9.6%
Other assets	1,427.5	*3.65%*	1,435.0	*4.59%*	-0.5%
Liabilities					
Deposits from customers	30,264.7	*77.22%*	24,482.0	*78.13%*	+23.6%
Deposits from banks	3,145.4	*8.02%*	1,960.1	*6.26%*	+60.5%
Financial liabilities held for trading	1,000.8	*2.55%*	246.9	*0.79%*	+305.3%
Debt securities in issue	99.3	*0.25%*	95.9	*0.31%*	+3.5%
Other liabilities	834.2	*2.14%*	934.9	*2.98%*	-10.8%
Total equity	3,850.8	*9.82%*	3,613.2	*11.53%*	+6.6%

** net of impairment*

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



As at 31 December 2007, total assets of Bank Zachodni WBK amounted to PLN 39,195.2 m and were 25.1% up y-o-y.

The main asset growth driver during past 12 months was loans and advances to customers (+37% y-o-y), which increased as a result of the strong credit delivery. Investment securities grew

(+21.3% y-o-y) as part of the management of the Bank's structural balance sheet risk. An increase was also noted in cash and operations with Central Bank (+43.8% y-o-y) and financial assets held for trading (+9.6% y-o-y), with a parallel fall in the loans and advances to banks (-18.6% y-o-y).

On the liabilities side, the Bank posted a substantial increase in deposits from customers (+23.6% y-o-y) and banks (+60.5% y-o-y), and higher financial liabilities held for trading (+305.3%).

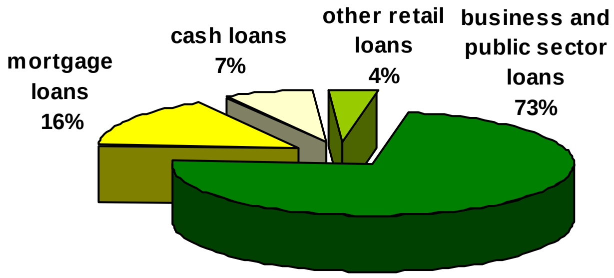
Credit Portfolio

At the end of December 2007, net loans and advances to customers were PLN 22,150.6 m and 37% up y-o-y (+8.3% q-o-q) due to increasing volumes of the Bank's key portfolios: business loans, mortgage loans and cash loans. Gross loans and advances to customers amounted to PLN 22,706.7 m vs. PLN 16,791 m at the end of December 2006.

Loans and advances to business and public sector customers totalled PLN 16,633.3 m, of which the business loan-book was PLN 16,473.9 m and 33.5% up y-o-y, reflecting higher demand of business customers for funding towards investments, stock and working capital requirements amid fast economic expansion. The credit delivery was strongly driven by corporate lending for long-term projects, mainly related to real estate. Loans for income-producing real estate were growing at the pace of 64.9% y-o-y to build a portfolio of PLN 6,800.7 m at the year end.

The value of retail loans increased by 44% y-o-y to PLN 6,066.9 m with cash loans and mortgage loans gaining strong momentum. Cash loans increased by 60.6% to PLN 1,571 m due to the bank's attractive offer and the effectiveness of its pro-active promotion and sales methods. Total home mortgage portfolio went up by 42.5% y-o-y to PLN 3,734 m (of which zloty-denominated lending increased by 52% y-o-y) as a result of the very good parameters of the bank's offering, improved financial standing of retail customers and favourable market trends.

Exposure structure of Bank Zachodni WBK



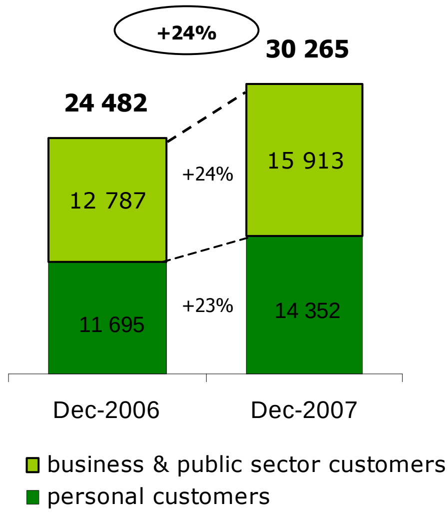
The quality of the bank's loan-book continued to improve during the year, which is reflected in the declining NPL ratio, i.e. 2.8% vs. 5.2% at the end of December 2006.

Bank Zachodni WBK S.A. complies with the Banking Law requirements with regard to the limits of exposures to a single entity or to a group of connected entities. The bank also maintains an adequate diversification of the credit portfolio in accordance with its policy on exposure to industries and financial groups. As at the end of December 2007, the highest concentration level of 26% was recorded in the property sector services.

Deposit Base

Deposits from customers. which represent 77.2% of the Bank’s liabilities, are the primary source of funding its lending business. At the end of December 2007, customer deposits totalled PLN 30,264.7m and were higher by 23.6% y-o-y (+12.6 % q-o-q).

Deposits from customers (in PLN m)



The value of funds deposited in current accounts of personal, business and public sector customers (excluding one-day deposits) was PLN 14,111.1 m and increased by 70.8% y-o-y. This growth is attributable to the greater number of accounts and the continued improvement of the financial standing of households and their rising optimism. The strong inflow of financial resources is also attributable to the bank's attractive savings account and its increasing popularity ensuing from the successful promotional campaign.

The term deposit base (including one-day deposits) was stable compared to the end of December 2006 and amounted to PLN 15,795.6 m, of which balances held by business and public sector customers increased by 22.6% on account of increased activity and good financial performance of enterprises in the favourable macroeconomic climate. Business customers invested mainly for short-term, using the flexible maturity options and negotiating individual rates with the bank. Retail customers preferred short-term deposits, particularly the 1-month Lokata24 deposit.

3. Basic Financial Ratios

PLN

Key financial ratios	2007	2006
Total costs /Total income	58.5%	60.5%
Net interest income / total income	50.2%	49.0%
Net commission income / total income	39.0%	41.6%
Customer deposits / total balance sheet	77.2%	78.1%
Customer loans / total balance sheet	56.5%	51.6%
NPLs ratio	2.8%	5.2%
NPL coverage ratio	65.9%	60.5%
ROE*	26.6%	19.6%
ROA**	2.3%	2.0%
Capital Adequacy ratio	11.36%	13.79%
Diluted earnings per share	11.07	8.12
Book value per share ***	52.78	49.52

The following were used in computations:

* *profit-after-tax and equity as at the end of December net of current profit;*
** *profit-after-tax and average assets derived from balances as at the end of comparable periods (end of December of the reporting year and end of December of the previous year);*
*** *total equity per number of BZWBK shares.*

4. Interest Rates on Loans and Deposits

Bank Zachodni WBK offers its customers interest rates on products linked to the market rates and the base NBP rates.

Generally, the interest rates on business loans are based on the price of money in the wholesale interbank market (WIBOR, LIBOR), increased by a margin commensurate with the credit risk attaching to the transaction/customer. The margin is determined in the credit assessment process.

The interest rates on retail products (for personal customers) are standardised. In 2007, interest rates in this segment of the bank's offering were changed in response to increased pricing in the interbank wholesale market and formal interest rate hikes in Poland, Eurozone, other European countries and the US.

The standard interest rates on retail products are set by the Assets and Liabilities Management Committee (ALCO). For significant transactions, individualised, often negotiable, pricing applies.

As part of delivering the strategic plan, in 2007 the bank conducted promotional campaigns for its key products, offering special pricing. Particularly attractive rates were offered for mortgage loans, credit cards and cash loans.

V. Business Development in 2007

1. Review of Key Business Development Directions

The actions undertaken by Bank Zachodni WBK S.A. in 2007 were a continuation of the development directions set out in its strategy and focused on the service quality improvement, development of competitive products, increasing sales, expansion of the distribution network for the bank's products and services, and reduction of operational risk. In order to deliver these projects, the bank had to optimize relevant internal procedures and further upgrade technologies and IT tools.

The most important areas of the Bank's activity in 2007 are summarized below:

- Diversification of the savings and investment product offer:
  - introduction of an innovative structured product (Investment-Linked Policy);
  - commencement of the sale of new mutual funds (Arka BZ WBK CEE Equity FIO, Arka BZ WBK New Europe Development FIO);
  - more attractive offer of savings account.
- Alignment of the bank's package offering to the adopted customer segmentation, including:
  - VIP customers (new package);
  - customers travelling for economic and tourist purposes (free-of-charge personal accounts denominated in GBP, EUR and USD with debit cards settled in respective currencies).
- Increasing the competitiveness of the bank's credit offer:
  - increasing the availability of loans for retail customers;
  - optimisation of processes and minimisation of the documentation requirements for retail customers and SMEs;
  - expansion of the scope of insurance cover for mortgage borrowers.
- Intensified acquisition activities on the markets with a large business potential:
  - property market (financing residential and income-producing real estates);
  - cash loans market (diversification of delivery channels);
  - capital market (arrangement of bond issue, management of shares issues in the primary and secondary market, comprehensive consultancy).
- Pro-active selling using a variety of tools, such as:
  - advertising campaigns (BZ WBK Arka mutual funds, cash loans, housing loans, Account<30, FX account, savings account, etc.);
  - pricing incentives and cross-selling campaigns.
- Implementation of the sales network development strategy to increase the Bank's market share:
  - opening of 34 new branches (more than 20 additional branches ready to be opened at the start of 2008);
  - launch of 26 Minibank agencies;
  - expansion of the Mobile Sales network.
- Completion of the first phase of implementing the new Medium Business and Private Banking models:
  - pilot opening of the Business Banking Centre;
  - establishment of the Private Banking Office for high net worth customers.

- Rapid development of electronic banking channels and products:
    - implementation of on-line sales of further mass products (savings account, cash loan, credit card);
    - expansion of functionality;
    - increased transaction security (masked password, 3D Secure service);
    - issuing co-branded cards in co-operation with new partners (Newsweek Polska, Lech Poznań Sports Club);
    - new innovative products availailable (contactless cards, Ski Credit Card).

- Development and implementation of comprehensive procedural and IT solutions to support key internal processes:
    - Customer Relationship Management (CRM);
    - central account management;
    - initial decision for mortgages;
    - sale of products through the agency outlets;
    - management of sales campaigns, arrears, complaints, etc.

- Constant improvement of service quality.

- Increased scale of the third-party services (cards, ATMs).

2. Development of Customer Service

Customer Relationship Management (CRM)

The service quality standards of Bank Zachodni WBK provide for two models of interaction with customers, depending on their product and service requirements.

The customers who use sophisticated products and expect customised advice are approached proactively by the bank in order to better understand their needs and strengthen the business co-operation with them. The customer's direct contact with the dedicated advisor allows CRM to provide a tailored service, satisfy diverse needs and establish strong ties. The type and frequency of contact with the customers is regularly planned and monitored by the bank.

Customers who require the basic products and services are serviced through electronic channels or the branch network in accordance with the highest quality standards. They are proactively contacted mainly as part of sales campaigns.

The bank increases the loyalty of customers by providing them with incentives to use existing and to purchase new products and services. In parallel, steps are taken to reduce the customer attrition rate. The bank continuously tracks the number of customers who leave or reduce their activity, which helps identify the motives behind such behaviour, eliminate its causes or actively prevent it through direct contacts and sales campaigns. The number and scope of sales campaigns have been growing consistently year on year.

Proactive contacts and sales campaigns are supported by the IT infrastructure which is gradually aligned with the information requirements of the adopted segmentation and CRM model. With an ongoing development of IT tools, the bank is provided with a fuller picture of customers' contacts with the bank, which translates into better relationship management and more effective decision-making.

Service Quality Management

Service Quality Programme

In early 2007, the Management Board of Bank Zachodni WBK approved an annual Service Quality Programme, which sets out the bank's actions towards achievement of a distinctive market position in terms of customer service quality. Based on the results of the previous customer satisfaction survey, particular emphasis was placed on improving the sales procedures and availability of credit. Parallel to that, individual service improvement plans were implemented in selected branches. As a result of these initiatives, the survey conducted in the fourth quarter of 2007 yielded a higher Customer Satisfaction Index than before.

Active Service and Sales Standards

In 2007, efforts were continued to solidify the Active Service and Sales Standards across the Branch Network. The standards ensure consistently high customer service culture while promoting a pro-active and pro-sales approach among staff. The process of internalisation of the desired behaviours was supported by the following initiatives: on-going internal training, best-practice sharing and regular mystery shopping. The high effectiveness of the standards in the Branch Network is confirmed by the internal customer service reviews and the bank's second position in the Newsweek's ranking "Friendly Bank", category: "customer acquisition and retention capability".

"Client-Friendly Firm"

In 2007, the jury of the CFF Certification Programme - launched and conducted by the Management Institute in collaboration with TNS OBOP and the Researcher by Call Center Poland - awarded Bank Zachodni WBK with the accolade of "Client-Friendly Firm". This title is a symbol and warranty of the highest customer service and its rank is underpinned by the thorough selection procedure. The bank received the award following a three-stage procedure, including self-assessment, audit and the final evaluation. The evaluation included quality management policy, knowledge of the quality procedures among the front-line staff, customer satisfaction and effectiveness of external communication channels.

Customer Care Officer

Bank Zachodni WBK is distinctive in the market in that it has a Customer Care Officer. Apart from being the contact person for customers, the Customer Care Officer and their team are also involved in development of customer service standards through: developing complaints handling standards, supporting the bank’s staff in processing the most difficult complaints, regular updates for the Management Board on the outcome of complaint analyses, initiatives aimed to eliminate sources of customer dissatisfaction and liaising with the Ombudsman at the Polish Banks Association.

In September 2007, Bank Zachodni WBK implemented new complaint management standards and an IT system to support the process. In this way, the bank obtained a tool for on-going analysis of customer satisfaction levels and exploring the sources of issues.

Process Management

Changes and improvements in the way the organisation operates are an on-going process. Bank Zachodni WBK developed and implemented (as a pilot) a process management methodology, i.e. measurement and monitoring of processes from the point of view of customer needs and business requirements. This laid solid foundations for the further effectiveness upgrade both by way of continuous improvements in line with the Kaizen concept (“small improvements day after day”) and by major improvements driven by the Lean Six Sigma methodology, already tried and tested in the bank. Process management is supported by the Business Process Architecture, which contains overall maps of processes across the bank.

In 2007, a significant number of processes were improved, ensuring high quality of service and customer satisfaction. Among these were: centralisation of bank accounts management (replacement of paper documents with electronic ones in branches), pre-generation of PINs for credit cards (PIN is issued when the customer submits the credit card application) and pilot implementation of the front-score for mortgage loans.

- **ISO Accreditation**

As a result of the audit conducted by SGS Polska Sp. z o.o., in 2007 Bank Zachodni WBK received a certificate of compliance with the ISO 9001:2000 standard for the Quality Management System, which includes:

- Treasury dealing and documentary transactions support;
- Vendor selection for BZWBK Group;
- Processing of domestic and international transactions and Western Union Money transfers;
- Change management, software development and testing;
- Central support of credit and deposit facilities;
- Sale and support of Direct Banking products and services;
- Issue, personalisation and handling of payment cards and cheques;
- Cash and ATM management;
- Central service delivery.

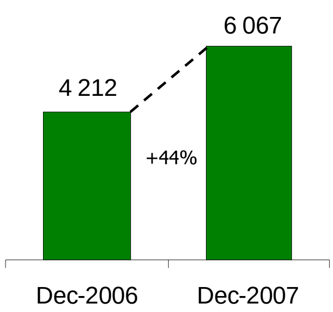
3. Development of Products and Services

Retail Loans

In order to better satisfy retail customers' needs amid favourable economic trends and growing competition in the credit market, in September 2007 Bank Zachodni WBK modified its previous credit policy for credit cards, mortgages, cash loans and overdraft facilities. The implemented changes extended the availability of the above-listed products, limited the scope of required documentation and standardised service procedures.

Owing to favourable configuration of internal (attractive credit proposition, procedural simplification, effective marketing initiatives, extension of delivery channels) and external factors (relatively low unemployment rate, growing salaries, optimistic social outlook), in 2007 the bank experienced a record-breaking dynamics of retail credit sales, which translated into substantial growths in individual credit portfolios.

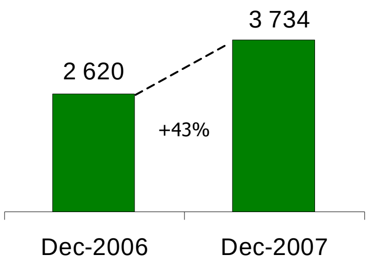
Retail loans (in PLN m)



Mortgage Loans

In 2007, the bank made efforts to improve the attractiveness and availability of the PLN mortgage loan. The most important changes included: implementation of an investment loan to finance construction or purchase of a property to let, introduction of an option to obtain additional funds to be allocated to any purpose (as part of the home loan), modification of selected parameters of the repayment capacity assessment process and introduction of a voluntary insurance package providing cover against illness or loss of job. The attractive price of the PLN mortgage loan stems from the combination of the following factors: promotional interest rate, low instalments without any hidden costs, a fixed margin throughout the lending term and attractive schedule of fees and charges. An important element distinguishing the bank from the competition is also the short turnaround time for obtaining a sanction in principle. In 2007, the Bank commenced a pilot of a tool enabling automated processing of credit applications and providing the applicant with a preliminary decision within 15 minutes from keying data into the system.

Mortgage loans (in PLN m)

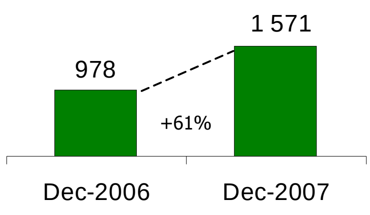


To be recognized as a lender with a leading offer of PLN-denominated home loans, in the first half-year, Bank Zachodni WBK advertised its mortgage product nationwide, highlighting two distinctive features: low instalments and secure repayment. Towards the end of the year, the bank conducted the Internet campaign informing customers about low mortgage instalments and possibility of obtaining a higher loan amount than before.

Cash Loans

Despite intense competition in the area of cash loans, Bank Zachodni WBK portfolio was growing faster than the market. The dynamic growth of sales was driven, amongst others, by high assessment of the bank's proposition by customers due to such features as: attractive interest rate and accompanying fees, short turnaround time (10-15 minutes from submitting a complete application), option to choose a lending period. The bank's product was also appreciated by professionals, the best reflection of which is the second position awarded to it in the ranking of cash loans published by "Rzeczpospolita" (the issue dated 29 November 2007) based on analysis of offerings of 30 banks. In addition, the product was placed second in the rankings published by "Wprost" and "Gazeta Wyborcza". The higher sales of Bank Zachodni WBK cash loans were also impacted by extended availability and improved efficiency of external delivery channels. The sales were also strongly supported by three intensive advertising campaigns, two of which (H1 2007) put the stress on low instalments, whereas the last one (August/ September) exploited the slogan "Wszyscy biorą nowy tani kredyt gotówkowy" ("Everyone is taking a new cheap cash loan").

Cash loans (in PLN m)

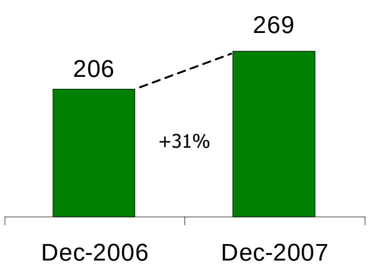


Credit Cards

In 2007, Bank Zachodni WBK continued initiatives aimed at acquiring subsequent partners for issuing co-branded cards. These products have been increasingly popular given the value added, i.e. attractive loyalty programmes. In January 2007, the bank and the Allegro.pl portal jointly issued a co-branded Allekarta card which was deemed the best card of this type available on the market by the Forbes magazine (edition dated 31 May 2007). Two other co-branded cards (Visa LuxMed and Visa Multikino) were ranked 4th and 5th, respectively. In November – in co-operation with Newsweek Polska – the Bank launched the sales of another co-branded card, namely Visa Newsweek which provides active cardholders with subscription of the magazine. The bank's innovative focus is well-exemplified by the limited edition of Narciarska Karta Kredytowa (Ski Credit Card) MasterCard Silver (standard card) which provides insurance policy for skiers and snowboarders (valid all over the world in the winter season 2007/2008) and a programme of price discounts for skiing equipment.

In order to promote the active use of credit card among customers, Bank Zachodni WBK carried out a number of promotional and sales campaigns, including an advertising campaign of credit cards ("Potrafi więcej niż inne"/ "It is capable of more than others"), a cross-selling promotion for holders of BZWBK Arka mutual funds and a price promotion aimed at encouraging the customers to pay by credit cards at merchants more often. Moreover, the Bank implemented a special credit card proposition targeted at students from many Polish universities and colleges.

Credit cards (in thousands of items)



Personal Accounts

In order to increase the effectiveness of service processes and sales, in 2007 the bank implemented three new processes of selling personal accounts. Since March, customers can open the Konto24 Euro account together with BZWBK24 services and obtain a MasterCard debit card based on the eWniosek (electronic application) placed via Internet or telephone. In May, the bank introduced a "fast track" procedure for opening personal accounts in the branches, whereby the duration of this procedure has been reduced to 10 minutes and owing to further modifications of the process (e.g. the option to choose a specific package of products), even more time savings have been achieved. In

September, Bank Zachodni WBK enabled its customers to activate personal accounts with a payment card without having to visit a branch.

Konto<30 and Konto24 Prestiż

In line with the strategy which defines two basic groups of prospective customers (starting out and mass affluent customers), in 2007 the bank launched nationwide sale campaigns of personal account packages, targeted at these customer groups, promoting the Konto<30 and Konto24 Prestiż packages. To promote the sale of the Konto<30 account (designed for customers aged 13 – 30), the bank waived the cash withdrawal fee for Visa Electron<30 holders using ATMs located abroad throughout the summer holiday period. The promotional campaign for Konto24 Prestiż and the related product package highlighted the advantages of this proposition, in particular the service provided by a dedicated advisor and the possibility to try this product free of charge for six months.

Konto24 VIP

In March 2007, Bank Zachodni WBK launched the sale of Konto24 VIP designed for customers from the Personal Banking segment. This product is offered together with a comprehensive package of additional, free services and products. The account maintenance fee covers an unlimited number of transfers, standing orders/variable orders and payment orders. The account comes with a free debit card (Visa Electron VIP) for free-of-charge cash withdrawals in ATMs operated by other banks and financial organizations in Poland and abroad (with a specified frequency). The Konto24 VIP package is supplemented by the Gold credit card and a free investment account with Dom Maklerski BZ WBK S.A. Moreover, account holders can avail of the Teledysponent service, i.e. contact the consultant via phone and place orders for processing a number of bank operations.

Deposit and Investment Products

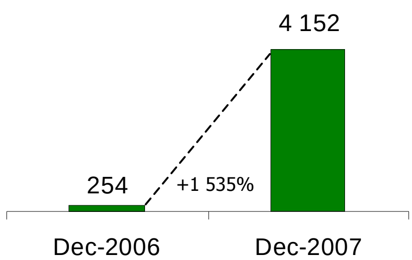
Bank Zachodni WBK addresses a comprehensive offer of savings and investment products both to mass customers and selected target groups, taking account of their diversified investment capabilities, individual preferences, expected yield, risk appetite and market environment.

Deposit Products

The increase in interest rates on the full range of deposits offered by the bank contributed to the positive perception of the bank's deposit proposition in the eyes of the customers. The Bank was the first to respond to the change in the NBP interest rates in May 2007 and was flexible in adjusting its proposition to the changing environment going forward.

In 2007, the savings account became the flagship deposit product of Bank Zachodni WBK due to its huge popularity amongst customers. The gradual growth in interest in this product noted in the first half of the year was a result of making the account available on the Internet (BZWBK24) and the campaign informing customers about its advantages: easy access (new functionality of BZWBK electronic services), high interest rate (at the level for term deposits) and high liquidity (possibility to withdraw funds at any time and in any amount without losing interest). Increase of the interest rate to 5% (for the highest value threshold) towards the end of the year and promoting this parameter in the intense advertising campaign entitled "Nowa Era Oszczędzania. Megazarabiające Konto oszczędnościowe"/"New Saving Era. Ultra Profits Saving Account" proved very successful.

Balances in savings accounts (in PLN m)



Saving and Investment Products

Last year, the Bank continued to distribute Arka BZWBK mutual funds (managed by BZWBK AIB Towarzystwo Funduszy Inwestycyjnych S.A.) in the five key categories: balanced fund, stable growth fund, equity fund, money market and bond funds. They were popular among customers especially in the first half of 2007 due to the still favourable stock exchange climate, good fund management performance and effective promotional campaigns. In early April 2007, the sales of new Arka BZ WBK CEE Equity fund were launched. The fund invests at least half of its assets in equities and similar financial instruments issued by companies with high growth potential operating in Poland and other countries of Eastern and Central Europe. In Q4 2007, the fund proposition was extended by the newly established sectoral Arka BZWBK New Europe Development fund that invests at least 66% of its assets in companies operating in Eastern and Central Europe in the broadly understood infrastructure sector (construction and financial sectors).

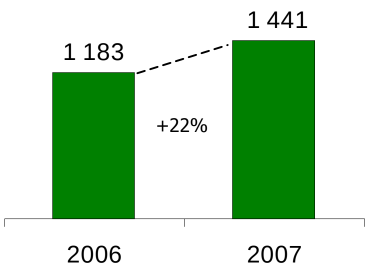
In 2007, investment-linked policy, i.e. endowment policy with an investment instrument embedded, was added to the basket of savings and investment products. This product combines benefits of Arka BZWBK-based investments with an insurance policy while giving a full guarantee of returning the invested capital. Four issues of the product last year satisfied needs of a sizeable customer group.

Debit Cards

New Items in Debit Cards Proposition

In March 2007, the bank launched the sale of Konto24 VIP for Personal Banking customers, offered together with the Visa Electron VIP package and a wide range of free-of-charge services. For customers who work abroad, the FX card offer was expanded to include MasterCard debit cards issued to the personal account denominated in GBP and USD. Customers may thus use free-of-charge personal accounts maintained in three foreign currencies (EUR, GBP and USD) and the accompanying debit cards which are settled in the account currency. July 2007 saw subsequent two propositions: Visa KKS Lech co-branded card prepared for personal customers in liaison with KKS Lech Poznań football club (bar code placed at the back allows the card holders to enter the stadium) and Visa Business fx card issued to the business account in EUR. Starting from 2007, another innovation, i.e. prepaid Premium card without a specified nominal value has been available as part of the bank's proposition. In December 2007, Bank Zachodni WBK in cooperation with MasterCard Worldwide and Centrum Elektronicznych Usług Płatniczych eService (E-Payments Services Centre) introduced contactless payments to the Polish market by issuing pre-paid Maestro PayPass cards. The solution enables quick and safe payments for small shopping by way of waving a card over a special reader.

Debit cards (in thousands items)



New Functionalities and Marketing Actions

The attractiveness of BZWBK debit card proposition was enhanced by numerous pricing initiatives and functional improvements. The bank's customers were offered the possibility of making free-of-charge withdrawals from AIB ATMs in Ireland and the fee for cash withdrawals in ATMs abroad was waived temporarily for the users of Visa Electron<30 cards issued to Konto<30. During the second half-year, free-of-charge withdrawals were also made available, by way of promotion, to users of MasterCard debit cards settled in foreign currencies. In August 2007, Bank Zachodni WBK was the first bank in Poland to introduce Verified by Visa (VbV) mass service based on 3D Secure technology which ensures the highest protection to payments made with cards via the Internet. First, the additional security measure was offered to the holders of AlleKarta debit card (flat Visa Classic card) issued by the bank to the users of Allegro transactional service. As of September, the service has been available to all bank's personal customers using VISA debit and credit cards.

2007 saw a further growth in the number of Bank Zachodni WBK debit cards (+22% y-o-y) and, in particular, Visa Electron<30, Visa Electron Prestiż, MasterCard in EUR, Visa Electron Business cards as well as affinity and gift cards. The sale of these products was fuelled by numerous promotions and activation programmes undertaken in co-operation with the bank's partners. The bank also participated in initiatives carried out by Visa Int. and MasterCard Int. with a view to activating the non-cash payments market. All these actions translated into a 38% increase in the number of transactions effected with the use of debit cards at merchants.

Insurance Products

Bank Zachodni WBK bancassurance business is growing dynamically and so is its importance as a source of additional fee income. The Bank provides insurance products to customers in conjunction with the leading insurance companies on the Polish market such as: Commercial Union Group, AIG and TU Europa.

In May 2007, a home mortgage insurance package was introduced to protect borrowers against the implications of loss of job, temporary, permanent or total disability, serious illness and death. In December, modern package of ski insurance was introduced to be attached free of charge to two types of credit cards: Visa Newsweek and MasterCard Silver "Ski" card. The product provides comprehensive cover for customers who go skiing or snowboarding in the 2007/2008 winter season all over the world. Last year, the most popular insurance product was home insurance attached to mortgages loans and payment card insurance protecting the card holders against unauthorized use of the card and theft of cash withdrawn from an ATM.

The Bank attaches a lot of importance to the development of structured investment/ insurance products which enabled it to organise four investment policy subscriptions in 2007.

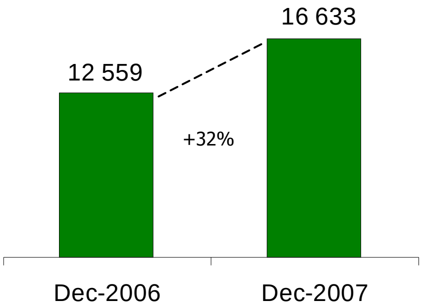
In 2008, based on the agreements concluded between Aviva International Insurance Ltd. and Bank Zachodni WBK, two insurance companies will be established. They will be offering property and life insurance products to bank customers.

Proposition for Business Customers

Credit Processes

In view of a growing share of property loans in the bank's credit portfolio, in April 2007 the Income Producing Real Estate (IPRE) Lending Policy was introduced which, based on the Bank's and the entire AIB Group's experience, sets out a new direction for financing such investments. In line with the adopted policy, the bank applied different approaches to individual types of operations with core business related to IPREs which include: residential investments, commercial investments, property development, and land purchase. The objective of the recommended practice is to enhance customer service and grow credit portfolio while mitigating credit risk.

Receivables from business and public sector customers (in PLN m)



Proposition for Corporate Customers

Bank Zachodni WBK Corporate Banking business is based on a Relationship Management model, whereby a corporate customer's designated relationship manager not only controls the credit process, but has overall responsibility for co-ordinating the service to the customer across the bank.

The services offered to corporate customers include a wide range of credit facilities ranging from working capital to long term asset financing to meet general expansion needs, acquisition and project finance. The bank also provides a broad range of Deposit, Treasury and Cash Management products, including FX and interest rate management products, international trade finance, cash pooling, mass payments, electronic banking and others. In liaison with its subsidiaries, the bank offers specialised services, including brokerage, equity and asset management services as well as leasing and factoring. In addition, the Bank Zachodni WBK branch network offers special incentive packages for staff of corporate customers.

Bank Zachodni WBK continues to strengthen its presence on the corporate banking market, which is well reflected in the high growth both in the credit and deposit portfolios witnessed in 2007 as compared to the previous year. Credit expansion was achieved across all sectors, with the strongest contribution from structured finance and loans for income-producing real estate. The Bank's Corporate Banking Lending Policy is to strongly support business development of the existing customers and to establish relations with new customers where a strong management team and sound business strategy exists. The quality of the corporate credit portfolio is very high and shows significant improvement over the past years.

Proposition for Small and Medium-Sized Companies (SME)

- **Expanding SME Customer Base and Providing Finance**

In 2007, Bank Zachodni WBK intensified actions aimed at recruiting and activating customers from the SME segment. The main stream comprised marketing and educational initiatives. A series of training sessions developing customer acquisition skills (Efficient SME Customer Advisor) was carried out for SME Advisors. Meetings and workshops for local businesses were held and conducted by the representatives of the bank and organisations supporting entrepreneurship. Many sales campaigns using cross-sale methods were held.

As part of continuous enhancement of the bank's proposition and its adjustment to the requirements of the SME sector, in 2007 a modern package of credit facilities financing Income Producing Real Estates for commercial and residential purposes was introduced. Furthermore, a comprehensive lending offer dedicated to start-ups was developed to be introduced in 2008 as a core part of a universal package for this customer group. Moreover, the bank verified its approach to the SME risk assessment which was reflected in limited scope of required documentation (this applied, in particular, to small businesses) and the possibility of raising an unsecured loan up to a certain limit.

- **Medium Business Service**

In 2007, Bank Zachodni WBK adopted a strategy for servicing the mid-business, i.e. the top segment of the SME sector. Its objective is to transform the existing business model in line with customers' expectations with a special focus on requirements related to relationship quality and access to decision makers. Under the new model, the bank will set up dedicated regional structures to service the mid-business companies and will appoint staff with adequate credit discretions. These units will supplement the existing distribution infrastructure composed of the branch network and the Corporate Business Centres. In 2007, Warsaw region witnessed a pilot of the new service model which proved successful and paved the way for the roll-out. Initially, 9 Business Banking Centres will be launched in the largest cities in 2008. Ultimately, such centres will be opened in all regions covering sizeable mid business markets.

- **Financing Projects with the Use of EU Funds**

Bank Zachodni WBK proposition of financing undertakings subsidised by the EU comprises a loan, leasing and borrowing and ensures financing of both the subsidised investment part and the remaining outlays. In 2007, the EU product proposition was expanded by Biznes Ekspres Unijny based on the structure of Biznes Ekspres loan, popular amongst the bank's customers. Similarly, it can be earmarked for any objective related to business operations. The customer needs to meet a minimum number of formalities and is ensured a lending decision within 24h from the submission of a complete credit application. The bank's important advantage on the EU funds market is its extensive network of EU advisors (ca. 200) supporting customers with their specialised knowledge of EU programmes and requirements to be met by entities seeking investment-related subsidies.

The bank intends to maintain its established position on the EU funds market going forward. To this end, the Bank has commenced intense preparatory work aimed at servicing structural funds from the new 2007-2013 budget. As part of the adopted strategy, sales structures were strengthened, proposition modified, EU advisors trained and relevant sales and promotion plans designed.

- **Proposition for Farmers**

In line with the adopted lending policy, in 2007 the bank's attention and its sales actions focused on farms with a defined area of arable land. In respect of process development, the mode of credit decision-making for representatives of the agri-sector was further enhanced.

Bank Zachodni WBK S.A. was actively involved in the process aimed at regulating the cooperation between domestic banks and the Agriculture Restructuring and Modernisation Agency in respect of servicing preferential loans with subsidised interest. An agreement concluded in August 2007 facilitated the extension of the agri-sector financing. Additionally, the bank carried out work aimed at developing services for customers seeking EU funds under Program Rozwoju Obszarów Wiejskich 2007-2013 (Rural Area Development Programme 2007-2013). A uniform, comprehensive EU proposition and a plan of promotional actions addressed to borrowers from the agri-sector were worked out in liaison with leasing companies.

International Settlements

International Payments

In the process of handling international payments, the bank uses all available settlement channels, and is therefore able to offer its customers the most favourable options. In 2007, actions were taken with a view to including the Bank in the SEPA programme whose underlying key objective is to develop a single EU payments market. In addition, the Bank's potential in respect of settlements was enhanced owing to the establishment of the network of foreign agents accepting orders for cash transfers to PLN accounts held in Poland. By the end of December 2007, the Bank signed 11 relevant agreements with partners from the UK, Ireland and the Netherlands.

Payment-related messages generated by the Bank have been of very high quality for many years which streamlines the settlements process and reduces the service cost. Last year, in recognition for the error-free SWIFT message formatting, the bank received awards from its two main correspondent banks: Bank of New York and Deutsche Bank. The efficient organisation of the foreign payment handling process and the high quality of customer service is best proven by the bank being placed among the institutions that comply with ISO 9001:2000 standard for international payment orders.

Besides high quality and universality, the bank offers a very competitive schedule of fees and charges. The bank's rates for outgoing payment orders are very low, while payments received to the benefit of internal customers are free of charge. With such an attractive offering, in 2007 the bank recorded a 26% y-o-y growth in the number of direct outgoing payments (effected without the agency of third-party banks).

Western Union Money Transfers

Bank Zachodni WBK acts as an intermediary for international and local Western Union money transfers. The network of outlets processing Western Union transfers includes the bank's branches, Minibank outlets and agents who operate under a contract with the bank and use its clearing services. Owing to the differentiation of its product distribution channels and their continued development, the bank reaches an increasingly higher number of customers. In parallel, BZWBK ensures the highest quality of service, which is evidenced with ISO 9001:2000 certificate granted to the bank with respect to Western Union transfer handling. The bank's actions contributed to higher transaction-related turnover and, in particular, to a higher volume of outgoing international transfers (+23%).

Trade Finance

The bank's offer includes a full range of international trade finance products. Continuously expanded network of cooperating banks ensures high efficiency of service processes and competitive transaction execution costs. In line with internal standards, all documentary transactions are processed within 24 hours from the receipt of a complete order and/or relevant documents by the Business Support Centre. Top quality of provided services is evidenced by ISO 9001:2000 certificate granted to the bank for handling documentary and cheque transactions.

Provision of e-Services to Financial Institutions

Bank Zachodni WBK issues and processes payment cards for other institutions, being a leading provider of such services on the market. The bank's offer includes "traditional" magnetic cards as well as chip and bar-code cards. The bank offers its partners a modern IT infrastructure and a real-time access to transaction data, while their customers can avail of the bank's extensive ATM network. High quality and security of the bank services have been confirmed by the certificate from Visa Int. and MasterCard Int. issued for the personalisation of stripe and chip cards.

Since 2006, Bank Zachodni WBK has been providing service for the ATMs of other banks and external institutions. As a result of commencing cooperation with new partners, Bank Zachodni WBK is now one of the leading providers of such service in Poland.

The Bank expanded the scale of its operations in the above areas and at the end of 2007 serviced more cards and ATMs on behalf of external institutions than for its own customer base. As at 31 December, the number of external cards was 57% up on the previous year, while the network of external ATMs was expanded to cover over one thousand machines.

Investment Banking

Arrangement of Debt Securities Issues

Last year, corporate customers showed revived interest in the arranged securities issues, which were placed with the entities indicated by the issuer. The bank arranged bonds issues for more than 20 customers for a total value of PLN 401 m, which is 8 times more than a year before.

Moreover, the bank participated in the public offer of bonds issued by its leasing subsidiary (BZ WBK Finanse & Leasing S.A.) as part of the issue programme. The nominal value of the placed bonds amounted to PLN 56.8 m.

Advisory Services

In 2007, Bank Zachodni WBK in liaison with Dom Maklerski BZ WBK S.A. acted as advisors in the following undertakings:

- a public offer of F-shares issued by PBG S.A., worth PLN 350 m, with subscription rights for the existing shareholders;
- the sale of PBG S.A. shares, worth PLN 54 m, by one of shareholders in the secondary market;
- a public offer of D-shares issued by Koelner S.A. worth PLN 82.5 m, without subscription rights for the existing shareholders;
- arrangement of the sale of Koelner S.A. shares, worth PLN 33 m, by majority shareholders in the secondary market;
- a public offer of C-shares issued by BBI Development NFI S.A., worth PLN 57.1 m, with subscription rights for the existing shareholders;
- a public offer of B-shares issued by BBI Capital NFI S.A., worth PLN 48.2 m, with subscription rights for the existing shareholders;
- a public offer of X-shares issued by Sygnity S.A. (formerly: Computerland S.A.) to the shareholders of Emax S.A. in the process of merging the two companies;
- a public offer of J-shares issued by Hydrobudowa Włocławek S.A. to the shareholders of Hydrobudowa Śląsk S.A. in the process of merging the two companies;
- a public offer of F-shares issued by TUP S.A. worth PLN 110 m, without subscription rights for the existing shareholders.

Equity Portfolio Management

In 2007, the following changes took place in the equity portfolio of Bank Zachodni WBK:

- Having obtained the approval of the Polish Financial Supervision Authority, in March 2007 Bank Zachodni WBK purchased 152 shares issued by Commercial Union Powszechne

Towarzystwo Emerytalne BPH CU WBK S.A. from BPH S.A. at PLN 22.2 m, thus increasing its shareholding in the company to 11.1%.

- In December 2007, the transfer of 980,517 shares of NFI Magna Polonia S.A. for redemption to the issuer was settled. The transaction yielded a revenue of PLN 17.16 m.

- In December 2007, Bank Zachodni WBK made a payment of PLN 3.3 m in connection with the PLN 16 m worth issue of shares by CU Polska Towarzystwo Ubezpieczeń Ogólnych S.A. offered to the existing shareholders on a pro-rata basis. The new shares will be allocated following their registration in the National Court Register (KRS).

- 2007 saw the final liquidation of BZ WBK Nieruchomości S.A. i Wspólnicy Spółka Komandytowa, where Bank Zachodni WBK was the limited partner. Bank Zachodni WBK was returned the entire invested capital of PLN 27.1 m.

As at 31 December 2007, the equity investment portfolio of Bank Zachodni WBK was composed of subsidiaries and associates displayed in the chart on page 11 and minority shareholdings in 23 companies, including: Krajowa Izba Rozliczeniowa S A (11.48%). Commercial Union Powszechne Towarzystwo Emerytalne BPH CU WBK S.A (11.1%), Commercial Union Polska Towarzystwo Ubezpieczeń na Życie S.A. (10%), Commercial Union Polska Towarzystwo Ubezpieczeń Ogólnych S.A. (10%), AWSA Holland II BV (5.44%), Biuro Informacji Kredytowej S.A. (5.14%) and Arka BZ WBK Fundusz Rynku Nieruchomości Specjalistyczny Fundusz Inwestycyjny Zamknięty (4.42%).

Announced Equity Investment

On 20 November 2007, Bank Zachodni WBK and Aviva International Insurance Ltd. from London (parent company of the Commercial Union Poland Group) entered into co-operation agreements, providing for establishment of two new insurance companies. The parties will acquire 50% stake each in the share capital of either company with a total value of PLN 72.5 m. The companies will be established subject to the approval of the regulators, including the Polish Financial Supervision Authority and the European Commission.

Treasury

In 2007 there was very strong growth in Treasury activity, both in Wholesale and Corporate markets.

Treasury Services operations have continued to develop in close cooperation with Corporate and Commercial Banking activities, while maintaining focus on the retail branch client network. The Treasury services centres in Gdańsk, Kraków, Poznań, Warsaw and Wrocław all experienced strong growth. Treasury has continued to develop its product range to meet customer demand and during 2007 there was substantial growth in volumes of derivative related transactions.

Throughout 2007, Wholesale activity reported very strong gains, primarily through strategic interest rate positions taken in anticipation of rising PLN interest rates. A positive yield curve and higher repricing of assets following the credit and liquidity crunch, while overnight rates remained low, all contributed to the strong gains. These gains have been realized within the framework of a conservative appetite to risk taking, consistent with previous years.

Treasury has responsibility for the day-to-day funding and liquidity management of the Balance Sheet. The turmoil on Global Stock and Money Markets in the second half of 2007 as a result of US sub-prime difficulties had no adverse impact on the funding and liquidity of Bank Zachodni WBK. The bank is still a net provider of funds to the Polish Interbank market and is not reliant on the markets, either Polish or International, as a net source of funding. The Bank's lending activitves are funded by a stable deposit base (Bank Zachodni WBK loan/deposit ratio was 73% at the end of 2007), and the overall liquidity position remains comfortable.

4. Development of Distribution Channels

Branch Network

At the end of December 2007, the bank's branch network consisted of 406 outlets (physical locations excluding 12 rationalised branches still operating in the bank's network) and was divided into 14 regions supervised by three Macroregions in Poznań, Warsaw and Wrocław. The regional and macroregional offices provided direct business and operational support to the local branches.

Last year intensive efforts were made to modernise the branch network, including replacement of equipment, security systems and computer hardware. Also, the branch banking development strategy until 2011 was followed with 34 new branches opened until end-December out of the 50 scheduled to be launched in 2007. Most of new branches were opened in the following Regions: Łódzki, Warszawski, Pomorsko-Mazurski, Zachodniopomorski, Małopolsko-Podkarpacki and Śląski. The delay in execution of the strategy was caused by external factors (telecoms infrastructure, formal obstacles) and will be made up for early in 2008 with the launching of more than 20 new branches.

Corporate Business Centres

2007 saw continuation of the efforts aimed at expanding the bank's reach in the corporate market. During the year, a new Corporate Business Centre was opened in Łódź, and offices were set up in Szczecin and Katowice, reporting to the Centres in Poznań and Kraków, respectively. With growing business volumes there was also an employment increase in the existing Centres. At the end of 2007, Bank Zachodni WBK operated through six Corporate Business Centres: in Warsaw, Wrocław, Poznań, Kraków, Gdańsk and Łódź.

Electronic Distribution Channels

BZWBK24

The BZWBK24 electronic banking service underwent dynamic growth in 2007.

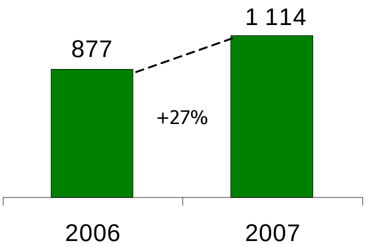
The bank launched the sale of other products and services via this channel, including a cash loan, credit card and savings account. The customers of BZWBK24 were given access to new tools and improvements. For example, the bank introduced a new functionality called "Cards to the account", which enables the customer to view the debit card information and the history of debit card transactions. The scope of currencies, countries and transaction titles to be used in payment orders processed via BZWBK24 Internet and Minibank24 were extended. Also, the daily limit for cross-border transactions approved for processing via BZWBK24 Internet was increased and the option of domestic transfers and payment orders settled via SORBNET was introduced.

In order to provide top security standards, users of the BZWBK24 service were provided the option to monitor IP addresses of computers on which they log into the transaction system. The bank has also started a systematic migration to the new, secure form of logging (masked password) and implemented the 3D-Secure service providing extra security for the Internet-based transactions effected by the holders of debit and credit cards.

High quality of the e-banking service is confirmed by ISO 9001:2000 certificates issued for the BZWBK24 and Minibank24 service. The bank's offer was also recognized by the Office of the Committee for European Integration and the Biznes Centre Club which in 2007 awarded Bank Zachodni WBK the European Medal for the BZWBK24 Moja Firma Plus e-product package designed for small and medium-sized enterprises.

Compared to the same period last year, the total number of BZWBK24 users grew by 27% y-o-y, up to 1,114k as of the end of December.

BZWBK24 customers (in thousand)



Other Internet Services

AlleKredyt is a noteworthy electronic product of the bank, implemented in cooperation with Allegro.pl and offered to the users of this auction portal. AlleKredyt is an innovative solution which allows customers to obtain, without unnecessary formalities, a loan of PLN 1 k to PLN 10 k in less than 15 minutes.

ATMs

As at 31 December 2007 the ATM network of Bank Zachodni WBK comprised 674 machines, i.e. 66 more than last year. This growth is a result of opening new branches where ATMs are installed as a standard and an increased demand for such machines given the growing number of ATM transactions (13% y-o-y). For the network expansion the bank uses modern and reliable machines with good ergonomics, which are installed in locations convenient for customers and exhibiting high business potential. Following new installations and ongoing modernization of the network, BZWBK ATMs are characterised by a high functionality - over 90% of the machines comply with the EMV standard (Europay, MasterCard and Visa). In 2007, the bank received ISO 9001:2000 accreditation for the ATM management process.

External Distribution Channels

Mobile Sales

The Mobile Sales structure has been in place since early 2006 and is based on self-employed Financial Advisors and their Co-ordinators who report to the Regional Mobile Sales Directors. By the end of 2007, 17 offices were established in 10 sales regions, covering the area of northern, central and south-eastern Poland. The expansion plans envisage establishment of new sales offices, mainly in the western and southern Poland to give the bank a nationwide presence. In 2007, the Mobile Banking acquired new business through the sale of credit cards and cash loans, displaying operational flexibility and efficiency.

Franchising Network – "Minibank"

In 2007, the bank started establishing a network of agents to provide quick, simple and inexpensive access to standard financial services. This solution is targeted at retail customers who are interested in a limited number of banking services or have not yet availed of banking services at all. Products and services offered through this network include cheap personal accounts with a card, cash loans, bill payments, Euro payments, Western Union money transfers and Euro exchange transactions. Using simplified processes based on the dedicated IT platform, the agents provide customers with fast service at competitive prices.

Agencies are opened under the "Minibank" brand and are located close to the customers' place of residence, in locations that are not in conflict with the bank's branch network. In 2007, 26 Minibank outlets were launched and by the end of 2008 the bank plans to expand the network to about 300 agency outlets, located mainly in smaller towns.

VI. Further Growth Prospects

1. Strategy for 2007-2010

Key Strategic Assumptions

The 2007-2010 BZWBK strategy is the continuation of the strategy developed by the bank in 2001 and implemented over the subsequent years. The key message of the updated strategy is expressed by the bank's mission statement:

"To be regarded by our customers, wherever we operate, as outstanding for our customer proposition, and to turn this into superior profit growth"

The main strategic assumptions remain unchanged, including the premise that in order to achieve superior profit growth the bank needs to have a distinctive proposition in the following areas:

- customer relationship;
- product offering;
- service quality;
- process enablement.

Development of these areas should give the bank a solid position in the Polish banking market with an aspiration of 10% share. With the bank's focus on ever more efficient risk management, the distinctive customer proposition should also bring value added to the shareholders.

Continued enhancement of the offering will be paralleled by the efforts to foster high management quality and corporate culture in keeping with the highest ethical standards and the expectations of the customers, shareholders and regulators.

Customer Relationship

Bank Zachodni WBK intends to reinforce its image of a universal bank which offers a full array of financial services for personal and business customers. The rich product offer will provide foundation for building lasting relations with customers with a strong support from solutions consistently applied under Segmentation and CRM Programme.

Plans for the future envisage expanded functionality of the IT tools used by the bank in the relationship management process. The knowledge gathered in the systems will facilitate customer advisors in anticipating customer needs, establishing and maintaining relations and simplifying service processes. In order to improve relationship management and internal decision-making processes, special tools will be implemented for profitability measurement, statistical analysis and forecasting. The efforts taken will increase the bank's capability of offering customers the right products at the right time through the most appropriate distribution channel. Such efficiency will enable delivery of the bank's key strategic objective, which is to attract specific customer groups, retain the existing customers and continue profitability growth.

Offering of Products and Services and their Distribution

Developments for Retail Customers

The bank's strategy indicates two key sources of acquiring retail business, i.e. from the "start-up" and the "mass affluent" customer segment. The strategy also encompasses numerous initiatives which seek to increase the attractiveness of retail products and services given their growth potential, profitability and impact on the customer's relationship with the bank.

- **Savings and Investment Products**

The bank will be focused on ensuring a balanced growth of the savings and investment products portfolio across the Bank Zachodni WBK Group. To this end, the bank will keep on following the same development route as before. It will provide its customers with a full range of services (including those offered by the subsidiaries) in order to diversify its portfolio, improve effectiveness & quality of sales and promotional activities, and to ensure the required training for employees. Also, in co-operation with BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A., a new investment offer based on closed-end funds will be developed for high net worth individuals. Personal customers will have access to all the most attractive markets and industries through a rich choice of open-ended Arka mutual funds. The array of savings and investment products will be complemented with the structured products, including the investment-linked policies.

- **Retail Loans**

With regard to mortgages, the bank intends to reduce the cost and time of decision-making, increase the quality of advice and expand the distribution network with the key housing market players (developers, agents, brokers). To improve its position in the domestic credit cards market, the bank will increase availability of cards for non-customers, improve effectiveness of sales through internal and external delivery channels and intensify its promotional activity. Through various incentives for customers, the bank will strive to encourage more frequent use of cards for daily transactions. In the cash loans area, emphasis will be placed on growing sales through individual distribution channels (the Internet, phone, independent advisors, agents' network) and delivery of sales campaigns targeted at precisely defined audiences.

- **Bancassurance**

As part of the bancassurance line, the bank's ambition is to set out new standards in the loan insurance market by structuring the best-in-class offering and maximisation of income. The huge potential of own customer base and implementation of appropriate CRM solutions will also facilitate the development of insurance offered via phone and the Internet.

Developments for Business Customers

The bank plans to intensify lending to business customers while maintaining a high quality of the portfolio. The years 2007-2010 are expected to see an increase in exposure to SME customers to the level observed in the "old" EU countries. The credit activity will be supported by numerous initiatives, such as development of the property funding offer, investment finance with EU support, development of lending to the agricultural sector and consistent up-skilling of the SME advisors. Moreover, business customers will be able to avail of a broader range of leasing and factoring products.

The agents' network and the Internet will be added to the channels used for distribution of current accounts.

Developments for Distribution Channels

The bank envisages an organic growth of the bank based on integrated development of all distribution channels, with the focus on the branch network, specialised business centres and agency outlets. In the next years the bank's branch network will be intensively expanded (a few hundred branches to be opened), mainly in the locations with significant business potential, where so far the bank has not established its presence. Consequently, the bank's area of activity will cover the whole country. In parallel to the geographical expansion, the bank will introduce a new service model in its branches and will provide a new proposition for customers with most sophisticated needs (Private Banking and Personal Banking). To meet the requirements of customers who mostly use traditional products and services, the bank will extend the network of Minibank outlets offering simple financial operations such as bill payments, personal account transactions or cash loans. The bank will also increase the number of its Corporate Business Centres and launch Business Banking Centres to give its customers a more convenient access to the advisors with appropriate discretions and to increase their satisfaction with the bank's service.

The functionality of the Direct Banking will be expanded, with particular focus on the solutions facilitating product acquisition. The phone and Internet banking will be more closely integrated with the branch network on the CRM platform to deliver a harmonised system for relationship management.

Service Quality

Bank Zachodni WBK overarching strategic objective is to build strong and profitable relations with the existing and potential customers by offering them high quality products and services and seamless workflow solutions. To this end, the bank continues to enhance its product range, service model and staff skills, implements new technologies and customer-friendly procedures and increases its flexibility in responding to customer needs. In all these areas, simplification, enablement and improvement of internal processes are of utmost importance.

Customer service quality will still be regularly reviewed and enhanced through service quality metrics, customer satisfaction/expectation surveys, service improvement programmes and the activities of the Customer Care Officer. The bank will continue the programme of certification of its key business processes based on the ISO 9001 standard, which is an essential building block of process management in the organisation. Sharp focus will also be placed on process measurement and streamlining. Selected processes will be upgraded using the Kaizen and Lean Six Sigma models which should contribute to the further improvement of the bank's service.

Process Enablement

The bank plans to continue centralisation of its IT platforms to mitigate the key risks, reduce costs and improve the speed of IT services delivery. To keep operating costs down, competency centres will be established to provide comprehensive service to the bank, its subsidiaries and the AIB Group. The Business Intelligence systems will be expanded to derive greater income from the existing and new customer relationships.

The bank plans to centralise its credit delivery and improve its operational processes connected with the central sale of products via external distribution channels (Internet, phone, intermediaries, agents). Further processes will be optimised and centralised to increase their efficiency and to reduce risk.

Consistent cost management efforts will be continued across the Group through the planning and control of the operating cost budget, implementation of cost containment initiatives and improvement of purchasing processes.

Targets for 2008

The projects to be delivered in 2008 are aimed to increase the bank's geographical presence, foster sales, improve service procedures for selected market segments and consolidate the bank's position as an employer of choice and a reputable player in the banking sector. The overall objective is to reinforce among the target population the bank's image as a leading provider of banking services. The bank will focus its efforts on the following initiatives:

- Further increase of the bank's distribution power:
    - development of the branch, agents' and ATM network;
    - opening of mortgage houses (i.e. outlets specialising in the sale of mortgage loans);
    - establishment of co-operation with new partners to issue 'co-branded' cards, sell cash loans, debit cards and provide electronic banking services.

- Roll-out of new business models for the upper SMEs segment and the personal customers with high and stable financial potential:
    - opening of Business Banking Centres;
    - opening of Private Banking Offices;
    - offering VIP portfolios managed on individual basis (as part of Personal Banking service) and covered by a dedicated credit process.

- Introduction of independent sales processes in the Direct Banking channels (without branch involvement), distribution of products to SMEs via the phone and the Internet.

- Starting co-operation with the insurance companies established as a joint venture with Aviva International Insurance Ltd.; introduction of new insurance products and sale of selected products in the electronic channels.

- Further improvement of procedures and service quality, including central handling of selected loans and reduction of the decision turnaround time in the business credit delivery process.

- Harmonisation of the CRM model across the distribution channels, including implementation of a central repository of customer data, development of a communication strategy and CRM tools for electronic channels, introduction of the CRM model in the leasing subsidiaries and Dom Maklerski BZ WBK S.A.

- Increasing employees' competence and professional satisfaction through:

    - comprehensive skill development programme for all personal advisors, personal development programmes for employees from all the bank's divisions and the SME Skills Academy;
    - development and implementation of new incentive schemes for branches and business units;
    - providing comprehensive medical cover for all staff.

- Reinforcement of the bank's positive image and reputation through an optimised alignment of processes and procedures to the customer, regulatory and shareholder requirements (BASEL II, SEPA Programme, 3rd Directive on Money Laundering).

2. Macroeconomic Outlook for 2008

Economic Scenario for Poland

2008 should be another good year in the Polish economy although it may be difficult to sustain the momentum as recorded over the last two years. GDP will slow down slightly and the key driver will be domestic demand. With a two digit dynamics of capital expenditure, the economy should still be enjoying appetite for workforce and growing wage bill though not as vigorous as in 2007. A larger disposable income (on account of lower contributions to the disability & pension fund) will foster strong consumption. The dynamics of Polish export is also expected to remain strong, however it will be outpaced by import. Consequently, trade deficit may exceed 5% of GDP.

Global Economic Scenario

There is much uncertainty around the forecast of global economic growth. Recently, economists have been voicing stronger concerns about a possible substantial slowdown, or even recession in the States. There would be a knock-on effect, decelerating economic growth in other developed countries, and in Euro zone in particular. Still, this scenario may not materialise. After weak performance of the American economy in the first half of the year, the second should be much better, benefiting from interest rate cuts, US government's fiscal policy stimulating consumption and depreciating dollar. The Euro zone economies should be affected by a slowdown to a much lesser extent. A global market sentiment will also be shaped by a rapidly growing Chinese economy as well as other emerging economies.

Inflationary Pressure and Interest Rate Trends

Labour market will remain tight with upward wage pressure. This adds to the risk of medium-term inflation outlook. Until now, though, the fundamental inflationary pressure remains under control, which is reflected in a low net inflation. Nevertheless, CPI inflation in the first quarter of 2008 will exceed 4% y-o-y and may hit 3.8% on average throughout the year. Even though the main inflation contributors (prices of food and commodities) remain beyond the Central Bank's control, the Monetary Policy Council (MPC) fears a knock-on effect, e.g. demands for wage increases. Therefore, the MPC at its first meeting in January 2008 increased interest rates by 25 bp. It is likely to raise interest rates once again in the forthcoming months by 25 bp., though the threat of recession in the US and its possible adverse impact on the Polish economy may induce MPC to postpone this decision. The world's main central banks also face the danger of climbing food and oil prices, but they also have to factor in weakening of business activities. Hence, the American Fed will continue to cut rates (down to 2.25% or deeper) and the European Central Bank is likely to get on this track as well.

Financial Market

We expect the Polish zloty to grow slightly stronger against the main currencies in 2008 than in the previous year. Appreciating zloty against euro (though not as strong as in 2007) will reflect progressing convergence with more developed EU economies and growing interest rates, which can encourage foreign investors to invest their equity in Poland. In terms of dollar, zloty might slightly depreciate against this currency in the second half of 2008 due to the forecasted rebound of the American currency on international markets.

The domestic market of bonds will remain under pressure of forthcoming inflation and employment rate statistics. It is expected though that the market of debt securities will grow stronger in view of falling inflation (weakening impact of food prices), a less expectant mood towards tightening of the monetary policy and tendencies on the global markets where appetite for safe assets drives yields downwards.

The domestic stock market will depend on the performance of the US economy. In the event of a recession, bearish markets in the States will impact the Warsaw Stock Exchange. Continued high GDP growth in Poland and a good market outlook for the forthcoming years will support capitalisation of domestic companies.

VII. Risk Management

1. Capital Management

The policy of Bank Zachodni WBK is to maintain a strong capital base (above the minimum level required on account of various types of risk related to the activities conducted) and to use it effectively in order to add value for shareholders. Capital requirements are calculated in line with the regulations of the Commission for Banking Supervision.

Bank Zachodni WBK Management Board delegated discretions relating to day-to-day capital management to Assets and Liabilities Committee (ALCO). The ALCO is responsible for ongoing monitoring of the level of own funds and capital requirements, and for initiation of all transactions impacting capital (except for those falling within sole powers of relevant Management/Supervisory bodies, like dividend payment).

Capital Adequacy ratio (CAD ratio) is a key measure in the capital management process. In accordance with the Banking Law, Bank Zachodni WBK is required to maintain this ratio at the minimum of 8%. The bank's policy is not to breach the target level of the solvency ratio at 10%.

The tables below show the historical values of the CAD ratio:

Bank Zachodni WBK S.A.:

PLN m

	31-12-2007	31-12-2006
Total capital requirement	2,124.7	1,660.2
Own funds	3,015.9	2,861.9
CAD ratio	11.36%	13.79%

Reduction of the Bank Zachodni WBK's CAD ratio was primarily caused by the increase in the level of risk-weighted assets by 28.3% y-o-y due to the significant growth of the credit portfolio (+37% y-o-y).

As at 31 December 2007, the Bank's total equity amounted to PLN 3,850.8m and was higher on end-December 2006 by PLN 237.5m. Own funds, calculated in accordance with the revised regulations of the Banking Supervision Committee (March 2007) increased by PLN 154 m to PLN 3,015.9 m.

The extent of change in the Bank's own funds in 2007 versus 31 December 2006 mainly results from allocation of the undistributed 2006 profits to equity, increase of investment in Commercial Union Powszechne Towarzystwo Emerytalne BPH CU WBK S.A. by PLN 22.2 m (to 11.1%) and changes in the regulations relating to recognition of financial instruments' revaluation reserve in equity.

2. Financial Risk Management

The main objective of financial risk management is to ensure effective operations to support development within the approved risk limits. Risk management practice in the bank is in keeping with the AIB Group policy and covers the three main financial risk areas: credit risk, market risk and liquidity risk.

The bank's Management Board, which is responsible for risk management, delegated its powers in this regard to the following Committees: Asset and Liabilities Management Committee (ALCO), Credit Committee, Credit Policy Forum and Provisions Committee. These Committees are responsible for managing individual risk areas, monitoring the bank's general risk on an on-going basis and for shaping the current policy within the framework set out by the Management Board.

The risk management framework rests on the risk profile accepted by the bank's Management Board, reflecting the overall risk appetite of the bank.

Credit Risk Management

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

Credit risk arises mainly from lending activities on the retail, corporate and inter-bank markets. This risk is managed as part of the policy approved by the Management Board on the basis of the adopted credit delivery procedures as well as on the basis of discretionary limits allocated to individual credit officers based on their knowledge and experience The bank's internal system of credit grading and monitoring allows for an early identification of likely defaults that might impair the loan book.

Credit Policy Forum

To manage the credit risk effectively, Bank Zachodni WBK established the Credit Policy Forum whose key role is to provide and approve the best sectoral practice, analyses, credit policies as well as grading and assessment systems aimed at ensuring sustainable growth of the credit portfolio. This activity is addressed to the bank's branch network and Business Support Centre units directly responsible for business development and support. The Credit Policy Forum is composed of senior representatives of individual Bank Zachodni WBK divisions.

Credit Policies

Credit policies contain guidelines for the identification and assessment of areas where specific types of risks manifest themselves and also provide the methods of limiting those risks to a level acceptable to the bank (e.g. FX risk in the case of foreign currency loans). Credit policies comply with the AIB Group standards and are adapted to the local credit market conditions where Bank Zachodni WBK operates.

At the same time, credit policies are subject to periodical reviews aimed to bring these guidelines up to date with the bank's current needs.

Credit Grading

Intensive work has been undertaken to further develop credit risk assessment tools to conform to the Basel requirements and International Accounting Standards/International Financial Reporting Standards (IAS/IFRS). These efforts are accomplished based on AIB Group expertise and best practice, as well as in close liaison with external, internationally recognized advisors.

Currently the bank uses new credit risk grading models for its key credit portfolios, including corporate customers, SMEs, loans for income-producing real estate, housing loans, cash loans, credit cards and retail overdrafts.

Provisioning

In Bank Zachodni WBK and its subsidiaries provisions are raised in accordance with IAS/IFRS. The provisions reflect credit impairment which is recognised if the bank presents an objective evidence that such amounts cannot be recovered in line with the signed loan agreement. The impairment is measured based on the estimated recoverable amount and analysed using both the individual and collective approach.

Ensuring adequate level of provisions is the responsibility of the Provisions Committee.

Stress Testing for Credit Risk

Stress testing is one of the components of the credit risk management process aimed at assessing how the bank might be affected by specific changes in its environment, changes in financial and macroeconomic indicators or in the risk profile. The analysis also looks at the potential credit quality changes in the wake of adverse developments. The process also provides management information on the adequacy of the existing risk limits and internal capital allocations.

Return on Risk

Bank Zachodni WBK continues to develop and implement risk based methods of grading loans, allocating capital and measuring returns. Currently, for all significant portfolios risk valuation models based on EVA (Economic Value Added) are being implemented.

Credit Decision Making Process

The credit decision-making process as part of the risk management policy is based upon Individual Credit Discretions vested in credit officers, commensurate with their knowledge and experience relating to particular activities (retail banking, corporate banking and SMEs). Credit exposures in excess of PLN 25 m are referred to the Credit Committee composed of senior management of Bank Zachodni WBK.

Bank Zachodni WBK continually strives to ensure best quality credit service to meet the borrowers' expectations and relevant risk policy standards. To this end, the credit risk approval function has been basically 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 their reporting managers.

In order to ensure better risk management, the bank implemented scoring techniques for retail customers, SMEs and home mortgages. The scoring systems are continuously upgraded which has improved the quality of risk management and accelerated the decision-making process.

Credit Reviews

Demonstrating the utmost care about the loan-book quality, Bank Zachodni WBK performs regular reviews to assure conformity with the best credit practice, 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 Quality Assurance Department which are independent of the risk-taking units.

Market Risk and Liquidity Risk Management

The Bank Zachodni WBK ALCO is responsible for strategic balance sheet management in keeping with the individual risk management policies approved by the Management Board. The focus of ALCO's attention is the management of capital, sources of funding and liquidity as well as identification and management of market risk. ALCO consists of representatives of the bank's senior management.

Market risk and liquidity are managed within the framework developed by the AIB Group and approved by the Bank Zachodni WBK Management Board. The ALCO's policy defines the underlying principles of management of liquidity, interest rate and FX risks arising from the bank's and the Group's balance sheet structure.

Market Risk Management

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

The bank's practice in market risk management complies with the following rules:

- Upon the recommendation from ALCO, the Management Board approves the Strategies and Policies for market risk management along with the limits that define the maximum acceptable exposure to individual risk types.

- Market risk is managed by qualified personnel using the appropriate systems and controls. Management of interest rate, FX and liquidity risks is centralised in the Bank Zachodni WBK Treasury Division.

- 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 ALCO

- Risk limits are periodically reviewed to align them with the bank's strategy and the current objectives of the bank.

- A special portfolio of highly rated debt securities generates a stable income flow, mitigating the structural balance-sheet risk connected with liabilities that are not sensitive to interest rate changes. According to the Policy approved by the Management Board, any decisions relating to the value or structure of this portfolio are taken by ALCO.

Assets & Liabilities Management Department identifies, on an on-going basis, the market risk connected with retail and commercial activities and transfers the risk to the Treasury Division. 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.

Interest rate and FX risks are monitored using the Value at Risk (VaR) methodology which is a standard industry tool for measuring interest rate and FX risks. 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 both to the trading and banking portfolio. According to the bank's policy, the interest rate risk measured as PML may not exceed 8.25% of the bank's own funds, while PML connected with FX risk may not exceed 0.5% of own funds.

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 and funding.

The liquidity policy pursued by Bank Zachodni WBK is to counter-balance the expected outflows with expected inflows and/or realisation of liquid assets (mainly debt securities) to resist any extraordinary or crisis situations triggered both 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 FX Swap market). The policy covers all assets and liabilities as well as off-balance sheet items impacting the liquidity level. Contractual and behavioural maturity is also taken into account, based on the statistical analysis of both the deposit base and the credit portfolio stability. Liquidity risk is measured daily using a modified liquidity gap report.

The bank is obliged to maintain necessary funds to allow for withdrawals of term deposits, demand deposits, loan payments, guarantee payments and settlements. The bank does not maintain those funds in full amount because as experience and analyses show, a certain percentage of funds with short-term maturity will be reinvested. The bank's policy states that the bank should maintain funds to cover 100% of the payments expected to be made within 1-month horizon and not less than 10% in a period longer than a month. Long-term liquidity position is also monitored.

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

3. Operational Risk Management

Bank Zachodni WBK adopted the operational risk management definition as agreed by the Basel Committee whereby operational risk management is understood as exposure to losses arising from inadequacy or failure of internal processes, human resources, systems or external factors.

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

Bank Zachodni WBK operates the "Operational Risk Management Policy" and the "Rules of Operational Risk Management". In addition, detailed procedures and guidelines are used to define how risks are identified, estimated, monitored and mitigated.

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

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

- Identification and estimation of operational risk

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

- Reporting on operational incidents and lessons learned

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

- Analysis of risk indicators

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

- Business continuity management (BCM)

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

- Regular reporting to the Management Board and Supervisory Board

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

- Insurance

  The bank’s insurance cover includes the following insurance lines: Bankers’ Bond, Computer Crime, Officers & Directors as well as Property Insurance.

The growing importance and complexity of operational risk which manifest themselves in all areas of the banking activity trigger the need for continuous improvement of risk management methods and for safeguarding financial stability. The bank maintains adequate capital to cover operational risk requirement as per applicable regulations.

Bank Zachodni WBK co-operates closely with the AIB Group in the area of developing and implementing strategies and policies for operational risk management, selection and launch of supporting instruments, and ensuring compliance with the requirements of the New Capital Accord.

VIII. Human Resources and Corporate Values

1. Human Resources Management

Human Resources

Personnel

As at 31 December 2007, the number of FTEs in Bank Zachodni WBK was 8,469 and higher by 1,002 y-o-y. The increase in the Bank's headcount was due to the expanding range and scale of operations through organic growth, involving the launch of new outlets, economically justified recruitments in the existing branches as well as process- and technology-based organisatonal changes. To cater for the rapid growth of the manpower numbers, which is expected to continue in the nest years, Bank Zachodni WBK S.A. has introduced an extended induction programme for the new staff.

The bank continues the Performance Management process which adds value to the corporate culture, is positively viewed by employees and brings expected results. Through the individual objectives planning process, monitoring and assessment of progress, the bank's employees gain knowledge about their role in delivery of the strategy and obtain the necessary support and feedback about their performance.

The fourth Staff Attitude Survey in Bank Zachodni WBK held in September 2007 showed an increase of the People Focus Index, which confirms that the employees have a positive perception of the changes happening in the organisation and the quality of management. The respondents are increasingly committed to the bank's objectives and see good opportunities for long-term career advancement in the organisation.

Training

The bank pays a lot of attention to the improvement of staff knowledge and skills. Training courses are organised in response to the business needs and in keeping with the bank's strategic priorities. Compliance with the strategic and training objectives is ensured through the central planning and co-ordination of training, a process actively supported by the branch banking and other business units. The integrated training plan facilitates the logistics and monitoring of training quality and costs.

In 2007, the majority of training projects were addressed to the branch banking staff of whom 77% were trained through e-learning. Training for branches covered the following areas: strategic products, teamwork and quality growth-oriented sales techniques, SME lending, operational security. 2007 saw continuation of initiatives addressed to different management groups, including: BZWBK Executive Development, Directors' Development Programme, Middle Management Development Programme, Programme for Newly Appointed Managers, ABC of Management and Leaders of the Future (5th edition). The comprehensive BZWBK Management Development Programme received an honourable mention in the competition "HR Management Leader 2007 ".

In 2007, the total number of trainees and participants of the development programmes in Bank Zachodni WBK S.A. reached 86.5 k.

2. Corporate Values

Code of Business Ethics

The bank implemented the Code of Business Ethics which applies across AIB Group. The Code sets out the general standards of behaviour which underpin the Group's corporate culture.

According to the Code, in all the aspects of its activities the bank complies with the business ethics requirements, conforms with the law and acts in accordance with the best corporate governance and risk management models. The bank seeks to create a climate of trust in its dealings with customers, employees, shareholders and other stakeholders, promoting such values as integrity, professionalism, prudence and competence. The opinion of being a dependable organisation is perceived as a pre-requisite for further development and success, but the bank also has the ambition to be recognised for being engaging and pioneering. As a responsible corporate citizen, the bank supports corporate-giving and sponsorship programmes.

Following implementation of the Code of Business Ethics, the bank launched special communication channels for staff to consult on ethical matters and report any issues.

Compliance Culture

The bank attaches a great importance to the legal and regulatory compliance in all aspects of its activities. Creation of a business culture of strict adherence to law and best practice and promotion of such an approach is one of the key objectives of the bank's Compliance Area. The activities undertaken by this function are meant to raise the awareness among employees that their individual actions can have a bearing on the bank's reputation. A well-developed compliance culture improves the bank's image among regulators, shareholders, investors and customers.

Corporate Culture

The bank has undertaken a number of actions to enhance professional, legal and ethical employee behaviour. A one-day training in business ethics is an integral element of the induction programme for newly recruited staff. Moreover, employees of the Bank Zachodni WBK Group must complete a series of e-learning trainings on compliance and the business ethics as part of the COMeT programme. In 2007, under the programme staff members participated in the mandatory e-learning training consisting of six courses designed to increase people's awareness and shape proper behaviours when faced with a conflict of interest or other ethically dubious situations or potentially unlawful activities.

Also, the first half of 2007 saw completion of another edition of the multi-stage programme for teams of the Bank Zachodni WBK Group called "Warto być razem". The purpose of the programme is to recognise the teams for their outstanding achievements in delivery of the strategy and to promote desired values and behaviours.

Corporate Governance

Last year Bank Zachodni WBK complied with all the corporate governance rules contained in the document "Best Practice in Public Companies in 2005", introduced by Resolution no. 44/1062/2004 of the Warsaw Stock Exchange Board dated 15 December 2004, except Rule 42, which recommends change of the chartered auditor at least every 5 years. The bank's relevant statement to this effect, including a commentary, was published in current report no. 34/2007 of 21 June 2007. In 2007, the Supervisory Board of Bank Zachodni WBK decided to extend the 5-year cooperation with KPMG Audyt Sp. z o.o. for another 12 months. This decision complies with the AIB policy which recommends employing a single auditor across the entire capital group and is based on EU regulations which allow the rotation of the auditor once in seven years. Above all, however, this is required to maintain the continuity of audit tasks performed as part of the AIB Group certification process in line with the Sarbanes-Oxley Act, which was first launched in 2006. The rule relating to the change of auditor was revised in the latest corporate governance rules adopted by the Resolution of the Supervisory Board of the Warsaw Stock Exchange (no. 12/1170/2007) of 4 July 2007, effective from 1 January 2008 ("Best Practice for Listed Companies"). The document extends the recommended period for the change of auditor to 7 years.

As recommended by the regulator of the Warsaw Stock Exchange (Resolution no. 13/1171/2007 of 4 July 2007), the bank's 2007 Corporate Governance Report based on the "Best Practice in Public Companies in 2005" reflects the requirements that formally came into force on 1 January 2008 for annual reports published after that date.

Compliance with best practice is also supported by the bank's internal procedures, including provisions of the Statutes, Supervisory and Management Board regulations. To facilitate access to information about Bank Zachodni WBK, the bank's web site has a special section for investors with all current and periodic reports, corporate documents and other material information in both Polish and English.

In June 2007, Bank Zachodni WBK was awarded the "Company Worth Trusting" ("Spółka godna zaufania") title by Institutional Investor Award Committee and the Polish Institute of Directors, in the fourth edition of the listed companies rating. As in previous years, companies were evaluated in line with 12 criteria grouped in four areas: ownership structure, general meeting of shareholders, relations between shareholders and other stakeholders, financial transparency and availability of information, structure of the supervisory board and its effectiveness. The bank received the top rating (five stars), which strongly confirms that it adheres to the highest corporate governance standards.

Social Responsibility

According to the declaration in the Code of Business Ethics, the bank is actively involved in local community matters, supporting different charities and sponsoring initiatives.

The bank's corporate giving is carried out under "The Bank of Children Smiles" Programme and focuses on children from unemployment and poverty stricken families. The programme is delivered both through the bank's own initiatives, provision of financial support and partnership programmes.

Among the bank's own initiatives, noteworthy are "Academy of the Bank of Children Smiles", a programme of funding English lessons for children from poor families or creative workshops "My World on Both Sides of the Camera from BZWBK" for children from the disadvantaged communities. Also, through the Foundation of Bank Zachodni WBK financial and non-financial support was provided to community centres, daycare centres, schools and other child support organizations.

Apart from charitable initiatives aimed to support children from poor families, Bank Zachodni WBK sponsors the "BZWBK Tennis Aces" programme for young talented tennis players and the "Track and Field Thursdays" ("Czwartki lekkoatletyczne") initiative, the largest all-Poland track-and-field event for more than 100,000 children.

IX. Major Internal Developments and Events

1. Ownership Structure of Bank Zachodni WBK

According to the information held by the bank's Management Board, as at 15 February 2008 the shareholder having a minimum 5% of the total number of votes at the BZWBK Annual General Meeting of Shareholders was AIB European Investments Ltd. based in Dublin.

Shareholder	Number of shares held	Share in the share capital	Number of votes at AGM	Voting power at AGM
AIB European Investments Ltd.	51,413,790	70.5%	51,413,790	70.5%
Others	21,546,494	29.5%	21,546,494	29.5%
Total	**72,960,284**	**100%**	**72,960,284**	**100%**

2. Governing Bodies

Annual General Meeting of Shareholders

The Annual General Meeting of BZWBK Shareholders (AGM), which was held on 17 April 2007, approved the 2006 financial statements submitted by the Management Board and the Supervisory Board, resolved on the distribution of the net profit and dividend payment, and granted discharge to the Management and Supervisory Board members for performance of their duties and responsibilities in the previous year. The AGM implemented the second edition of the three-year Incentive Scheme for senior management of the bank and its subsidiaries who significantly contribute to the growing value of Bank Zachodni WBK. The Incentive Scheme II, commencing in 2007, entitles its participants to acquire bonds with a pre-emptive right and to acquire, at a preferential rate, shares issued by the bank as part of a conditional increase of share capital. In order to enable delivery of the Incentive Scheme, the AGM passed a resolution to issue bonds with pre-emptive rights and to conditionally increase the share capital by a maximum amount of PLN 1.5 m by issuing new ordinary bearer shares. The AGM also approved changes to the bank's Statutes and adopted its consolidated version. The changes were dictated by business requirements and involved expansion of the bank's business operations to include information technology support services for connected entities, services related with maintenance of registers of mutual and pension fund scheme participants, and with book-keeping for such funds. The changes were approved by the Banking Supervision Commission and were recorded by the relevant Registry Court.

Supervisory Board

As at 31 December 2007, the composition of the Bank Zachodni WBK Supervisory Board was as follows.

Ref.	Role	Composition as at 31-12-2007
1.	Chairman of the Supervisory Board	Aleksander Szwarc
2.	Vice Chairman of the Supervisory Board	Gerry Byrne
3.	Members of the Supervisory Board:	Waldemar Frąckowiak
4.		Aleksander Galos
5.		Maeliosa OhOgartaigh
6.		James O'Leary
7.		John Power
8.		Jacek Ślotała

In 2007, the composition of the Supervisory Board was increased to include one more person:

- Mr. Kieran Crowley stepped down from the Supervisory Board on 17 April 2007.
- Pursuant to the Resolution of the General Meeting of Shareholders (dated 17 April 2007), two new Members were appointed: Mr Maeliosa OhOgartaigh and Mr James O'Leary.

As at 31 December 2007, the following members of the Supervisory Board held an independent status: Mr Waldemar Frąckowiak, Mr Aleksander Galos, Mr John Power, Mr Aleksander Szwarc and Mr Jacek Ślotała. In addition to the Supervisory Board meetings, the Board members worked in internal committees, i.e. Nominations and Remuneration Committee, Audit Committee and Corporate Responsibility Committee. The Audit Committee was composed mostly of independent Supervisory Board members. The Report on Activities of the Supervisory Board and its Committees in 2006 as well as the Supervisory Board's report on Examination of the Bank's and the Group's Annual Report along with the assessment of their operations in 2006 were published in the current report no. 18/2007 which conveyed the resolutions passed by the AGM on 17 April 2007.

Management Board

As at 31 December 2007, the composition of the Bank Zachodni WBK Management Board was as follows:

Ref.	Role	Composition as at 31-12-2007
1.	President of the Management Board	Mateusz Morawiecki
2.	Members of the Management Board:	Andrzej Burliga
3.		Declan Flynn
4.		Michał Gajewski
5.		Justyn Konieczny
6.		Janusz Krawczyk
7.		Jacek Marcinowski
8.		James Murphy
9.		Marcin Prell
10.		Feliks Szyszkowiak

Changes to the composition of the Bank Zachodni WBK senior management bodies throughout the past 12 months:

- Pursuant to the decision announced in the current report no. 9/2006 published on 25 January 2006, Mr. Jacek Kseń stepped down as Management Board President, effective from 1 May 2007.

- On 8 March 2007, the BZWBK Supervisory Board nominated Mr. Mateusz Morawiecki, Management Board member in charge of the Business Support Division, as the new CEO. Mr. Mateusz Morawiecki formally took office on 16 May 2007 following the approval of his nomination by the Banking Supervision Commission.

- On 24 July 2007, the Bank Zachodni WBK Supervisory Board nominated Mr. Andrzej Burliga, (Deputy Director of the Risk Management Division) as a Member of the Management Board. He was entrusted with the supervision over the Risk Management Division, replacing Mr. Feliks Szyszkowiak who had taken over the Business Support Division.

Appointment and Removal of Executives

The members of the Bank Zachodni WBK Management Board are appointed and removed in accordance with the Commercial Companies Code, the Banking Law and the bank's Statutes.

The bank's Management Board consists of at least three persons (including the Management Board President) appointed by the Supervisory Board for a joint three-year term of office. At least a half of the Management Board members should be Polish citizens. Two Management Board members, including the Management Board President, are appointed with the approval of the Banking Supervision Commission. Management Board members may be removed by the Supervisory Board or the General Meeting at any time.

Powers of Executives

The Bank Zachodni WBK Management Board manages and represents the bank. The Management Board has all powers that are not restricted by law or Statutes to the remit of other governing bodies of the bank.

The Management Board takes decisions to incur obligations or transfer assets whose total value for one entity exceeds 5% of the bank's own funds. The Management Board can also, by way of resolution, delegate its powers to take such decisions to other committees or persons in the bank. The Management Board members run the bank's affairs jointly, and in particular: define the bank's mission, set long-term action plans and strategic objectives, prepare assumptions for the bank's business and financial plans, approve the plans and monitor their performance, regularly report to the Supervisory Board on the bank's position in the scope and at the dates agreed with the Supervisory Board, appoint permanent and ad hoc committees and designate individuals responsible for managing the work of such committees. The committees are composed of both Management Board members and persons from outside the Management Board. Permanent committees operative in the bank include: ALCO, Credit Committee, Provisions Committee, Credit Policy Forum, Operational Risk Management Committee and Value Management Committee.

Management Board members acting severally do not have any specific powers. They cannot take decisions on issuing or redeeming shares.

BZWBK Shares Held by Supervisory and Management Board Members

As at 15 February 2008, Mr Waldemar Frąckowiak, a Supervisory Board Member, held 278 shares of Bank Zachodni WBK with a nominal value of PLN 2,780. Other Supervisory and Management Board Members did not hold any shares of Bank Zachodni WBK.

3. Changes to the Management Organisation

On 20 June 2007, the Bank Zachodni WBK Supervisory Board approved the organisational changes proposed by the Management Board for implementation. The changes affected a major part of the Business Support Centre (divisions, areas, departments, offices and task forces) and were designed to create a customer-centric organisation, capable of immediate response to market developments and operating effectively amid rapid growth of individual market segments. Relevant implementation actions were taken in the second half of 2007.

Major changes introduced in the Business Support Centre were as follows:

- transfer of the structures of the Strategic Development Division to the Customer Relationship and Sales Division;
- creation of two new bank areas within the Customer Relationship and Sales Division (the Personal Customers Area and Business Customers Area), to bring together all organisational units which are primarily involved in servicing of the foregoing sectors and which used to operate within the Strategic Development Division and the Customer Relationship and Sales Division;
- supervision over three highly strategic areas (operating outside of the divisional structure) entrusted to the Director of the former Strategic Development Division: Bancassurance Office, Minibank Development Program and newly established Private Banking units;
- creation of the Direct Banking Area, which will operate outside of the divisional structure and cover organisational units responsible for e-banking, direct sale channels (mobile sales agents and intermediaries), telephone banking (call centres) and the ATM network (this area is supervised by the President of the Management Board);
- Management Board President's takeover of direct supervision over the HR Management Division and establishment of the Employee Communications Department responsible for the development and delivery of a comprehensive information policy across the bank;
- improvement of co-operation between departments which are responsible for change, project and procurement management, by bringing these units together within a newly established Change and Purchase Management Area in the Business Support Division;
- change of the status of the Capital Market Department (in the Investment Banking Division) to that of an area, due to a large business potential and the bank's plans to expand this line of business.

4. Capital Expenditure

The capital expenditure incurred by the Bank Zachodni WBK in 2007 totalled PLN 127.8 m and was 57.2% higher than a year before. Out of this figure PLN 88 m was spent on IT projects.

IT projects included extension and upgrading of the ATM network, work on preparation of the bank's systems to support ATM networks of third parties and implementation of the first ATMs operative as part of an independent ATM network – CashNet24. Funds were also allocated to ensure compliance of the Card Personalization Centre with Visa/MasterCard security standards as well as conformity to the 3rd EU Directive with regard to anti-money laundering mechanisms and procedures. The bank commenced a large-scale initiative to introduce the Digital Merchandising technology in all branches, in order to launch new data transmission channels and provide an ongoing access to information about interest rates, FX currencies and advertised products. As part of the strategy aimed to develop and diversify distribution channels, the bank initiated a project aimed to introduce the Private Banking service, opened new Mobile Sales offices, Minibank agency outlets and launched a programme whereby a significant number of branches will be opened by the end of 2011.

5. Awards and Recognitions

In 2007, Bank Zachodni WBK received the following key awards:

- "Alicja" award of the "Twój Styl" monthly, for banking innovations which positively affect household budgets; the bank was honoured for its free of charge Konto<30 account package offered to people below 30 years of age;

- CoolBrand title in the first Polish edition of the CoolBrands initiative (organised in Poland by the New Communications agency); the project's aim is to recognise the "coolest", the most desired and trend-setting brands in the Polish market;

- European Medal of the EU Integration Committee and the Business Centre Club for the electronic services package BZWBK24 Moja Firma Plus dedicated to small and medium-sized companies as a tool for payment handling and finance management;

- prestigious Rock Awards 2006 from the Polish agency of MasterCard Europe in two of the six possible categories:

  - "the most notable achievements in development of EMV microchip technology" - golden statuette "for mass migration of the MasterCard debit and credit cards portfolio to the EMV standard";

  - "the most notable achievements in development of new card products" - silver statuette "for the MasterCard debit card issued as part of the package of products and services offered to the Poles working abroad";

- first position in the ranking of the best financial institutions in 2006 (category: "commercial banks"), organised by the "Rzeczpospolita" daily; the winners were selected by a jury composed of market practitioners and academics, who looked at the following criteria: change in credit and deposit portfolio, net commission and interest income, net profit, profitability ratio, number of personal and business accounts, credit cards for retail customers and cash loans;

- "High Reputation Brand" title and the third position in the ranking "Top Reputation Brand 2007", in the "Finance" category, based on the Polish brands reputation survey PremiumBrand 2007; the assessment included opinions of experts and customers, social responsibility and sponsoring, advertising campaigns, presence in the media as well as reputation as an employer;

- "Benefactor of the Year" title in the biggest Polish programme promoting corporate responsibility; the bank was awarded in the two evaluated categories: for its own programme "Bank of Children Smiles" and for co-operation with Polska Akcja Humanitarna (Polish Humanitarian Organisation), the bank's partner in issuing the "Akcja Pajacyk" affinity card (part of the fee income is allocated to finance meals for children at schools);

- "Company Worth Trusting" ("Spółka godna zaufania") title by Institutional Investor Award Committee and the Polish Institute of Directors, in the fourth edition of the rating of listed companies based on multi-dimensional assessment of corporate governance implementation in the reviewed companies;

- "Customer Friendly Company" Certification Program Emblem (Godło Programu Certyfikującego „Firma Przyjazna dla Klientów") for excellent quality of the front-end service confirmed by mystery shopping results and a customer satisfaction survey conducted by TNS OBOP as part of the certification process supervised by Instytut Zarządzania (the Management Institute) in Warsaw;

- best Internet site award in the "big company" category of the Issuer's Golden Website (Złota Strona Emitenta) organized by the Association of Stock Market Issuers (Stowarzyszenie Emitentów Giełdowych) competition and supported by media (WSE newspaper "Parkiet", the "Forbes" monthly, Polish Press Agency and Radio PIN);

- recognition in the "personal account" category in the first edition of the Gold Standard Program, based on findings from the customer satisfaction survey conducted by TNS OBOP with respect to five parameters: interest rates, fees and charges, customization of the offer, location of bank branches and quality of customer service;

- second place in the ranking of 346 listed companies which aimed to appoint „The Company of the Year"; the ranking was published by "Puls Biznesu" (06.02.2008) based on the results of a survey carried out by Pentor among stockbrokers, analysts and investment advisors; Bank Zachodni WBK was ranked first in the category "Management Board's Competence" and second in "Investor Relations".

6. Other Events

"Performance Shares Plan"

In 2006, the first "Performance Shares Plan" was launched. Its aim is to provide the Bank Zachodni WBK Group's leaders with an opportunity to purchase the bank's shares on preferential terms, subject to achievement of certain performance targets by the Bank Zachodni WBK Group in the years 2006-2008. In 2007, pursuant to the resolution of the Bank Zachodni WBK AGM dated 17 April 2007, a second edition of the scheme, with a similar structure, was introduced.

The Incentive Scheme II for the years 2007-2010 is addressed to senior management of Bank Zachodni WBK S.A and its subsidiaries with the maximum number of 100 participants. The Incentive Scheme entitles the participants to buy bonds with pre-emptive rights and in the next stage to take up – at a preferential price – the bank's shares issued as part of the conditional increase in the share capital. The right of participants will be exercised contingent upon the compounded growth in earnings per share (EPS) within 3 years of the Incentive Scheme's duration. It is the Supervisory Board that will decide about the satisfaction of the defined criteria based on the financial performance of the Group as approved by the Annual General Meeting of Shareholders. The respective resolution will be adopted by 30 August 2010. Under the Incentive Scheme II, the bank issued and allocated 78,341 bonds with pre-emptive rights with a nominal unit value of PLN 0.01. Each bond gives its holder the pre-emptive right to subscribe for one bank's share at the price of PLN 10. There were in total 210,817 bonds issued and allocated in both editions. As at the end of December 2007, there were 200,722 bonds with subscription rights.

The incentive schemes are aimed to motivate the key employees of the bank and its subsidiaries to continue their efforts, reinforce the link between long-term performance of the company and, in effect, to ensure high competitiveness and financial effectiveness of the Bank Zachodni WBK Group in the long-term perspective, thus contributing to the growth in the bank's value and value for the shareholders.

Sarbanes-Oxley Act

Bank Zachodni WBK is a subsidiary of the AIB Group and therefore must fulfil the requirements arising from the Sarbanes-Oxley (SOX) Act as it impacts the whole Group. This regulation introduces very strict rules with respect to exercising internal control over the company's financial reports. As part of the AIB Group certification procedure (launched for the very first time in 2006), the bank's management confirmed that certain processes have been operating properly across the Bank Zachodni WBK Group. The management's assertion was confirmed by an independent audit performed by KPMG.

As the SOX compliance certification is a cyclical process, the Sarbanes-Oxley Programme was transformed in March 2007 into the Financial Reporting Assurance Department in the Finance Division. The Department will supervise the annual procedure aimed to ensure that the Bank Zachodni WBK Group meets the requirements of the AIB Group as regards the Sarbanes-Oxley Act.

Selection of Auditor

In accordance with § 32 point 10 of the Statutes of Bank Zachodni WBK, on 20 June 2007 the bank's Supervisory Board passed a resolution appointing KPMG Audyt Sp. z o.o. as an auditor of Bank Zachodni WBK stand-alone and consolidated financial statements for the year 2007. The company audited the bank's financial statements of the Group for the prior five years and provided consulting services permitted by law and the bank's internal regulations, which ensured adequate impartiality and independence of the auditor.

AIB Group decided to re-appoint KPMG as its auditor pursuant to the European Parliament directive 2006/43/EC of 17 May 2006 on statutory audits of annual stand-alone and consolidated accounts. According to this regulation, the requirement of impartiality of the auditor is considered as met if the auditor is rotated at least every seven years. The decision to maintain that relationship with the existing auditor was primarily led by the intention to maintain continuity of the audit processes connected with validation of effectiveness of the accounting procedures and standards in keeping with the Sarbanes-Oxley Act. Documentation and testing of the relevant accounting processes is the responsibility of all the AIB Group members, as the parent company (AIB) is listed at the New York Stock Exchange.

AIB Group pursues the policy which recommends that all the Group members should have the same auditor. Accordingly, Bank Zachodni WBK did not change the auditor, also taking into consideration that the existing auditor provides a high quality service and complies with the world's best auditing standards.

X. Additional Information

Remuneration of the Supervisory and Management Board Members

The Remuneration of the Bank Zachodni WBK Supervisory and Management Board Members for the years 2007 and 2006 is provided in "Financial Statements of Bank Zachodni WBK for 2007" in note 48.

Agreements Between BZWBK and Management Board Members

The Bank Zachodni WBK Management Board members signed contracts prohibiting competition after termination of their role on the Management Board.

A Management Board member who is not appointed for a new term of office or is removed from the Board is entitled to a once-off severance pay. The severance pay does not apply if the Management Board member accepts a new job role in the bank.

Remuneration of the Auditor

The table below shows the remuneration paid to KPMG Audyt Sp. z o.o. for its audit/review of the financial statements of Bank Zachodni WBK S.A. under the relevant agreements:

PLN k

Remuneration of KPMG Audyt Sp. z o.o.	Financial year ended 31-12-2007	Financial year ended 31-12-2006
Audit fees in respect of the parent bank [1)]	1,506	1,425
Audit-related fees [2)]	66	23
Total	**1,572**	**1,448**

1) *Professional services connected with audit of the stand-alone and consolidated financial statements of the parent (agreement of 19 October 2007) as well as review of the half-yearly stand-alone and consolidated financial statements of the parent (agreement of 22 June 2007).*
2) *Audit-related fees comprise any other amounts due or paid to KPMG Audyt Sp. z o.o. This category relates to the assurance services connected with the audit or review of financial statements of the parent and the subsidiaries not included in point 1) above.*

Writs of Execution

The table below shows the number and value of the writs of execution issued by Bank Zachodni WBK S.A. in 2007 compared to 2006.

PLN k

Writs of Execution for:	2007		2006	
	Number	Value	Number	Value
Cash loans and overdrafts	3,381	19,604	1,498	14,179
Credit cards	1,801	5,269	1,752	5,567
Mortgage loans	9	2,033	16	3,099
Business loans	33	40,424	62	83,172
Total	**5,224**	**67,330**	**3,328**	**106,017**

The collateral pledged by borrowers on their balances and assets amounted to PLN 42,894.7 m.

Geographical Structure of the Bank's Deposits

PLN k

Bank Zachodni WBK S.A.			
Ref.	Province	Deposits from customers	
		31-12-2007	31-12-2006
1.	dolnośląskie	7,667,441	6,399,676
2.	kujawsko-pomorskie	848,028	782,619
3.	lubelskie	61,258	44,137
4.	lubuskie	1,495,931	1,256,147
5.	łódzkie	523,026	405,567
6.	małopolskie	666,516	507,080
7.	mazowieckie	3,947,093	2,759,870
8.	opolskie	900,445	830,377
9.	podkarpackie	53,447	34,107
10.	podlaskie	128,477	100,479
11.	pomorskie	1,460,884	1,400,475
12.	śląskie	1,224,358	953,638
13.	świętokrzyskie	196,676	150,552
14.	warmińsko-mazurskie	124,075	97,969
15.	wielkopolskie	9,366,414	7,551,645
16.	zachodniopomorskie	1,317,433	883,908
	other	283,232	323,750
	Total	**30,264,734**	**24,481,996**

Transactions With Related Parties

In 2007, Bank Zachodni WBK S.A. did not enter into transactions with any of its executive staff for an amount in excess of EUR 500,000.

Inter-company transactions in excess of EUR 500,000 which were concluded by Bank Zachodni WBK S.A. with its subsidiaries in 2007, were mainly banking transactions made as part of ordinary business activities and mainly include loans, deposits and guarantees. Inter-company transactions are eliminated from consolidated financial statements.

Guarantees Issued

As at 31 December 2007, Bank Zachodni WBK's guarantee liability amounted to PLN 795.1 m compared to PLN 748.2 m a year before. The most common types of guarantees were: payment guarantees, performance bonds, bid bonds, advance payment guarantees, loan repayment guarantees and customs guarantees. In accordance with the Bank Zachodni WBK Regulations on non-consumer credit services, the bank provides civil law guarantees (mainly loan and advance repayment guarantees, guarantees of payments for goods and services, advance payment guarantees, performance bonds, customs guarantees, bid bonds and others) and bill of exchange law guarantees (mainly: loan repayment guarantees and guarantees for payment for goods or services).

The guarantee issuance process and information requirements are similar to the lending process. The relevant regulations are contained in the Commercial Lending Manual and the Corporate Banking Centre Lending Manual.

Off-balance Sheet Items

The tables provided below contain contingent liabilities and nominal values of derivative transactions of Bank Zachodni WBK by customer sectors and transactions.

PLN k

Contingent liabilities, sanctioned and received	31-12-2007	31-12-2006
Liabilities sanctioned	**8,978,520**	**7,812,302**
- financing–related, including:	8,183,465	7,064,149
- guarantees	795,055	748,153
Received liabilities	**1,979,265**	**1,540,683**
Total	**10,957,785**	**9,352,985**

PLN k

Derivatives' nominal values	31-12-2007	31-12-2006
Term derivatives (hedging)	1,990,754	1,486,018
Term derivatives (trading)	226,027,483	139,691,593
Currency transactions – spot	776,657	921,046
Derivatives – non-stock market options	3,064,616	749,280
Euroindex options	8,733	168,888
Total	**231,868,243**	**143,016,825**

XI. 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 Financial Statements of Bank Zachodni WBK S.A. for 2007 have been prepared in keeping with the applicable accounting policies and give a true and fair view of the assets and profit of the Bank Zachodni WBK S.A. The Management Board's Report contained in this document shows a true picture of the Bank's development, achievements and position (including the underlying risks) in 2007.

Selection of Auditor

The firm responsible for auditing the Financial Statements of Bank Zachodni WBK for 2007 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 opinion compliant with the Polish law.

Date	Name	Position	Signature
15-02-2008	Mateusz Morawiecki	President	
15-02-2008	Andrzej Burliga	Member of the Board	
15-02-2008	Declan Flynn	Member of the Board	
15-02-2008	Michał Gajewski	Member of the Board	
15-02-2008	Justyn Konieczny	Member of the Board	
15-02-2008	Janusz Krawczyk	Member of the Board	
15-02-2008	Jacek Marcinowski	Member of the Board	
15-02-2008	James Murphy	Member of the Board	
15-02-2008	Marcin Prell	Member of the Board	
15-02-2008	Feliks Szyszkowiak	Member of the Board	