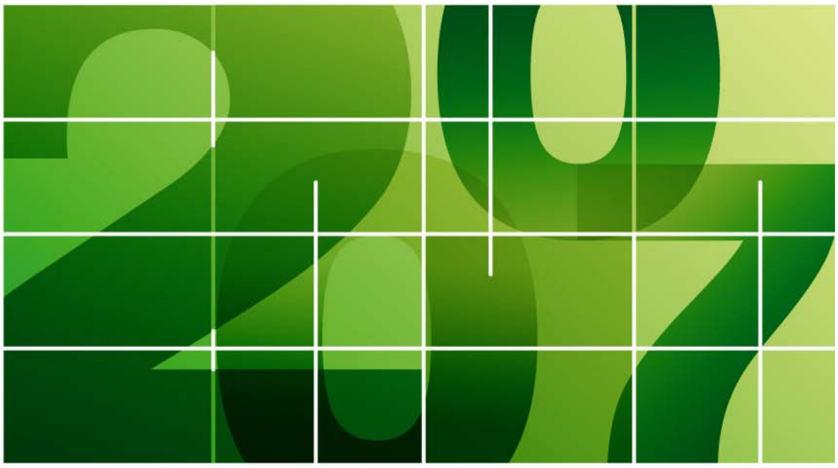

Financial statements of Bank Zachodni WBK S.A. for 2007

Bank Zachodni WBK

Ladies and Gentlemen,

Last year was the best period in the history of Bank Zachodni WBK. In 2007, not only did we post record high profits but we started a process of growing the scale of our business. Opening 50 new branches, establishment of Business Banking Centres, growth of corporate banking and direct banking, implementation of the secure Internet payments system and development of the private banking proposition – are the key and most ambitious projects of the last year. Effects of their implementation are bound to impact the Bank's position in the years to come.

In 2007, Bank Zachodni WBK generated PBT of PLN 979m which represented a nearly 31% increase on the previous year. At the same time, the EPS grew to reach PLN 11.09 against PLN 8.13 in 2006, and the ROE was 26.6%. In spite of the significant growth in the scale of operations, expansion of the branch network, and increased staff number, we managed to reduce our cost/income ratio from 60.5% in 2006 to 58.5% in 2007. Bank Zachodni WBK traditionally has the best NPL ratio in the banking sector as in 2007 we reduced it from 5.2% to merely 2.8%.

Other drivers of our 2007 success are dynamic growth in credit volumes, significant growth in deposit base, growth in net assets of investment funds and impressive growth of prospective business lines: bancassurance products, advisory and share issuing services on capital markets, services provided to financial institutions.

In 2007, Bank Zachodni WBK received a number of prestigious awards. We feel that in the document that is primarily addressed to investors it is worthwhile to mention one of them. Last year, we were awarded the "Company Worth Trusting" title in the fourth edition of listed companies rating developed by the Kapituła Inwestorów Instytucjonalnych (Institutional Investors Award Committee) and Polski Instytut Dyrektorów (Polish Institute of Directors).

The 2007 success would not have been possible without the harmonious relationship with the Supervisory Board of Bank Zachodni WBK. I would like to warmly thank the Supervisory Board members for the relationship and for the bar raised high. I would also like to say special words of appreciation to the staff of Bank Zachodni WBK as their creativity, commitment and professional skills enabled Bank Zachodni WBK to earn record-breaking profits.

Thank you very much for this.

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In thousands of PLN

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

For reporting period ending on:		01.01.2007 - 31.12.2007	01.01.2006 - 31.12.2006
Interest and similar income		1 957 840	1 533 606
Interest expense and similar charges		(775 402)	(576 249)
Net interest income	Note 8	**1 182 438**	**957 357**
Fee and commission income		1 000 083	871 979
Fee and commission expense		(81 502)	(60 323)
Net fee and commission income	Note 9	**918 581**	**811 656**
Dividend income	Note 10	177 978	98 712
Net trading income and revaluation	Note 11	52 271	27 062
Gains (losses) from other financial securities	Note 12	(25 784)	11 661
Gains from investment in subsidiaries and associates	Note 13	12 735	14 717
Other operating income	Note 14	38 459	32 088
Impairment losses on loans and advances	Note 15	565	(26 126)
Operating expenses incl.:		(1 378 213)	(1 181 965)
Bank's staff, operating expenses and management costs	Note 16,17	(1 224 905)	(995 781)
Depreciation/amortisation		(127 264)	(153 008)
Other operating expenses	Note 18	(26 044)	(33 176)
Operating profit		**979 030**	**745 162**
Profit before tax		**979 030**	**745 162**
Corporate income tax	Note 19	(169 556)	(152 367)
Profit for the period		**809 474**	**592 795**
Net earnings per share (PLN/share)	Note 20		
Basic earnings per share		11,09	8,13
Diluted earnings per share		11,07	8,12

In thousands of PLN

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

		Note	31.12.2007	31.12.2006
ASSETS				
	Cash and balances with central bank	Note 21	2 206 259	1 534 469
	Loans and advances to banks	Note 22	2 563 755	3 149 267
	Financial assets held for trading	Note 23	1 148 659	1 048 010
	Hedging derivatives	Note 24	41 410	19 956
	Loans and advances to customers	Note 25	22 150 633	16 172 354
	Investment securities	Note 26	9 698 307	7 993 770
	Investments in associates	Note 27	155 967	186 318
	Intangible assets	Note 28	102 906	127 101
	Property, plant & equipment	Note 29	528 027	483 594
	Current income tax due		37 950	947
	Deferred tax assets	Note 30	312 700	346 508
	Other assets	Note 31	248 674	270 724
	Total assets		39 195 247	31 333 018
LIABILITIES				
	Deposits from banks	Note 32	3 145 395	1 960 144
	Hedging derivatives	Note 24	7 613	12 912
	Financial liabilities held for trading	Note 23	1 000 787	246 875
	Deposits from customers	Note 33	30 264 734	24 481 996
	Debt securities in issue	Note 34	99 348	95 897
	Deferred tax liabilities	Note 35	188 620	282 196
	Other liabilities	Note 36	637 981	639 754
	Total liabilities		35 344 478	27 719 774
Equity				
	Share capital	Note 37	729 603	729 603
	Other reserve funds	Note 38	1 951 251	1 785 744
	Revaluation reserve	Note 39	360 441	505 102
	Profit of the current period		809 474	592 795
	Total equity		3 850 769	3 613 244
	Total equity and liabilities		39 195 247	31 333 018

In thousands of PLN

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

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

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

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

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

In thousands of PLN

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

	01.01.2007 - 31.12.2007	01.01.2006 - 31.12.2006
Profit (loss) before tax	**979 030**	**745 162**
Total adjustments:	**1 943 410**	**1 434 757**
Depreciation	127 264	153 008
Impairment losses	(854)	(3 742)
Interests and similar charges	(89 587)	61 881
Dividend income	(177 978)	(98 712)
(Profit) loss from investing activities	(15 994)	(19 880)
Change in provisions	32 670	24 786
Change in trading portfolio financial instruments	626 510	1 242 886
Change in loans and advances to banks	596 480	445 992
Change in loans and advances to customers	(5 978 279)	(3 266 030)
Change in deposits from banks	1 185 251	(331 014)
Change in deposits from customers	5 801 894	3 575 684
Change in liabilities arising from debt securities in issue	3 451	2 862
Change in assets and liabilities arising from deferred taxation	2 022	(1)
Change in other assets and liabilities	63 063	(210 098)
Paid income tax	(235 363)	(143 946)
Other adjustments	2 860	1 081
Net cash flow from operating activities - indirect method	**2 922 440**	**2 179 919**
Inflows	**3 096 998**	**1 772 800**
Sale of shares or interests in subsidiaries and associates	46 780	71 054
Sale of investment securities	2 866 290	1 599 209
Sale of intangible and tangible fixed assets	5 944	3 682
Dividends received	177 978	98 712
Proceeds from other investments	6	143
Outflows	**(4 875 298)**	**(2 510 113)**
Purchase of investment securities	(4 741 120)	(2 426 437)
Purchase of intangible and tangible fixed assets	(127 757)	(81 337)
Other investments	(6 421)	(2 339)
Net cash flow from investing activities	**(1 778 300)**	**(737 313)**
Inflows	**-**	**-**
Outflows	**(461 382)**	**(491 274)**
Repayment of long-term loans	(19 156)	(49 980)
Dividends paid	(437 762)	(437 762)
Other financing outflows	(4 464)	(3 532)
Net cash flow from financing activities	**(461 382)**	**(491 274)**
Total net cash flow	**682 758**	**951 332**
Cash at the beginning of the accounting period	**1 542 716**	**591 384**
Cash at the end of the accounting period	**2 225 474**	**1 542 716**

In thousands of PLN

Additional notes to financial statement of Bank Zachodni WBK S.A.

5. General information about the issuer

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

Bank Zachodni WBK S.A. is a universal commercial bank that offers a wide range of banking services for individual and business customers and operates in domestic and interbank foreign markets. Additionally, through its subsidiaries, BZ WBK offers the following services:

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

Financial highlights of Bank Zachodni WBK S.A.

	FINANCIAL HIGHLIGHTS	PLN		EUR	
	for the period:	01.01.2007 - 31.12.2007	01.01.2006 - 31.12.2006	01.01.2007 - 31.12.2007	01.01.2006 - 31.12.2006
	Stand alone financial statements				
I	Interest and similar income	1 957 840	1 533 606	518 386	393 323
II	Fee and commission income	1 000 083	871 979	264 796	223 636
III	Operating profit	979 030	745 162	259 222	191 111
IV	Gross profit (loss)	979 030	745 162	259 222	191 111
V	Net profit (loss)	809 474	592 795	214 328	152 034
VI	Total net cash flow	682 758	951 332	180 777	243 988
VII	Total assets	39 195 247	31 333 018	10 942 280	8 178 382
VIII	Deposits from banks	3 145 395	1 960 144	878 111	511 627
IX	Deposits from customers	30 264 734	24 481 996	8 449 116	6 390 164
X	Total liabilities	35 344 478	27 719 774	9 867 247	7 235 272
XI	Capital and reserves attributable to the Company's equity holders	3 850 769	3 613 244	1 075 033	943 110
XII	Number of shares	72 960 284	72 960 284		
XIII	net book value per share in PLN/EUR	52,78	49,52	14,73	12,93
XIV	Solvency ratio	11,36%	13,79%		
XV	Profit (loss) per ordinary share PLN/EUR	11,09	8,13	2,94	2,09
XVI	Diluted earnings (loss) per ordinary share in PLN/EUR	11,07	8,12	2,93	2,08
XVII	Declared or paid dividend per share in PLN/EUR	3,00	6,00	0,84	1,57

The following principles were applied in order to convert financial figures into EUR:

- for balance sheet items –3,5820 PLN rate to EUR as at 31.12.2007 in National Bank of Poland (NBP), 3,8312 PLN rate to EUR as at 31.12.2006 in NBP
- for profit and loss items - as at 31.12.2007 - 3,7768 (an average PLN rate to EUR in NBP on the last day of each month in 2007), as at 31.12.2006 - 3,8991 (an average PLN rate to EUR in NBP on the last day of each month in 2006)

6. Significant accounting principles

Statement of compliance

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

Early adoption of standards

IFRIC 11 IFRS 2 *Group and Treasury Share Transactions* introduced on the strength of the Commission Regulation (EC) no.611/2007 of 11 June 2007 has not become effective yet and will apply from 1 January 2008. The Bank has not decided on early adoption of the interpretation.
Other standards and changes to the existing standards and interpretations as issued by the International Financial Reporting Interpretation Committee (IFRIC), both approved and not effective in the current financial year or pending approval from the European Council either do not apply to the Bank's financial statements or have no material impact on the financial statements.

Basis of preparation

The financial statements are presented in PLN, rounded to the nearest thousand.
The financial statements are prepared on a fair value basis for derivative financial instruments, financial instruments at fair value through profit and loss account, and available-for-sale financial assets, except those for which a reliable measure of fair value is not available. Other financial assets and financial liabilities (including loans and advances) are recognized at amortised cost using the effective interest rate less impairment or purchase price less impairment.
The preparation of financial statements in conformity with IFRSs requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.
The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Comparability with results of previous periods

To ensure comparability and IFRS 7 implementation, the following substantial changes were made to the presentation of financial data compared to 2006 in:

a) income statement:

- accrued interest on hedging IRS of PLN 7 613 k currently disclosed in net interest income, was previously classified as „Gains (losses) on financial instruments measured at fair value through profit and loss",
- presentation of realised f/x margins (previously "F/X profit") of PLN 188 333 k currently classified as "Commission income",
- other trading f/x transactions of PLN 17 378 k previously disclosed as "F/X profit", currently classified to „Net trading income and revaluation",
- change of presentation of "Gains and losses on hedging transactions" of PLN 2 998 k, currently in „Gains (losses) from other financial securities", previously as at separate item of profit and loss account
- change in classification of gains on execution of Euroindex options related to indexed customer deposits, currently being a part of „Fee and commission expenses" while previously amount of PLN 5 116 k was classified as "Gains (losses) on financial instruments measured at fair value through profit and loss".

b) in the balance sheet:

- reclassification of interest from IRS valuation to „Hedging derivatives" totaling PLN 16 948 k in assets and PLN 3 024 k in liabilities,
- reclassification of commercial bonds to "Receivables from customers" totalling PLN 34 622 k presented previously under „Investment securities",
- change of presenting incoming and outgoing SWIFT transactions that currently total PLN nil after netting.

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

- reclassification of trading derivatives to "Financial assets held for trading" totaling PLN 362 755 k that were previously presented under "Derivative financial instruments",
- reclassification of trading derivatives to "Financial liabilities held for trading" totaling PLN 241 869 k that were previously presented under "Derivative financial instruments",
- change of presenting „Reverse repo transactions" totaling PLN 15 629 k presented currently under „Loans and advances to customers",
- change of presenting „Repo transactions" totaling PLN 1 230 682 k currently presented under „Deposits from banks", "Deposits from customers" and "Financial liabilities held for trading".

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

Foreign currency

Foreign currency transactions

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

Financial assets and financial liabilities

Classification

The Bank classifies its financial instruments into the following categories:

- financial assets or financial liabilities at fair value through profit or loss
- loans and receivables
- available-for-sale financial assets
- other financial liabilities.

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

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

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

(b) Upon initial recognition it is designated by the Bank as at fair value through profit or loss. As at the balance sheet date the Bank doesn't hold this category of financial instrument.

Loans and receivables

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

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

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

Available-for-sale financial assets

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

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

Other financial liabilities

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

Recognition

The Bank recognises a financial asset or a financial liability on its balance sheet when, and only when, the entity becomes a party to the contractual provisions of the instrument.
A regular way purchase or sale of a financial asset classified at fair value through profit or loss and available for sale are recognised using settlement date accounting. The method is applied consistently for all purchases and sales of financial assets.
Loans are recognised when cash is advanced to the borrowers.

Derecognition

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

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

Repo and Reverse Repo

The Bank also generates/invests funds by selling/purchasing financial instruments under repurchase/reverse repurchase agreements whereby the instruments must be repurchased/resold at the same price plus initially agreed interest.
Securities sold subject to repurchase agreements ("repos") are not derecognised at the balance sheet date. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements.

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

Measurement

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

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

(a) loans and receivables which shall be measured at amortised cost using the effective interest method;

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

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

(a) financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are measured at fair value,

(b) financial liabilities resulting from transferring a financial asset that is not to be derecognised.

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

Gains and losses on subsequent measurement

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

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

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

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

Offsetting financial instruments

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

Hedge accounting

Hedge accounting recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item.

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

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

The Bank discontinues hedge accounting when:

(a) it is determined that a derivative is not, or has ceased to be, highly effective as a hedge;

(b) the derivative expires, or is sold, terminated, or exercised;

(c) the hedged item matures or is sold or repaid.

Fair value hedge

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

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

Impairment of financial assets

Assets carried at amortised cost

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

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

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

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

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

The analysis of impairment is carried out:

- with reference to individual credit exposures representing significant reporting items (in excess of PLN 2 m),
- with reference to the portfolio of credit exposures which individually are not significant.

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

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

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

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

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

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

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

When a loan has been subject to a specific provision and the prospects of recovery do not improve, a time will come when it may be concluded that there is no real prospect of recovery. When this point is reached, the amount of the loan which is considered to be beyond the prospect of recovery is written off against the related provision for loan impairment. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

Available-for-sale financial assets

For financial assets classified as available-for-sale for which there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in profit or loss. The amount of the cumulative loss that is removed from equity and recognised in profit or loss shall be the difference between the acquisition cost (net of any principal repayments and amortisation) and current fair value. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and

the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.
If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Off balance sheet liabilities

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

Property, plant and equipment

Owned assets

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

Leased assets

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

Subsequent expenditure

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

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- buildings 40 years
- structures 22 years
- plant and equipment 3 – 14 years

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

Fixed assets held for sale

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

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

Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.
Costs that are directly associated with the production of identifiable and unique software products controlled by the Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Useful life of computer software is defined and it range from 3 to 5 years.

Other intangible assets

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

Subsequent expenditure

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

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

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

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

Other items

Other trade and other receivables

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

Borrowings

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

Liabilities

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

Impairment of assets other than financial assets

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

Calculation of recoverable amount

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

Equity

Equity comprises capital and funds created in accordance with applicable law, acts and the Statutes. Equity also includes retained earnings and prior year losses carried forward.
Share capital is stated at its nominal value in accordance with the Statutes and the entry in the court register.
Supplementary capital is created from profit allocations and share issue premiums.
Reserve capital is created from profit allocations and is earmarked for covering balance sheet losses.
The result of valuation of profit sharing scheme is included in reserve capital. Revaluation reserve comprises differences from the valuation of financial assets available for sale taking into account the deferred income tax.
Revaluation reserve is not distributable.

On the day of derecognition of all or part of financial assets available for sale the total effects of periodical change in the fair value reflected in the revaluation reserve are reversed. Total or part of the previous revaluation charge increases or decreases the value of the given financial asset available for sale.
Net financial result for the accounting year is the profit disclosed in the profit and loss account of the current year adjusted by the corporate income tax charge.

Dividends

Dividends for particular year, which have been declared but not paid at the balance sheet date are recognised as dividend liabilities in "other liabilities" item.

Employee benefits

Short-term service benefits

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

Long-term service benefits

The Bank's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The accrual for retirement bonus granted under the provisions of the Collective Labour Agreement and terms of individual employee contracts as well as the accrual for disability pension bonus were estimated on the basis of an actuarial valuation. The actuarial valuation of those accruals is updated on an annual basis.
The identifiable actuarial gains and losses include: retrospective adjustments to the actuarial assumptions being the difference between the previous actuarial assumptions and the actual occurrences and the effects of changes in the actuarial assumptions.

Share based payments

BZWBK operates a share based compensation plan. For grants of share based payments after 7 November 2002 (IFRS 2.53), the fair value of the employee services received is measured by reference to the fair value of awards granted on the day of the grant. The cost of the employee services received in exchange for awards granted is recognized in the income statement over the period during which the employees become unconditionally entitled to the share based payments, which is the vesting period. The amount expensed is determined by reference to the fair value of awards granted. The fair value of awards granted is determined using the share based payments pricing models, which take into account the exercise price of the award, the share price at date of grant, the risk free rate, the expected volatility of the share price over the life of the award and other relevant factors. Vesting conditions included in the terms of the grant are not taken into account in estimating fair value except where those terms relate to market conditions. Non-market vesting conditions are taken into account by adjusting the number of awards included in the measurement of the cost of employee services so that ultimately, the amount recognized in the income statement reflects the number of vested awards. The expense related to share based payments is credited to the shareholder's equity. Where the share based payment arrangements give rise to the issue of new shares, the proceeds of issue of the shares are credited to share capital (nominal amount) and share premium (if any) when awards are exercised.

Provisions

A provision is recognised in the balance sheet when the Bank has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.
Provisions for off balance sheet items such as guarantees, letters of credit, and unutilised irrevocable credit facilities are recognised in accordance with this policy.

Net interest income

Interest income and expenses for all financial instruments is recognised in the income statement at amortised cost using the effective interest rate method.
The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees (e.g. arrangement, drawdown, renewal, restructure fees and fees for annexes which modify payments) and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.
In case impairment is recognized for a financial asset, interest income is accrued based on the carrying amount of receivable (this is the value reduced by revaluation charge) with the use of the interest rate according to which future cash flows were discounted for impairment valuation.

Net commission income

Fees and commissions settled under effective interest rate are listed above. Fees on overdrafts, revolving loans, credit cards and off balance sheet liabilities are brought in a straight-line method to the profit and loss account.
Other fees and charges, which are not settled according to effective interest rate, are taken to profit and loss account in accordance with accrual method.

Net trading income and revaluation

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

Dividend income

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

Profit on disposal of subsidiaries and associates

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

Other operating income and costs

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

Operating lease payments

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Finance lease payments

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

Corporate income tax

Corporate income tax comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.
Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.
Deferred income tax is provided, using the balance sheet method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is determined using tax rates based on legislation enacted or substantively enacted at the balance sheet date and expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised where it is probable that future taxable profits will be available against which the temporary differences will be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

7. Risk Management

BZWBK assumes a variety of risks in its ordinary business activities. These includes credit risk, market risk, liquidity risk and operational risk. The role of risk management is to ensure that BZWBK continues to take risk in controlled way in order to enhance shareholders value. BZWBK's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits continually. BZWBK continues to modify and enhance its risk management practices to reflect changes in Market, products, regulatory environment and evolving best practice.

Primary responsibility for risk management establishment and framework lies with the Management Board (MB). MB formally approves the overall business strategies and policies, reviews Bank's financial performance, risk management activities and controls. MB has established committees, which are responsible for risk developing and monitoring in their specified areas: Asset and Liabilities Committee (ALCo), Operational Risk Management Committee (ORMCo) and Credit Committees.

ALCo is chaired by MB President and is responsible for capital, funding, liquidity, market risk and structural balance sheet activities. Upon the recommendation from the ALCo the MB approves the Strategies and Policies for liquidity, market and structural balance sheet risk management along with the limits that define the maximum acceptable exposure to individual risk types.

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

Operating risk

The operational risk is exposure to losses resulting from inadequate internal processes or systems, human errors 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 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 S.A. 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 on which progress is reviewed quarterly by ORMCo.

- Reporting on operational incidents and lessons learned

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

- Analysis of risk indicators

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

- Business continuity management

  Each organizational unit is required to develop and update their business continuity management plans to ensure that critical business processes remain uninterrupted following an unplanned disruption. The plans also provide 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 and Officers & Directors.

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

Credit risk

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 S.A. 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, addressed for the Bank's Branch Network and Business Support Centre units directly responsible for business development and support.

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 S.A. 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 IAS/IFRS. These efforts are accomplished based on AIB Group expertise and best practices, 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, housing loans, income-producing real estate, cash loans, credit cards and retail overdrafts.

Provisioning

In Bank Zachodni WBK S.A. provisions are raised in accordance with the International Accounting Standards/International Financial Reporting Standards (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 calculated on the basis of the estimated recoverable amount. Impairments are analysed using both the individual and collective approach.

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

Credit risk stress testing

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

Return on Risk

Bank Zachodni WBK S.A. 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 15m are referred to the Credit Committee composed of senior management and top executives of Bank Zachodni WBK S.A.

Bank Zachodni WBK S.A. 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 separated from the sales function. Credit decision making functions and sales functions are combined only at the Branch Banking level and these are limited to exposures up to a pre-defined ceiling. The responsibility for credit decisions and loan portfolio quality assurance lies with the Chief Credit Officer and reporting managers.

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

Credit Reviews

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

Credit risk concentration

Bank Zachodni WBK adheres to the standards provided for in the Banking Law with regard to the concentration of risk bearing exposures to a single entity or a group of entities connected in terms of capital or organization. As at 31.12.2007, pursuant to art. 71 of the Banking Law Act, the maximum limits for the bank amounted to:

- PLN 603 173 k (20% of bank's own funds pursuant to the Banking Law art. 127 and Banking Supervisory Resolution no. 5 & 6) in the case of exposures to subsidiary or dominant entities or to subsidiary entities of the entity dominant for the bank,
- PLN 753 967 k (25% of bank's own funds pursuant to the Banking Law art. 127 and Banking Supervisory Resolution no. 5 & 6) in other cases.

In thousands of PLN

The policy pursued by the bank aims at minimising the credit concentration risk, by for example applying more rigorous than regulatory rules in this respect, which are set out in the Large Exposures Policy. The effect of this policy is maintenance of high level of diversification of exposures towards individual customers.
The analysis of the bank's exposures in terms of sectoral concentrations, carried out at the end of December 2007, proved that the bank does not have any exposures in excess of the limits imposed by the regulator.
At the end of 2007, the bank had credit exposures (balance sheet and off-balance sheet) exceeding 10% of its own funds attributable to 8 entities (four of which were members of the BZWBK Group) and which accounted for 63% of own funds (against the permissible norm of 800%).

A list of the 20 largest borrowers of Bank Zachodni WBK SA (performing loans) as of 31.12.2007 (excluding subsidiaries).

No.	Industry code (PKD)	Total credit exposure	Balance	Committed credit line	Guarantees
1	70	578 685	353 151	224 640	894
2	70	570 433	562 931	7 502	-
3	70	356 562	123 148	212 415	21 000
4	15	310 000	293 712	16 288	-
5	20	295 000	57 269	237 731	-
6	70	236 316	146 621	89 695	-
7	70	215 637	56 238	159 399	-
8	70	213 875	194 939	18 937	-
9	70	204 082	90 268	113 814	-
10	70	203 965	183 959	20 006	-
11	40	201 867	68 708	60 569	72 591
12	65	200 000	119 416	80 584	-
13	70	170 326	151 002	19 324	-
14	64	162 500	35 625	126 875	-
15	45	154 904	59 076	52 097	43 731
16	70	143 259	100 126	43 133	-
17	26	140 774	135 136	5 638	-
18	70	140 029	60 141	79 888	-
19	70	139 005	107 844	31 161	-
20	70	137 562	137 562	-	-
		4 774 782	**3 036 871**	**1 599 695**	**138 216**

Credit risk management

The bank's credit risk management depends on internal ratings that, for presentational purposes are grouped in provisions cover differentiated classes.

The tables below present the Bank exposure to credit risk.

Credit Exposures by classes

PLN m	Provision cover	Loans and advances to customers		Loans and advances to banks		Investment securities		Financial assets held for trading	
		31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Individually impaired									
class 5	*up to 50 %*	113	170						
class 6	*50% - 70%*	-	46						
class 7	*70% - 85%*	16	35						
class 8	*over 85 %*	168	195	6	6				
Gross amount		**297**	**446**	**6**	**6**	-	-	-	-
Allowance for impairment		(196)	(278)	(6)	(6)				
Net amount		**101**	**168**	-	-	-	-	-	-
Collectively impaired									
class 5	*up to 50 %*	129	96						
class 6	*50% - 70%*	59	58						
class 7	*70% - 85%*	103	123						
class 8	*over 85 %*	72	76						
Gross amount		**363**	**353**	-	-	-	-	-	-
Allowance for impairment		(228)	(246)						
Net amount		**135**	**107**	-	-	-	-	-	-
Not impaired portfolio (past-due and non-past due)									
class 1	*up to 0,10 %*	5 014	3 279	2 564	3 149	9 698	7 994	1 149	1 048
class 2	*0,10% - 0,30%*	4 365	3 589						
class 3	*0,30% - 0,65%*	5 039	3 543						
class 4	*over 0,65 %*	7 583	5 520						
Gross amount		**22 001**	**15 931**	**2 564**	**3 149**	**9 698**	**7 994**	**1 149**	**1 048**
Allowance for impairment		(132)	(95)						
Net amount		**21 869**	**15 836**	**2 564**	**3 149**	**9 698**	**7 994**	**1 149**	**1 048**
Other receivables		**45**	**61**	-	-	-	-	-	-
Off- balance sheet exposures									
Financing granted		8 183	7 064						
Guaratees		795	748						
Nominal value of derivatives -sold								114 385	71 860
Off- balance sheet exposure- total		**8 978**	**7 812**					**114 385**	**71 860**
Total net carrying amount		**31 128**	**23 984**	**2 564**	**3 149**	**9 698**	**7 994**	**115 534**	**72 908**

In thousands of PLN

IBNR overdue

PLN m	Loans and advances to customers	
	31.12.2007	31.12.2006
Not impaired portfolio		
Non-past due	**21 522**	**15 150**
Past-due	**479**	**781**
0-30 days	382	745
30-60 days	73	26
60-90 days	24	10
Gross amount	**22 001**	**15 931**

Portfolio of loans with incurred but not reported losses (IBNR) includes loans that in the past had renegotiated terms of agreements and would have otherwise been impaired. For the current reporting period and comparable period it was PLN 27.5 m and PLN 27.2 m respectively.

Allowances for impairment by classes

PLN m	Loans and advances to customers		Loans and advances to banks	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Individual allowances for impairment				
class 5	(16)	(36)		
class 6	-	(29)		
class 7	(12)	(27)		
class 8	(168)	(186)	(6)	(6)
Total individual allowances for impairment	**(196)**	**(278)**	**(6)**	**(6)**
Collective allowances for impairment				
class 5	(38)	(48)	-	-
class 6	(37)	(36)	-	-
class 7	(81)	(97)	-	-
class 8	(72)	(65)	-	-
Total collective allowances for impairment	**(228)**	**(246)**	**-**	**-**
IBNR				
class 1	(3)	(4)	-	-
class 2	(8)	(6)	-	-
class 3	(23)	(16)	-	-
class 4	(98)	(69)	-	-
Total IBNR	**(132)**	**(95)**	**-**	**-**
Total allowances for impairment	**(556)**	**(619)**	**(6)**	**(6)**

Risk weighted off-balance sheet liabilities

Off- balance sheet liabilities	31.12.2007		31.12.2006	
	carrying amount	RWA	carrying amount	RWA
Sanctioned				
Financing granted	8 183	3 031	7 064	2 554
Guarantees	795	435	748	420
Total	**8 978**	**3 466**	**7 812**	**2 974**

In thousands of PLN

Collateral

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

Individual customers

Type of loan	Type of collateral
Cash credit	bills, guarantees, credit insurance
Credit on liquid assets	guaranty deposit, amounts frozen on account, investment funds
Student loan	sureties
Housing loan	mortgage, credit insurance, transfer of claim

Business customers

Type of loan	Type of collateral
Commercial credit	guaranty deposit, registered pledge, bills
Revolving credit	assignment of credit, bills, guarantees, registered pledge
Building credit	mortgage
Investment credit	mortgage, sureties, warranty
Granted and with supplements	guarantees, warranty

Industry concentration

The credit policy of Bank Zachodni WBK S.A. envisages lending to low risk industries and reduction of exposures to medium and high risk industries. In order to ensure adequate portfolio diversification and control the risk of overexposure to a single industry, the bank provides funding to sectors and groups or capital units representing a variety of industries. As at the end of 2007, the highest concentration level was recorded in the "property service" (26% of the Bank's credit exposure). Such a concentration level is compliant with the bank's lending policies and the related risk is fully acceptable.

Groups of PKD by industries:

PLN m	Industry	Exposure	
		31.12.2007	31.12.2006
	Property service	5 781	3 641
	Production	3 465	2 756
	Distribution	2 424	1 933
	Financial sector	1 245	664
	Agriculture	658	637
	Energy	276	612
	Construction	885	593
	Transportation	324	393
	Other industries	1 494	1 251
A	**Total Business Loans**	**16 552**	**12 480**
B	**Personal (including mortgage loans)**	**6 043**	**4 196**
A+B	**BZWBK portfolio**	**22 595**	**16 676**
C	**Other receivables (commercial bonds., reverse repo)**	**23**	**39**
A+B+C	**Total BZ WBK**	**22 618**	**16 715**

Nominal value of portfolio adjusted for unamortised commissions

In thousands of PLN

Geographical concentration

Bank Zachodni WBK S.A. is concentrated on running credit activities in the territory of the Republic of Poland – exposure towards non-residents represents a marginal part of the bank's portfolio. In Poland, the credit activities are nationwide with a focus on the marketplace of large cities (Warszawa, Poznań, Wrocław, Gdańsk, Kraków, Łódź), which stems from the location of the bank's business units – branches and Corporate Business Centres.
The bank's operational structure is based on three macroregions: Poznań (provinces: Wielkopolskie, Zachodniopomorskie, Kujawsko-Pomorskie and Lubuskie), Warsaw (provinces: Mazowieckie, Warmińsko-Mazurskie, Podlaskie, Lubelskie, Pomorskie and Łódzkie) and Wrocław (provinces: Dolnośląskie, Śląskie, Opolskie, Świętokrzyskie, Małopolskie and Podkarpackie). Concentration in macroregion Warsaw accounts for 41% of the bank's total exposure, in macroregion Poznań 32% and Wrocław 25%. The macroregions are divided into regions.

PLN m	31.12.2007	31.12.2006
Bank BZ WBK*	**22 702**	**16 784**
Makroregion Poznań	**7 323**	**5 875**
Region Poznań	2 764	1 954
Region Wielkopolska Północ	860	654
Region Wielkopolska Południe	1 483	1 351
Region Kujawsko-Pomorski	635	620
Region Lubuski	810	662
Region Zachodniopomorski	771	634
Makroregion Warszawa	**9 340**	**5 952**
Region Warszawa	7 616	4 555
Region Łódzki	479	366
Region Pomorsko-Mazurski	1 245	1 031
Makroregion Wrocław	**5 744**	**4 730**
Region Wrocław	1 736	1 483
Region Śląski	644	568
Region Dolnośląsko-Opolski	1 256	996
Region Dolnośląski Zachód	1 140	979
Region Małopolsko-Podkarpacki	968	704
Credit cards**	**295**	**227**

* Nominal value of credit portfolio
** Not allocated to macroregions

Market risk

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

General principles of market risk management

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

Market risk activities and strategies are directly supervised by ALCO which also recommends policies and strategies to Management Board for approval. BZWBK's market risk policies set a number of measurement and risk limitation parameters in the form of limits, mandatory and monitoring ratios. The key risk limits are set in relation to the capital base level which can be used to cover potential losses. Measurement and limits setting methodologies are described below. Risk limits are periodically reviewed to align them with the strategy and the current objectives of the Bank.

Interest rate and FX risks incurred in other Divisions are transferred on to Treasury Division where qualified personnel using the appropriate systems and controls manage them centrally.

In order to reduce the structural balance sheet risk and ensure a stable income stream for the Bank a special debt securities portfolio was established funded by a pool of net interest rate insensitive liabilities. According to the Policy approved by the Management Board, any decisions relating to the value or structure of this portfolio are taken by ALCO. Treasury Division as a unit managing BZWBK's centralized market risk exposure has responsibility for the funding and liquidity management as well as executing deals on behalf of ALCO.

For above reason the market risk policies include the operational Treasury limit set by the Bank Director in charge of Treasury Division. This limit is established in accordance with Treasury business strategy and approved at AIB Group level.

Additionally, in order to curtail losses on the trading portfolio, a stop-loss limit is in place, which allows trading positions to be closed in the event of losses exceeding the stated limit. Within Treasury Division, there is a dedicated market risk control unit responsible to ensure that the risk measurement methodologies used are appropriate for the risk being taken and that risk monitoring and control procedures are in place.

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

Measurement methods

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

VaR is determined as a difference between the market value of positions calculated using the current market prices/rates and the market values based on "worst case" movements in market rates. This is captured using statistical analysis of market rate movements (volatility) which assumes a normal distribution and is calculated to a 99% confidence level. Volatility is measured for different holding periods : 1 day, 10 days and 1 month depending on risk. VaR is calculated separately for interest rate and FX.

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

In thousands of PLN

Interest rate risk

The risk is that changes in interest rate will have adverse effects on earnings and on the value of BZWBK's assets and liabilities. The main source of interest rate risk are transactions entered in the bank's corporate centres or branches and transactions entered in the money market by the Treasury Division. Additionally, interest rate risk can be generated by transactions concluded by other units, e.g. through acquisition of municipal / commercial bonds, or the bank's borrowings in the interbank market. However all positions which generate a repricing risk are transferred by way of a system of internal contracts to the Treasury Division. Then the bank's dealers are responsible for investing surplus funds in relevant instruments in order to ensure a risk and reward balance for the interest rates affecting the bank's balance sheet and instruments portfolio.

Interest rate risk is managed by setting limits on Value at Risk from the open interest rate risk of Treasury. VaR is determined as a difference between the market value of the interest rate position calculated using the current profitability curve and the worst-case profitability curve, which is based on a volatility of interest rates at a 99% confidence level for a three-year interest rate history. Volatility is based on a one-month position maintenance period. VaR is set both for the trading portfolio and the banking portfolio. The measurement excludes the securities portfolio managed by ALCO and used to hedge against the structural balance sheet risk. A stop-loss limit framework is also used to manage the risk of loss from positions that are subject to mark-to-market accounting. Stress tests are used to supplement above measures by estimating possible losses that may occur under extreme market conditions. These are based on current sensitivitie report and sets of assumed extreme 1 day and 1 month rates movements reported over the last 7 years.

The table below presents risk levels in 2007 and comparable period (both measures assume 1 month holding time horizon):

Interest Rate Risk (PLN m)	***Value at Risk***		***Stress Scenario***	
1 month holding period	*2007*	*2006*	*2007*	*2006*
Average	19,38	14,24	100,77	61,64
High	26,1	23,11	148,33	110,68
Low	8,94	6,62	38,15	6,00
31 December	18,25	12,92	119,29	64,07

The Treasury Division operates within an operational VaR risk limit, which amounted to PLN 33,3m (EUR 10 m) at the end of 2007.

Interest rate risk management is centralised to enhance its effectiveness, while maintaining segregation of risk measurement and risk control functions.

In managing interest rate risk, a distinction is made between trading and banking/investment activity. The trading book includes securities and derivatives that are held for trading purposes in Treasury. These are revalued daily at market prices and any changes in value are recognised in the profit and loss account. BZWBK's banking book consists branch banking loans and deposits, Treasury investment portfolio and derivatives dedicated for hedge accounting purposes.

In thousands of PLN

The tables below present the sensitivity of trading and banking portfolios at the end of December 2007 and comparable period:

Interest Rate Risk (PLN m)	***Sensitivity 31-12-2007***		
parallel increase of yield curves by 1 bp	Trading book	Banking book	Total
0-3m	(0.06)	(0.06)	(0.12)
3m-1Y	0.14	(0.03)	0.11
1Y-5Y	(0.04)	(0.32)	(0.36)
over 5Y	(0.01)	(0.02)	(0.03)
Total	0.03	(0.43)	(0.40)

Interest Rate Risk (PLN m)	***Sensitivity 31-12-2006***		
parallel increase of yield curves by 1 bp	Trading book	Banking book	Total
0-3m	(0.01)	(0.01)	(0.02)
3m-1Y	(0.02)	(0.02)	(0.04)
1Y-5Y	0.01	(0.18)	(0.17)
over 5Y	0.00	(0.02)	(0.02)
Total	(0.02)	(0.23)	(0.25)

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

The supervision role over that risk is also in ALCO responsibilities. The level of such risk is closely monitored and actively managed thorough separate assets portfolios (NIRIL Portfolios): capital NIRIL (funding of capital surplus over the fixed assets), business NIRIL (funding of non interest bearing liabilities. The NIRIL Portfolios consists of safe and liquid assets, which are also treated as liquidity reserve. The decision maker role in relation to those portfolios is played by ALCO. Treasury is executing such decisions.

The following tables present interest rate sensitivities of each NIRIL portfolios at the end of December 2006 and 2007:

Interest Rate Risk (PLN m)	***Sensitivity 31-12-2007***		
parallel increase of yield curves by 1 bp	Capital Surplus portfolio	Business Surplus portfolio	Total
0-3m	0.00	0.00	0.00
3m-1Y	(0.04)	(0.02)	(0.06)
1Y-5Y	(0.95)	(0.40)	(1.35)
over 5Y	(0.06)	(0.45)	(0.51)
Total	(1.05)	(0.87)	(1.92)

In thousands of PLN

Interest Rate Risk (PLN m)	Sensitivity 31-12-2006		
parallel increase of yield curves by 1 bp	Capital Surplus portfolio	Business Surplus portfolio	Total
0-3m	0.00	0.00	0.00
3m-1Y	(0.04)	(0.01)	(0.05)
1Y-5Y	(0.50)	(0.40)	(0.90)
over 5Y	(0.10)	(0.41)	(0.51)
Total	(0.64)	(0.82)	(1.46)

FX risk

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

The table below presents risk levels in 2007 and comparable period (data for both measures are scaled to 1 month holding period to make it comparable to other risks):

FX Risk (PLN m)	Value at Risk		Stress Scenario	
1 month holding period:	*2007*	*2006*	*2007*	*2006*
Average	0.88	0.43	3.50	1.56
High	2.48	1.53	7.34	4.56
Low	0.04	0.05	0.30	0.30
31 December	0.32	0.18	3.14	0.79

The Treasury Division operates within an operational VaR risk limit, which amounted to PLN 2.5m (EUR 0.7m) at the end of 2007.

FX risk management is centralised for maximum effectiveness, while maintaining segregation of risk measurement and risk control functions.

In thousands of PLN

Liquidity risk

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 Bank's policy sets a limit on outflow of funds to a level where the outflow is covered by expected inflows and/or liquid assets (mainly securities), which can be sold or pledged in repo transactions or through a Lombard loan with the Central Bank.

The bank is obliged to maintain necessary funds to allow for for anticipated withdrawals of term deposits, demand deposits, loan payments, guarantee payments and settlements.

The liquidity is assessed using modified gap report, which is constructed separately for PLN and for other currencies. In line with the Liquidity Policy, the reported contract positions are subject to a number of modifications based on: statistical data on the behaviour of the deposit and credit base, estimated capacity to liquidate State Treasury securities by selling or pledging them in repo transactions or in lombard loan with NBP; estimated roll-over of transactions in the interbank market. Thus determined liquidity gap is used to establish liquidity ratios, that is projected consolidated outflows to the projected consolidated inflows in a time period. The liquidity policy specifies the minimum ratios for time periods up to one week, up to one month and over one month. The ratios are set for PLN and other currencies. If a "shortage" of PLN or other currencies occurs, a surplus of foreign currency / PLN can be used to cover the shortage of PLN / foreign currency, however the value of such a conversion is limited depending on assessment of the possibilities of the conversion in the wholesale market.
The Liquidity Policy adopted by the Management Board obliges the bank to maintain funds to cover 100% of the expected outflows expected to be received in the one-month time horizon and not less than 10% in a period longer than a month. At the end of December 2007, the Bank was compliant with the above requirements. The policy is designed to ensure cover for short and medium term liabilities. However liquidity position in a longer time horizon is also monitored. Also, for the limits indicated above there is a number of observation ratios set daily, which support the liquidity management process (e.g. loans to deposits ratio, ratio of dependence on wholesale market financing).

The liquidity profile of Bank based on the Treasury management report at the end of December 2007 and comparable period is presented below:

Liquidity Risk (PLN m)	<1W	<1M	<2Y	>2Y
31-12-2007				
Qualifying Liquid Assets	7 723	639	4	-
Treasury inflows	4 813	3 429	14 003	184
Other inflows	1 597	104	8 817	16 830
Treasury outflows	(5 345)	(3 292)	(13 766)	(370)
Other outflows	(7 527)	(738)	(10 332)	(16 771)
GAP	**1 260**	**141**	**(1 274)**	**(127)**
Cumulative Gap	**1 260**	**1 401**	**127**	

In thousands of PLN

Liquidity Risk (PLN m)	<1W	<1M	<2Y	>2Y
31-12-2006				
Qualifying Liquid Assets	6 896	32	1	
Treasury inflows	3 878	1 747	7 168	24
Other inflows	434	89	6 296	12 715
Treasury outflows	(3 248)	(1 310)	(6 665)	(176)
Other outflows	(4 967)	(747)	(8 946)	(13 221)
GAP	**2 993**	**(189)**	**(2 145)**	**(659)**
Cumulative Gap	**2 993**	**2 804**	**659**	

The tables below show the gap arising from contractual maturity terms as at 3a December 2007 and in the comparable period. During the year there was an increase in customer deposits, which are characterised by a shorter maturity term. However the behaviour of the deposit base indicates that a significant part of these funds will remain with the Bank. Due to deposits roll-over this liabilities position providing a stable source of funding and in the modify gap report (presented above) is reflected in longest maturity time buckets. At the same time the Bank maintains a significant value of securities used to hedge the liquidity position (sale, deposit under repo transactions or Lombard loan).

In thousands of PLN

31.12.2007	up to 1 month	from 1 to 3 months	from 3 to 12 months	from 1 to 3 years	from 3 to 5 years	over 5 years	rate insensitive	total
Loans and advances to bank	2 285	263	10	12	-	-	(6)	2 564
Financial assets held for trading	234	217	461	95	69	73	-	1 149
Loans and advances to customers	1 001	1 355	5 078	5 602	2 616	7 055	(556)	22 151
Investment securities	149	59	1 068	1 522	4 364	1 886	650	9 698
Other assets	-	-	-	-	-	-	-	3 633
Long position	**3 669**	**1 894**	**6 617**	**7 231**	**7 049**	**9 014**	**88**	**39 195**
Deposits from banks	2 774	146	225	-	-	-	-	3 145
Financial liabilities held for trading	216	174	530	33	16	32	-	1 001
Deposits from customers	26 036	1 938	2 072	126	93	-	-	30 265
Debt securities in issue	-	-	100	-	-	-	(1)	99
Other liabilities	-	-	-	-	-	-	-	4 685
Short position	**29 026**	**2 258**	**2 927**	**159**	**109**	**32**	**(1)**	**39 195**
Gap-balance sheet	**(25 357)**	**(364)**	**3 690**	**7 072**	**6 940**	**8 982**	**89**	
Off balance sheet liabilities- sanctioned								
Financing related	1 373	557	2 763	1 712	538	1 240	-	**8 183**
Guarantees	55	76	286	194	178	6	-	**795**
Hedging instruments								
Inflows	5 887	4 783	7 967	1 030	-	409		**20 076**
Outflows	5 933	4 755	7 910	971	-	409		**19 978**
Gap – off-balance sheet	**(1 474)**	**(605)**	**(2 992)**	**(1 847)**	**(716)**	**(1 246)**	**-**	

In thousands of PLN

31.12.2006	up to 1 month	from 1 to 3 months	from 3 to 12 months	from 1 to 3 years	from 3 to 5 years	over 5 years	rate insensitive	total
Loans and advances to bank	2 426	342	364	24	-	-	(6)	3 150
Financial assets held for trading	566	71	165	155	75	15	-	1 047
Loans and advances to customers	971	720	4 020	3 884	1 892	5 304	(619)	16 172
Investment securities	205	-	1 483	2 143	2 032	1 518	613	7 994
Other assets	-	-	-	-	-	-	-	2 970
Long position	**4 168**	**1 133**	**6 032**	**6 206**	**3 999**	**6 837**	**(12)**	**31 333**
Deposits from banks	1 693	229	38	-	-	-	-	1 960
Financial liabilities held for trading	34	66	105	15	13	14	-	247
Deposits from customers	19 728	2 344	2 156	154	100	-	-	24 482
Debt securities in issue	-	-	-	94	-	-	2	96
Other liabilities	-	-	-	-	-	-	-	4 548
Short position	**21 455**	**2 639**	**2 299**	**263**	**113**	**14**	**2**	**31 333**
Gap-balance sheet	**(17 287)**	**(1 506)**	**3 733**	**5 943**	**3 886**	**6 823**	**(14)**	
Off balance sheet liabilities- sanctioned								
Financing related	913	499	2 328	1 361	295	1 668	-	**7 064**
Guarantees	50	57	225	270	139	7	-	**748**
Hedging instruments								
Inflows	1 781	2 810	3 005	845	-	304		**8 745**
Outflows	1 749	2 799	2 977	823	-	304		**8 652**
Gap – off-balance sheet	**(931)**	**(545)**	**(2 525)**	**(1 609)**	**(434)**	**(1 675)**	**-**	

The Bank's liquidity risk management is centralised in the Treasury Division while control and measurement functions for liquidity risk are performed independent of the source of the liquidity risk.
The bank has a scenario-based contingency plan approved by the Management Board to cater for unexpected liquidity problems, whether caused by external or internal factors.

Derivative transactions connected with market risks

The Bank enters into derivative transactions for trading purposes and to mitigate / hedge against market risks. These transactions predominantly bare interest rate and FX risk, albeit the bank also enters into derivative transactions to fund FX assets, thus mitigating liquidity risk.

Individual types of transactions are characterised below:

FX transactions

FX forwards are agreements to buy or sell one currency for another at a specified price for delivery at a future date.
For such a pair of currencies, the making of a current buy/sell transaction and a forward repurchase/resell transaction represents a swap deal.

The Bank enters into such transactions with customers and in the interbank market. The transactions are used for trading purposes or for liquidity management.

FX options are agreements to sell or buy a right to convert currencies in the future at a predetermined rate and settlement date. There are call and put options. A call option gives the holder the right to purchase a certain amount of a currency for a certain amount of another currency, while a put option gives the holder the right to sell a certain amount of a currency for a certain amount of another currency. It should be noted that the buyer of the option has the right but not obligation to enter into the transaction, while the writer of the option is obliged to enter into the transaction if the buyer chooses to exercise his right.

Acquisition of the buy/sell rights entails a premium to be paid to the writer of the option.

The bank concludes option contracts with customers and at the same time it closes the contracts in the interbank market thus avoiding open option positions exposed to market risk.

Interest rate transactions

The Bank enters into the following interest rate transactions:

- Interest Rate Swaps – IRS
- Cross-currency Interest Rate Swaps – CIRS
- Forward Rate Agreements – FRA
- Interest rate option CAP type

IRSs are transactions where one stream of future interest payments is exchanged for another based on a previously specified principal (most often fixed interest rate payments are exchanged for interest payments based money market reference rates, e.g. WIBOR). These transactions are concluded in the interbank market and with bank customers. They are used to hedge/cancel open interest rate positions, but are also used for trading purposes.

CIRSs involve an exchange of interest rate payments in two different currencies. These transactions may also result in the exchange of principal amounts. The bank uses these instruments primarily for liquidity management – they ensure medium-term funding for the bank's FX assets.

FRAs are agreements for a pre-determined interest rate applicable for a fixed term and settled in a future period (usually within 1 month) and accrued on a principal amount specified in the agreement. The settled amount is determined based on the principal amount and the difference between the interest rate current on the settlement date (e.g. WIBOR) and the contract rate. The buyer of an FRA protects itself against a future increase in interest rates, while the seller of an FRA wants to protect itself against a future decline in interest rates. This instrument is also used for speculative reasons in anticipation of interest rate changes.
The bank primarily uses this instrument in its trading portfolio.

A CAP entitles its holder make a profit when a specified interest rate is above a base rate determined in the option agreement (the difference is referred to the notional principal amount specified in the agreement). The bank concludes option contracts with customers and at the same time it closes the contracts in the interbank market thus avoiding open option positions exposed to market risk.

Capital Management

According to Polish Banking Law banks are obliged to maintain own funds at the level adequate to the risk arising from business.

Capital Adequacy ratio (CAD) is used to measure capital adequacy and present relation between capital requirements due to credit risk, market risk, settlement/counterparty risk and own funds after obligatory reductions set by the Commission for Banking Supervision (KNB).

Capital requirements are calculated in line with the Commission for Banking Supervision regulations.

Minimum level – required by Banking Law – of CAD cannot be lower than 8% for the Bank.

CAD ratio is treated as a key measure in the capital management process in BZWBK.

BZWBK capital policy assumes to maintain the level of CAD ratio of 10% for the Bank as the regulatory method of CAD ratio calculation does not cover all types of risk associated with BZWBK activity.

BZWBK Management Board delegated rights 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. However, all decisions as regards rising and releasing capital (incl. dividend payment) are finally taken in accordance with Law and the Bank's Statute by relevant Management/Supervisory bodies.

In thousands of PLN

During the whole 2007 CAD ratio was in excess of 10% for the Bank.

The table below presents capital adequacy of the Bank.

	PLN k		31.12.2007	31.12.2006
I	Total Capital requirement (Ia+Ib+Ic)		**2 124 735**	**1 660 199**
	Incl.:			
Ia	-	due to credit risk	2 081 628	1 623 048
Ib	-	due to market risk	21 512	29 771
Ic	-	due to settlement/counterparty risk	21 595	7 380
II	Total own funds		3 715 937	3 613 244
III	Reductions:		700 070	751 329
IIIa	-	Intangible assets	102 906	127 100
IIIb	-	Capital investments	378 283	186 468
IIIc	-	Planned dividend	218 881	437 761
IV	Own funds after reductions (**(II+III)**		**3 015 867**	**2 861 915**
V	**CAD (IV/(I*12.5)**		**11 ,36%**	**13,79%**

Amendments to the law introduced with effect from April 1, 2007 (Banking Supervision Ordinances No 1,2,3 of 2007) impacted mainly the level of own funds. The biggest impact has been noted on Revaluation Reserve of Financial Assets Available for Sale.

Before April 2007 Revaluation Reserve of Financial Assets was presented in net value - including deferred tax related to revaluation of financial assets. From April 1st 2007 own funds include 60% of positive revaluation of financial assets (excluding deferred tax) and 100% of negative revaluation (excluding deferred tax).

Capital requirements due to different risk types are determined in the Group in compliance with the Commission for Banking Supervision regulations.

In thousands of PLN

8. Net interest income

Interest and similar income	01.01-31.12.2007	01.01-31.12.2006
Loans and advances to enterprises	865 855	608 005
Loans and advances to individuals of which:	439 815	328 903
Mortgage loans	*177 642*	*129 476*
Debt securities incl.:	434 700	418 248
Trading portfolio	*13 404*	*58 375*
Investment portfolio	*421 296*	*359 873*
Loans and advances to banks	173 397	152 744
Interest recorded on hedging IRS	(3 814)	(7 613)
Reverse repo transactions	17 547	3 019
Other from public sector	30 340	30 300
Total	**1 957 840**	**1 533 606**

Loans and advances to banks exclude income on repo transactions.

Interest expense and similar charges	01.01-31.12.2007	01.01-31.12.2006
Deposits from enterprises	(309 288)	(218 562)
Deposits from individuals	(258 900)	(226 059)
Repo transactions	(83 008)	(52 073)
Deposits from banks	(54 115)	(31 719)
Debt securities in issue	(5 558)	(5 283)
Public sector	(64 533)	(42 553)
Total	**(775 402)**	**(576 249)**
Net interest income	**1 182 438**	**957 357**

As at 31 December 2007 net interest income includes interest accrued on impaired loans of PLN 21 141 k (as at 31.12.2006 - PLN 34 973 k).

9. Net fee and commission income

Fee and commission income	01.01-31.12.2007	01.01-31.12.2006
Business & payments	247 709	223 449
Current accounts and money transfer	222 425	227 094
Profit on FX transaction	211 412	188 333
Distribution fees	165 067	115 808
Credit commissions	51 752	42 499
Insurance commissions	40 576	19 172
Credit cards	36 699	32 629
Off-balance sheet guarantee commissions	11 151	12 898
Issue arrangement	10 553	7 314
Other	2 739	2 783
Total	**1 000 083**	**871 979**

Fee and commission expense	01.01-31.12.2007	01.01-31.12.2006
eBusiness & payments	(53 361)	(43 040)
Credit cards	(4 989)	(2 485)
Commissions paid to credit agents	(11 628)	(2 577)
Other incl.:	(11 524)	(12 221)
brokerage commissions	(2 293)	(1 948)
agency costs	(173)	(180)
other	(9 058)	(10 093)
Total	**(81 502)**	**(60 323)**

Net commission income	**918 581**	**811 656**

Included above is fee and commission income of PLN 99 602 k (2006: PLN 88 026 k) and fee and commission expenses of PLN (16 617) k (2006: PLN (5 062) k) other than fees included in determining the effective interest rate), relating to financial assets and liabilities not carried at fair value through profit or loss.

In thousands of PLN

10. Dividend income

Dividend income	01.01-31.12.2007	01.01-31.12.2006
Dividends from investment portfolio entities	63 534	56 661
Dividends from subsidiaries and associates	114 444	42 051
Total	**177 978**	**98 712**

11. Net trading income and revaluation

Net trading income and revaluation	01.01-31.12.2007	01.01-31.12.2006
Profit/(loss) on derivative instruments	28 408	6 559
Profit/ (loss) on equity instruments	-	9
Profit on interbank FX transactions	18 792	16 197
Profit/(loss) on debt instruments	738	3 116
Other F/X related income	4 333	1 181
Total	**52 271**	**27 062**

12. Gains (losses) from other financial securities

Gains (losses) from other financial securities	01.01-31.12.2007	01.01-31.12.2006
Profit/loss on sale of available-for-sale financial instruments	(26 286)	4 949
Reversal (charge) due to impairment losses	854	3 714
Total profit (losses) on available-for-sale financial instruments	***(25 432)***	***8 663***
Change in fair value of hedging instruments	18 160	14 296
Change in fair value of underlying hedged positions	(18 512)	(11 298)
Total profit (losses) on hedging and hedged instruments	***(352)***	***2 998***
Total	**(25 784)**	**11 661**

13. Gains on sale of subsidiaries and associates

Gains less losses on sale of subsidiaries and associates	01.01-31.12.2007	01.01-31.12.2006
Sale of subsidiaries	13 423	(2 719)
Sale of associates	(688)	17 436
Total	**12 735**	**14 717**

Additional information about acquisitions and disposals of investments is available in note 50.

14. Other operating income

Other operating income	01.01-31.12.2007	01.01-31.12.2006
Sundry income	12 103	9 993
Release of provision for legal cases and other assets	11 809	11 883
Recovery of non-credit receivables	4 115	2 393
Received compensations, penalties and fines	20	452
Sales or liquidation of fixed assets, intangible assets and assets for disposal	1 116	746
Donation received	6	143
Other incl.:	9 290	6 478
Costs of bailiff reimbursement	*1 446*	*1 233*
Reimbursements of BFG charges	*1 312*	*673*
Other	*6 532*	*4 572*
Total	**38 459**	**32 088**

15. Impairment losses on loans and advances

Impairment losses on loans and advances	01.01-31.12.2007	01.01-31.12.2006
Impairment charge	10 060	(35 580)
Incurred but not reported losses charge	(38 890)	(22 219)
Recoveries of loans previously written off	27 350	23 093
Off balance sheet credit related items	2 045	8 580
Total	**565**	**(26 126)**

In thousands of PLN

16. Employee costs

Employee costs	01.01-31.12.2007	01.01-31.12.2006
Salaries and bonuses	(572 841)	(461 412)
Salary related costs	(93 651)	(80 575)
Professional trainings	(22 376)	(15 041)
Staff benefits costs	(15 502)	(33 769)
Retirement fund and holiday provisions	(5 846)	(6 887)
Total	**(710 216)**	**(597 684)**

17. General and administrative expenses

General and administrative expenses	01.01-31.12.2007	01.01-31.12.2006
Maintenance and rentals of premises	(119 133)	(102 147)
Marketing and public relations	(93 244)	(47 328)
IT systems costs	(67 712)	(62 627)
Postal and telecommunication costs	(41 936)	(40 313)
Consulting fees	(37 435)	(25 918)
External services	(24 710)	(12 491)
Car, transport expenses, carriage of cash	(22 499)	(19 571)
Data transmission	(15 770)	(16 018)
Costs of repairs	(15 555)	(7 779)
Sundry taxes	(13 430)	(13 573)
Security costs	(11 983)	(9 191)
Bank guarantee fund	(4 464)	(3 532)
Other incl.:	(46 818)	(37 609)
KIR, SWIFT etc. Settlements	*(10 036)*	*(8 959)*
Stationery, printing of cheque books, plastic cards	*(20 931)*	*(15 186)*
Other incl.:	*(15 851)*	*(13 464)*
Total	**(514 689)**	**(398 097)**

18. Other operating expenses

Other operating costs	01.01-31.12.2007	01.01-31.12.2006
Charge of provisions for legal cases and other assets	(9 545)	(18 871)
Debt recovery costs	(1 143)	(1 977)
Donations paid	(6 420)	(2 339)
Paid compensations, penalties and fines	(2 017)	(405)
Others incl.:	(6 919)	(9 584)
Losses from past-due receivables	*(626)*	*(745)*
Other	*(6 293)*	*(8 839)*
Total	**(26 044)**	**(33 176)**

19. Corporate income tax

Income tax charge	01.01-31.12.2007	01.01-31.12.2006
Current tax charge	197 413	179 989
Deferred tax charge	(27 857)	(27 622)
Total	**169 556**	**152 367**

Corporate total tax charge information	01.01-31.12.2007	01.01-31.12.2006
Profit before tax	979 030	745 162
Tax rate	19%	19%
Tax calculated at the tax rate	186 016	141 581
Non tax-deductible expenses	16 471	21 203
Non taxable income	(36 531)	(20 172)
Other:		
- write-offs	3 458	1 657
- other	142	8 098
Total income tax expense	**169 556**	**152 367**

In thousands of PLN

Deferred tax recognised directly in equity	31.12.2007	31.12.2006
As at 31 December the amount of deferred tax recognised directly in equity totaled:		
Relating to equity securities available-for-sale	104 205	101 355
Relating to debt securities available-for-sale	(19 657)	17 126
	84 548	**118 481**

20. Earnings per share

Earning per share	01.01-31.12.2007	01.01-31.12.2006
Profit attributable to ordinary shares	809 474	592 795
Weighted average number of ordinary shares	72 960 284	72 960 284
Basic earnings per share (PLN)	**11,09**	**8,13**
Profit attributable to ordinary shares	809 474	592 795
Weighted average number of ordinary shares	72 960 284	72 960 284
Weighted average number of potential ordinary shares	161 995	61 957
Diluted earnings per share (PLN)	**11,07**	**8,12**

21. Cash and balances with central bank

Cash and balances with central bank	31.12.2007	31.12.2006
Cash	840 919	602 329
Current account in central bank	1 365 130	931 546
Other cash equivalents	210	594
Total	**2 206 259**	**1 534 469**

BZWBK holds an obligatory reserve on a current account in the National Bank of Poland. The figure is calculated as 3.5% of monthly average balance of customer deposits reduced by equivalence of EUR 500 k.

22. Loans and advances to banks

Loans and advances to banks	31.12.2007	31.12.2006
Loans and advances	1 632 444	1 462 516
Current accounts	168 621	1 693 034
Reverse-repo transactions	768 659	-
Gross receivables	**2 569 724**	**3 155 550**
Impairment write down	(5 969)	(6 283)
Total	**2 563 755**	**3 149 267**

Fair value of "loans and advances to banks" is disclosed in note 42.

Movements in impairment losses on receivables from banks	31.12.2007	31.12.2006
Balance at 1 January	(6 283)	(7 566)
Write off	314	1 283
Balance at the end of the period	**(5 969)**	**(6 283)**

In thousands of PLN

23. Financial assets and liabilities held for trading

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

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

Trading derivatives	31.12.2007		31.12.2006	
	Assets	Liabilities	Assets	Liabilities
Interest rate transactions	**184 379**	**309 780**	**146 002**	**115 906**
Options	22	22	-	-
IRS	154 785	284 251	129 572	94 265
FRA	29 572	25 507	16 430	21 641
Equity derivatives	**33**	**-**	**2 390**	**-**
Options	33	-	2 390	-
Currency derivatives	**793 112**	**691 007**	**214 363**	**125 963**
FX Swap	550 176	537 422	119 480	78 157
CIRS	164 750	29 002	70 424	13 735
Forward	45 146	91 469	15 609	25 943
Spot	1 103	1 177	830	108
Options	31 937	31 937	8 020	8 020
Total trading derivatives	**977 524**	**1 000 787**	**362 755**	**241 869**

Debt and equity securities	31.12.2007		31.12.2006	
	Assets	Liabilities	Assets	Liabilities
Debt securities	171 135	-	685 255	-
Government securities:	171 135	-	685 255	-
- bills	60 202	-	497 460	-
- bonds	110 933	-	187 795	-
Other securities:	-	-	-	-
- bonds	-	-	-	-
Equity securities:	-	-	-	-
- listed	-	-	-	-
- unlisted	-	-	-	-
Total	**171 135**	**-**	**685 255**	**-**

Interest income from debt instruments and other fixed rate instruments is disclosed under "interest income".
Profit and loss from fair value changes of instruments measured at fair value through profit and loss are disclosed in gains (losses) from financial instruments measured at fair value through profit and loss .
All financial assets measured at fair value through profit and loss are assigned to this category due to trading character of transactions. At initial recognition there was no cases of designation to the category at 31 December 2007 and in comparable periods.

Repo transactions	31.12.2007		31.12.2006	
	Assets	Liabilities	Assets	Liabilities
Total	**-**	**-**	**-**	**5 006**

Total financial assets/liabilities	**1 148 659**	**1 000 787**	**1 048 010**	**246 875**

In thousands of PLN

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

	Derivatives' nominal values	31.12.2007	31.12.2006
1.	**Derivatives (hedging)**	**1 990 754**	**1 486 018**
a)	Single-currency interest rate swaps – purchased amounts	995 377	743 009
b)	Single-currency interest rate swaps – sold amounts	995 377	743 009
2.	**Term derivatives (trading)**	**226 027 483**	**139 691 593**
a)	Interest rate operations	185 524 124	119 364 672
-	Single-currency interest rate swaps – purchased amounts	63 462 062	38 807 336
-	Single-currency interest rate swaps – sold amounts	63 462 062	38 807 336
-	FRA-purchased amounts	29 800 000	19 650 000
-	FRA-sold amounts	28 800 000	22 100 000
b)	FX operations	40 503 359	20 326 921
-	FX swap – purchased amounts	15 612 274	7 297 468
-	FX swap – sold amounts	15 594 050	7 251 675
-	Forward- purchased	2 508 227	1 360 359
-	Forward- sold	2 559 864	1 371 345
-	Double-currency interest rate swaps – purchased amounts	2 180 719	1 550 962
-	Double-currency interest rate swaps – sold amounts	2 048 225	1 495 112
3.	**Currency transactions- spot**	**776 657**	**921 046**
-	spot-purchased	388 293	460 884
-	spot-sold	388 364	460 162
4.	**Derivatives – OTC options**	**3 064 616**	**749 280**
-	Options purchased	1 532 308	374 640
-	Options sold	1 532 308	374 640
5.	**Euroindex options**	**8 733**	**168 888**
-	Options purchased	8 733	168 888
Total		**231 868 243**	**143 016 825**

24. Hedging derivatives

Hedging derivatives	31.12.2007		31.12.2006	
	Assets	Liabilities	Assets	Liabilities
Fair value hedge	41 410	7 613	19 956	12 912
IRS	41 410	7 613	19 956	12 912
Total hedging derivatives	**41 410**	**7 613**	**19 956**	**12 912**

25. Loans and advances to customers

Loans and advances to customers	31.12.2007	31.12.2006
Loans and advances to enterprises	16 473 941	12 337 081
Loans and advances to individuals, of which:	6 066 942	4 212 350
Real estate financing	*3 644 937*	*2 562 786*
Loans and advances to public sector	159 341	222 029
Reverse-repo transactions	29	15 629
Other	6 473	3 935
Gross receivables	**22 706 726**	**16 791 024**
Impairment losses in loans and advances to customers	(556 093)	(618 670)
Total	**22 150 633**	**16 172 354**

As at 31.12.2007 fair value adjustment due to hedged risk on corporate loans totalled PLN (105) k (as at 31.12.2006 - PLN 6 949 k). Finance lease receivables are presented in additional note 46.

In thousands of PLN

Movements on impairment recognised on loans and advances to customers	31.12.2007	31.12.2006
Individual and collective impairment		
As at 31 December	(523 537)	(620 529)
Charge of current period	(105 941)	(172 802)
Write back of current period	116 001	137 223
Write downs and write off's	88 124	131 551
Impact of exchange rate	872	1 020
Balance at the end of the period	**(424 481)**	**(523 537)**
IBNR		
As at 31 December	(95 133)	(73 794)
Charge of current period	(164 715)	(133 248)
Write back of current period	125 825	111 029
Impact of exchange rate	2 411	880
Balance at the end of the period	**(131 612)**	**(95 133)**
Total	**(556 093)**	**(618 670)**

26. Investment securities

Investment securities	31.12.2007	31.12.2006
Available for sale investments - measured at fair value	9 698 307	7 993 770
Debt securities:	9 047 923	7 380 942
Government securities:	8 203 609	6 250 416
- bills	263 047	206 627
- bonds	7 940 562	6 043 789
Central Bank securities:	591 379	593 104
- bonds	591 379	593 104
Commercial securities:	252 935	537 422
- bonds	252 935	537 422
Equity securities - measured at fair value:	625 461	594 126
- listed	23 265	14 361
- unlisted	602 196	579 765
Investment certificates	24 923	18 702
Total	**9 698 307**	**7 993 770**

As at 31.12.2007 fixed interest rate debt securities measured at fair value amount to PLN 7 648 962 k, variable interest rate securities amount to PLN 1 398 961 k.

As at 31.12.2006 fixed interest rate debt securities measured at fair value amount to PLN 6 342 844 k, variable interest rate securities amount to PLN1 038 100 k.

As at 31.12.2007 fair value adjustments resulting from fair value hedge on available for sale debt securities totalled PLN (12 100) k (as at 31.12.2006 - PLN 1 305 k).

As at 31 December 2006 BZWBK has revised the valuation of its investments in Polish entities of the Commercial Union Group classified as available for sale. Resulting from the revision a positive adjustment to the carrying value of these investments in the amount of PLN 354 292 k has been recognised with corresponding increase (net of deferred tax) in the revaluation reserve. In the reporting period BZWBK Group did not identify any material changes in the fair value of the investments specified above.
The revised fair values have been determined by valuation techniques using: (a) recent prospective arm's length transactions between knowledgeable and willing parties and (b) by reference to the current fair value of shares issued by similar entities. For the latter the following parameters have been used in the model: average P/E and P/BV ratios for similar entities, profit and equity figures based on 2005 data, risk adjustments related to expected variance of share prices and profits as well as liquidity discount.

In thousands of PLN

Movements on investment securities	Debt securities	Equity securities	Total
As at 1 January 2007	**7 380 942**	**612 828**	**7 993 770**
Additions	4 718 568	22 553	4 741 121
Disposals (sale and redemption)	(2 866 290)	-	(2 866 290)
Fair value adjustment (AFS)	(206 765)	18 756	(188 009)
Movements on interest accrued	100 466	-	100 466
Provision for impairment	-	-	-
F/X differences	(78 998)	(3 753)	(82 751)
As at 31 December 2007	**9 047 923**	**650 384**	**9 698 307**

Movements on investment securities	Debt securities	Equity securities	Total
As at 1 January 2006	**6 637 887**	**247 957**	**6 885 844**
Additions	2 423 032	3 000	2 426 032
Disposals (sale and redemption)	(1 588 164)	(7 055)	(1 595 219)
Fair value adjustment (AFS)	(41 549)	367 005	325 456
Movements on interest accrued	(37 689)	-	(37 689)
Provision for impairment	-	1 921	1 921
F/X differences	(12 575)	-	(12 575)
As at 31 December 2006	**7 380 942**	**612 828**	**7 993 770**

27. Investment in associates

Investments in associates	31.12.2007	31.12.2006
Subsidiaries	144 415	156 962
Associates	11 552	29 356
Total	**155 967**	**186 318**

In thousands of PLN

Investments in subsidiaries and associates as at 31.12.2007

Name of entity (and its legal status)	BZ WBK Inwestycje Sp. z o.o.	BZ WBK Faktor Sp. z o.o.	BZ WBK Finanse & Leasing S.A.	BZ WBK Leasing S.A.	Dom Maklerski BZ WBK S.A.	BZ WBK Nieruchomości S.A.	Brytyjsko-Polskie Towarzystwo Finansowe WBK-CU Sp.z o.o.	BZ WBK AIB Asset Management S.A.	POLFUND - Fundusz Poręczeń Kredytowych S.A.	NFI Magna Polonia S.A**	Total
registered office	Poznań	Warszawa	Poznań	Poznań	Poznań	Poznań	Poznań	Poznań	Szczecin	Warszawa	
Balance sheet value	50	6 200	37 012	47 757	45 925	498	218	6 755	8 000	3 511	**155 926**
total assets	46 092	242 445	915 835	1 677 336	1 294 191	619	1 682	282 119	68 272	122 301	**4 650 892**
own funds of entity, of which:	5 095	9 805	82 943	133 607	168 752	1 094	938	222 798	19 734	12 758	**657 524**
share capital	50	50	37 000	108 192	44 974	750	350	13 500	16 000	1 518	222 384
other own funds, of which:	5 045	9 755	45 943	25 415	123 779	344	588	209 298	3 734	11 240	435 141
from previous years	-	(935)	-	-	-	(530)	-	-	1 325	(16 234)	(16 374)
net profit (loss)	2 801	3 605	9 616	17 344	84 836	332	467	191 309	2 049	(1 192)	311 167
liabilities of entity, of which:	40 423	229 014	675 938	1 270 155	962 157	-	-	-	46 232	29 635	**3 253 554**
short-term	40 423	229 014	65 444	308 291	962 157			-	94	29 635	1 635 058
long-term	-	-	610 494	961 864	-	-	-	-	46 138	-	1 618 496
Revenues	299	22 734	62 999	104 560	246 767	964	7 979	255 911	1 333	7 708	**711 254**
% of holding* **	100,00	100,00	99,99	99,99	99,99	99,99	60,00	50,00	50,00	27,53	

* financial highlights as at end of September 2007
**Own funds of NFI Magna Polonia of PLN 91 172 k (as published in the company's report for 3Q 2007) have been decreased by the declared dividend of PLN 25 260 k and the value of equity in the amount of PLN 53 154 k purchased for redemption.
*** states percentage share of associates profits

Name of entity (and its legal status)	Business
BZ WBK Inwestycje Sp. z o.o.	trading in shares of commercial companies as well as other securities; seeking investors for companies
BZ WBK Faktor Sp. z o.o.	financial services, granting credit, market research and public opinion survey, business consulting, holding management
BZ WBK Finanse & Leasing S.A.	leasing and renting of fixed assets
BZ WBK Leasing S.A.	whole- and retail sales of vehicles, sales of spare parts and accessories for vehicles, financial leasing, renting cars, other means of transportation, machines and equipment
Dom Maklerski BZ WBK S.A.	offering securities on the primary market, buying and selling securities on customers' account, buying and selling securities on one's own account in order to perform duties related to organization of the regulated market
BZ WBK Nieruchomości SA	organisation of various events, catering and hotel services, agency services
Brytyjsko-Polskie Towarzystwo Finansowe WBK-CU Sp.z o.o.	distribution of insurance products
BZ WBK AIB Asset Management SA	brokerage activities: managing customer's share portfolios (listed and not listed)
POLFUND - Fundusz Poręczeń Kredytowych S.A.	providing lending guarantees, investing and managing funds invested in companies, management

In thousands of PLN

Investments in subsidiaries and associates as at 31.12.2006

Name of entity (and its legal status)	BZ WBK Inwestycje Sp. z o.o.	BZ WBK Faktor Sp. z o.o.	BZ WBK Finanse & Leasing S.A.	BZ WBK Leasing S.A.	Dom Maklerski BZ WBK S.A.	BZ WBK Nieruchomości S.A. i Wspólnicy Sp. Komandytowa	BZ WBK Nieruchomości S.A.	Brytyjsko-Polskie Towarzystwo Finansowe WBK-CU Sp.z o.o.	BZ WBK AIB Asset Management S.A.	POLFUND - Fundusz Poręczeń Kredytowych S.A.	NFI Magna Polonia S.A*	Total
registered office	Poznań	Warszawa	Poznań	Poznań	Poznań	Poznań	Poznań	Poznań	Poznań	Szczecin	Warszawa	
Balance sheet value	50	5 119	37 012	47 757	45 926	13 650	475	218	6 755	8 000	27 236	**192 198**
total assets	25 727	122 408	718 178	1 118 727	1 137 063	26 954	735	1 745	126 820	62 571	242 521	**3 583 449**
own funds of entity, of which:	24 824	5 273	73 329	116 255	133 001	26 941	467	1 100	106 418	17 929	94 677	**600 214**
share capital	50	50	37 000	108 192	44 974	13 599	500	350	13 500	16 000	3 554	237 769
other own funds, of which:	24 774	5 223	36 329	8 063	88 027	13 342	(33)	750	92 918	1 929	91 123	362 445
from previous years	-	(2 859)	-	(15 762)	-	7 488	(77)	-	-	632	(38 235)	(48 813)
net profit (loss)	18 851	1 932	9 513	19 953	61 355	5 853	33	309	87 819	997	23 084	229 699
liabilities of entity, of which:	-	114 274	450 343	564 981	839 492		-	-	-	43 187	83 325	**2 095 602**
short-term	-	114 274	78 147	178 252	839 492	-	-	-	-	73	51 488	1 261 726
long-term	-	-	372 196	386 729		-	-	-	-	43 114	31 837	833 876
Revenues	701	14 893	52 839	86 627	182 194	15 307	460	7 157	125 368	2 854	40 787	**529 187**
% of holding **	100,00	100,00	99,99	99,99	99,99	99,99	99,98	60,00	50,00	50,00	28,77	

* financial highlights as at end of September 2006

** states percentage share of associates profits

Name of entity (and its legal status)	Business
BZ WBK Inwestycje Sp. z o.o.	trading in shares of commercial companies as well as other securities; seeking investors for companies
BZ WBK Faktor Sp. z o.o.	financial services, granting credit, market research and public opinion survey, business consulting, holding management
BZ WBK Finanse & Leasing S.A.	leasing and renting of fixed assets
BZ WBK Leasing S.A.	whole- and retail sales of vehicles, sales of spare parts and accessories for vehicles, financial leasing, renting cars, other means of transportation, machines and equipment
Dom Maklerski BZ WBK S.A.	offering securities on the primary market, buying and selling securities on customers' account, buying and selling securities on one's own account in order to perform duties related to organization of the regulated market
BZ WBK Nieruchomości S.A. i Wspólnicy Sp. Komandytowa	leasing of fixed assets
BZ WBK Nieruchomości SA	organisation of various events, catering and hotel services, agency services
Brytyjsko-Polskie Towarzystwo Finansowe WBK-CU Sp.z o.o.	distribution of insurance products
BZ WBK AIB Asset Management SA	brokerage activities: managing customer's share portfolios (listed and not listed)
POLFUND - Fundusz Poręczeń Kredytowych S.A.	providing lending guarantees, investing and managing funds invested in companies, management
NFI Magna Polonia S.A. Group	buying securities issued by State Treasury, buying or taking up interests or shares in entities registered and operating in Poland, buying other securities issued by these entities

In thousands of PLN

28. Intangible assets

Intangible assets	Licences, patents etc.	Other	Capital expenditures	Total
Year 2007				
Gross value at the beginning of the period	**480 273**	**6 019**	**39 579**	**525 871**
Additions from:				
-purchases	-	-	40 997	**40 997**
-intangible assets taken for use	28 403	-	-	**28 403**
Disposals from:				
-liquidation	(23 093)	-	-	**(23 093)**
-intangible assets taken for use	-	-	(28 403)	**(28 403)**
-transfers	-	-	(1 510)	**(1 510)**
Gross value at the end of the period	**485 583**	**6 019**	**50 663**	**542 265**
Accumulated depreciation at the beginning of the period	**(393 188)**	**(5 582)**	**-**	**(398 770)**
Depreciation:				
-current year	(65 300)	(129)	-	**(65 429)**
-liquidation	23 093	-	-	**23 093**
-transfers	-	-	-	**-**
Write down/Reversal of impairment write down	1 747	-	-	**1 747**
Accumulated depreciation at the end of the period	**(433 648)**	**(5 711)**	**-**	**(439 359)**
Book Value				
Purchase value	485 583	6 019	50 663	**542 265**
Accumulated depreciation	(433 648)	(5 711)	-	**(439 359)**
As at 31 December 2007	**51 935**	**308**	**50 663**	**102 906**

The gross value of intangible assets mostly relates to Integrated Centralised Banking System which has been a core system for BZWBK branches since 2002 when it was capitalised. At the end of the reporting period its net value amounted to PLN 7 689 k (including modifications). Expenditures made in 2007 are included in "capital expenditures". They are calculated successively and capitalised at the end of particular projects.

In thousands of PLN

Intangible assets	Licences, patents etc.	Other	Capital expenditures	Total
Year 2006				
Gross value at the beginning of the period	**463 514**	**5 975**	**20 778**	**490 267**
Additions from:				
-purchases	-	-	36 676	**36 676**
-intangible assets taken for use	17 707	44	-	**17 751**
-transfers	-	-	-	**-**
Disposals from:				
-liquidation	(948)	-	(39)	**(987)**
-intangible assets taken for use	-	-	(17 751)	**(17 751)**
-transfers	-	-	(85)	**(85)**
Gross value at the end of the period	**480 273**	**6 019**	**39 579**	**525 871**
Accumulated depreciation at the beginning of the period	**(318 086)**	**(5 453)**	**-**	**(323 539)**
Depreciation:				
-current year	(76 044)	(129)	-	**(76 173)**
-liquidation	948	-	-	**948**
-transfers	-	-	-	**-**
Write down/Reversal of impairment write down	(6)	-	-	**(6)**
Accumulated depreciation at the end of the period	**(393 188)**	**(5 582)**	**-**	**(398 770)**
Book Value				
Purchase value	480 273	6 019	39 579	**525 871**
Accumulated depreciation	(393 188)	(5 582)	-	**(398 770)**
As at 31 December 2006	**87 085**	**437**	**39 579**	**127 101**

The gross value of intangible assets mostly relates to Integrated Centralised Banking System. It has been a core system for BZWBK branches since 2002 when it was capitalised. At the end of the reporting period its net value amounted to PLN 55 818 k (including modifications). Expenditures made in 2006 are included in "capital expenditures". They are calculated successively and capitalised at the end of particular projects.

In thousands of PLN

29. Property plant and equipment

Property, plant & equipment	Land and Buildings	Equipment	Transportation means	Other fixed assets	Capital expenditures	Total
31.12.2007						
Gross value at the beginning of the period	**546 848**	**343 229**	**25 352**	**242 433**	**25 583**	**1 183 445**
Additions from:						
-purchases	-	-	-	-	86 760	**86 760**
-leasing	-	-	10 907	-	-	**10 907**
-donation	-	48	-	-	-	**48**
-fixed assets taken for use	12 650	28 267	-	18 755	-	**59 672**
-transfers	20 106	-	-	3 634	1 510	**25 250**
						-
Disposals from:						
- sale, liquidation and donation	(11 960)	(93 610)	(5 517)	(16 798)	-	**(127 885)**
-fixed assets taken for use	-	-	-	-	(59 672)	**(59 672)**
Gross value at the end of the period	**567 644**	**277 934**	**30 742**	**248 024**	**54 181**	**1 178 525**
Accumulated depreciation at the beginning of the period	**(201 495)**	**(321 858)**	**(13 133)**	**(163 365)**	**-**	**(699 851)**
Depreciation:						
- current year	(22 692)	(11 857)	(5 745)	(21 541)	-	**(61 835)**
- sale, liquidation and donation	7 160	93 581	5 404	16 466	-	**122 611**
-transfers	(8 143)	(14)	(1 017)	(1 960)	-	**(11 134)**
Reversal of impairment write down	-	-	-	(289)	-	**(289)**
Accumulated depreciation at the end of the period	**(225 170)**	**(240 148)**	**(14 491)**	**(170 689)**	**-**	**(650 498)**
Book Value						
Purchase value	567 644	277 934	30 742	248 024	54 181	1 178 525
Accumulated depreciation	(225 170)	(240 148)	(14 491)	(170 689)	-	(650 498)
As at 31 December 2007	**342 474**	**37 786**	**16 251**	**77 335**	**54 181**	**528 027**

Expenditures made in 2007 are included in "capital expenditure". Expenditures are calculated successively and capitalised in appropriate group of fixed assets. The main items are: purchase and modernization of ATM's, electronic equipment, modernization of existing units as well as adaptation of new offices for branches. In July 2007 a piece of real estate in Wrocław was reclassified from assets held for sale to "property, plant and equipment". It is disclosed as a transfer (net value: PLN 13 729 k). The main items of "disposals from sale, liquidation and donation" are: liquidation of old, obsolete fixed assets in net value of PLN 1 137 k, sale of fix assets (gross value: PLN 12 203 k, net value: 4 126 k) and a donation (gross value: PLN 2 871 k, net value: PLN 11 k). The main items of "disposals from sale, liquidation and donation" is a sale of properties - incl. those in Karpacz (gains on sale: PLN 773 k) and in Chodzież (gains on sale: 288 k).

In thousands of PLN

Property, plant & equipment	Land and Buildings	Equipment	Transportation means	Other fixed assets	Capital expenditures	Total
31.12.2006						
Gross value at the beginning of the period	**548 369**	**336 235**	**25 506**	**233 104**	**7 397**	**1 150 611**
Additions from:						
-purchases	-	-	-	-	44 661	**44 661**
-leasing	-	-	3 861	-	-	**3 861**
-fixed assets taken for use	4 571	9 997	-	11 992	-	**26 560**
-transfers	21	-	-	-	85	**106**
Disposals from:						
- sale, liquidation and donation	(6 113)	(3 003)	(4 015)	(2 663)	-	**(15 794)**
-fixed assets taken for use	-	-	-	-	(26 560)	**(26 560)**
Gross value at the end of the period	**546 848**	**343 229**	**25 352**	**242 433**	**25 583**	**1 183 445**
Accumulated depreciation at the beginning of the period	**(183 629)**	**(295 710)**	**(11 691)**	**(148 605)**	**-**	**(639 635)**
Depreciation:						
- current year	(21 398)	(29 136)	(4 909)	(21 392)	-	**(76 835)**
- sale, liquidation and donation	3 625	2 998	3 973	2 495	-	**13 091**
-transfers	(93)	(10)	(506)	111	-	**(498)**
Reversal of impairment write down	-	-	-	4 026	-	**4 026**
Accumulated depreciation at the end of the period	**(201 495)**	**(321 858)**	**(13 133)**	**(163 365)**	**-**	**(699 851)**
Book Value						
Purchase value	546 848	343 229	25 352	242 433	25 583	**1 183 445**
Accumulated depreciation	(201 495)	(321 858)	(13 133)	(163 365)	-	**(699 851)**
As at 31 December 2006	**345 353**	**21 371**	**12 219**	**79 068**	**25 583**	**483 594**

Expenditures made in 2006 are included in "capital expenditure" .Expenditures are calculated successively and capitalised in appropriate group of fixed assets. The main items are: purchase and modernization of ATM's, electronic equipment as well as modernization of existing units. The main item of "sale" is a disposal of Banks property.

In thousands of PLN

30. Deferred tax assets

Deferred tax asset	31.12.2006	Increase	Decrease	31.12.2007
Unrealized deposit interest	11 271	2 399	-	13 670
Unrealized securities interest	19 228	3 252	-	22 480
Unrealized liabilities due to derivatives	119 265	-	(47 805)	71 460
Provisions for loans	104 509	-	(2 371)	102 138
Other provisions which are not yet taxable costs	47 996	9 843	-	57 839
Additional deferred tax assets resulting from art. 38 a of Corporate Tax Act	14 195	-	(2 837)	11 358
Deferred income	26 448	4 717	-	31 165
Other	3 596	-	(1 006)	2 590
Total	**346 508**	**20 211**	**(54 019)**	**312 700**

As at 31 December 2007 calculation of deferred tax asset did not taken into account bought receivables of PLN 21 498 k and loans that will not be realised of PLN 18 046 k.

Deferred tax asset	31.12.2005	Increase	Decrease	31.12.2006
Unrealized deposit interest	18 115	-	(6 844)	11 271
Unrealized securities interest	26 964	-	(7 736)	19 228
Unrealized liabilities due to derivatives	138 208	-	(18 943)	119 265
Provisions for loans	134 608	-	(30 099)	104 509
Other provisions which are not yet taxable costs	40 247	7 749	-	47 996
Additional deferred tax assets resulting from art. 38 a of Corporate Tax Act	15 293	-	(1 098)	14 195
Deferred income	24 824	1 624	-	26 448
Other	4 148	-	(552)	3 596
Total	**402 407**	**9 373**	**(65 272)**	**346 508**

As at 31 December 2006 calculation of deferred tax asset did not taken into account bought receivables of PLN 21 671 k and loans that will not be realised of PLN 33 083 k.

31. Other assets

Other assets	31.12.2007	31.12.2006
Sundry debtors	140 756	85 060
Interbank and interbranch settlements	75 805	152 056
Prepayments	29 556	16 500
Assets held for sale	2 502	17 053
Other	55	55
Total	**248 674**	**270 724**

Assets held for sale - BZ WBK Group

31 December 2007	Gross value	Impairment loss	Carrying value
Land and buildings	4 224	(1 815)	2 409
Equipment	436	(343)	93
Total	**4 660**	**(2 158)**	**2 502**

In 2007 a property including its equipment was sold (net value PLN 788 k and PLN 34 k respectively), another one was reclassified from assets held for sale to property, plant and equipment (net value of PLN 11 965 k) with its fixed assets of net value PLN 1 764 k.

In thousands of PLN

31 December 2006	Gross value	Impairment loss	Carrying value
Land and buildings	21 913	(6 751)	15 162
Equipment	1 918	(27)	1 891
Total	**23 831**	**(6 778)**	**17 053**

In 2006 a property was sold (carrying value- PLN 136 k) and equipment taken over for debts was liquidated (carrying value- PLN 231 k)

32. Deposits from banks

Deposits from banks	31.12.2007	31.12.2006
Current accounts	177 021	191 914
Deposits	1 212 253	371 635
Loans from other banks	-	174 000
Repo transactions	1 756 121	1 222 595
Other	-	-
Total	**3 145 395**	**1 960 144**

As at 31.12.2007 fair value adjustment for hedged deposit totaled PLN 48 k (as at 31.12.2006 - PLN 0 k).
Fair value of deposits from banks is presented in additional note 42.

33. Deposits from customers

Deposits from customers	31.12.2007	31.12.2006
Deposits from individuals	14 352 209	11 694 510
- term deposits	6 057 848	7 733 698
- current accounts	8 238 294	3 908 725
- other	56 067	52 087
Deposits from enterprises	13 501 442	11 167 711
- current accounts	8 899 041	6 818 344
- term deposits	4 301 010	3 927 934
- credits	-	19 381
- repo transactions	5 269	3 081
- other	296 122	398 971
Deposits from public sector	2 411 083	1 619 775
- current accounts	1 802 707	1 265 565
- term deposits	607 789	353 237
- oher	587	973
Total	**30 264 734**	**24 481 996**

As at 31.12.2007 deposits held as collateral totalled PLN 190 392 k. As at 31.12.2006 deposits held as collateral totalled PLN 175 871 k.
Fair value of deposits from customers is presented in additional note 42.

In thousands of PLN

34. Debt securities in issue

Debt securities in issue	Average coupon		Nominal value	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Bond 5-Y 5S1008	fixed; 5,25%	fixed; 5,25%	7 092	7 092
Bond 5-Y 5S1108	fixed; 5,75%	fixed; 5,75%	9 953	9 953
Bond 5-Y 5S1208	fixed; 6,00%	fixed; 6,00%	61 874	61 874
Total nominal value			**78 919**	**78 919**
Total carrying value			**99 348**	**95 897**

As at 31.12.2007 the nominal value was increased by interest of PLN 20 986 k, bond valuation of PLN (557) k related to hedging activities.
As at 31.12.2006 the nominal value was increased by interest of PLN 15 539 k, bond valuation of PLN 1 439 k related to hedging activities.

35. Deferred tax liabilities

Deferred tax liability	31.12.2006	Increase	Decrease	31.12.2007
Unrealised interests from securities and interbank deposits	17 835	16 943	-	34 778
Unrealised loans interests	10 567	5 073	-	15 640
Unrealised receivables on derivatives	123 513	-	(74 277)	49 236
Provision due to application of investment relief	2 883	375	-	3 258
Valuation of assets available for sale	118 481	-	(33 933)	84 548
Other	8 917	-	(7 757)	1 160
Total	**282 196**	**22 391**	**(115 967)**	**188 620**

Deferred tax liability	31.12.2005	Increase	Decrease	31.12.2006
Unrealised interests from securities and interbank deposits	47 044	-	(29 209)	17 835
Unrealised loans interests	12 920	-	(2 353)	10 567
Unrealised receivables on derivatives	140 871	-	(17 358)	123 513
Provision due to application of investment relief	5 023	-	(2 140)	2 883
Valuation of assets available for sale	56 191	62 290	-	118 481
Other	41 379	-	(32 462)	8 917
Total	**303 428**	**62 290**	**(83 522)**	**282 196**

36. Other liabilities

Other liabilities	31.12.2007	31.12.2006
Interbank and interbranch settlements	203 000	307 793
Sundry creditors	141 078	83 368
Provisions:	160 755	128 085
Employee provisions	*131 660*	*99 328*
Provisions for legal claims	*27 979*	*25 519*
Provisions for off balance sheet credit facilities	*1 116*	*3 238*
Accrued liabilities	91 763	70 348
Other deferred and suspended income	41 385	50 160
Total	**637 981**	**639 754**

In thousands of PLN

Movements on provisions	31.12.2007	31.12.2006
As at 31 December	**128 085**	**103 299**
Provisions for off balance sheet credit facilities	3 238	11 818
Employee provisions and accruals	99 328	81 440
Provisions for legal claims	25 519	10 041
Provision charge	**139 260**	**106 512**
Provisions for off balance sheet credit facilities	1 477	2 323
Employee provisions and accruals	129 536	87 791
Provisions for legal claims	8 247	16 398
Utilisation	**(99 207)**	**(69 892)**
Provisions for off balance sheet credit facilities	(78)	-
Employee provisions and accruals	(96 192)	(69 892)
Provisions for legal claims	(2 937)	-
Write back	**(7 383)**	**(11 834)**
Provisions for off balance sheet credit facilities	(3 521)	(10 903)
Employee provisions and accruals	(1 012)	(11)
Provisions for legal claims	(2 850)	(920)
As at the end of the period	**160 755**	**128 085**
Provisions for off balance sheet credit facilities	**1 116**	**3 238**
Employee provisions and accruals	**131 660**	**99 328**
Provisions for legal claims	**27 979**	**25 519**

The Group raises provisions for disputable or expected, certain or highly probable, future liabilities that can be reliably estimated. The liabilities result from past events and fund outflow is probable to satisfy them.

Employee related provisions and accruals consists of items outlined in note 53.

37. Share capital

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

Nominal value of one share is 10 PLN. All shares in issue are fully paid. There was no movements on share capital during reporting period.

According to the information available to the Bank's Management Board, as at 31.12.2007 the only shareholder who had at least 5% votes at the General Meeting of BZ WBK Shareholders was AIB European Investments Ltd seated in Dublin

In thousands of PLN

From the date of registration of issued capital in 1991 to December 1996 the Bank operated in an economy of hyperinflation. IAS 29 (Financial Reporting in Hyperinflationary Economies) requires the restatement of each component of shareholder's equity (except retained earnings and any revaluations surplus) by the general price index for the period of hyperinflation. This retrospective application would have resulted in an increase in share capital PLN 336 091 k and Other reserve funds by PLN 380 983 k and a reduction in retained earning over that period of equivalent amounts.

38. Other reserve funds

Other reserve funds	31.12.2007	31.12.2006
General banking risk fund	529 810	529 810
Share premium	261 699	261 699
Other reserve capitals	1 159 742	994 235
Total	**1 951 251**	**1 785 744**

Other reserve funds:

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

Other reserve capitals consist of reserve capital in the amount of PLN 1 048 070 k and supplementary capital PLN 111 672 k (as at 31.12.2006 : PLN 882 563 k and PLN 111 672 k respectively).

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

39. Revaluation reserve

Revaluation reserve	31.12.2007
As at 31 December 2006	505 102
Net change in available for sale investments, of which:	(189 124)
- related to debt investments purchased before current reporting period	(128 848)
- related to equity investments purchased before current reporting period	(2 860)
- related to debt investments purchased/assigned during the period	(75 280)
- related to equity investments purchased during current reporting period	17 864
Net change in available for sale investments matured during the period	(31 751)
Decrease in revaluation reserve related to sale of investments	28 876
Decrease in revaluation reserve related to hedge accounting	13 405
Deferred tax adjustment	33 933
As at 31.12.2007	**360 441**

As at 31 December 2007 BZWBK did not identified any material changes in fair value of its investments in Polish entities of the Commercial Union Group classified as available for sale.

Revaluation reserve	31.12.2006
As at 31 December 2005	239 495
Net change in available for sale investments, of which:	276 173
- related to debt investments purchased before current reporting period	(30 412)
- related to equity investments purchased before current reporting period	301 112
- related to debt investments purchased/assigned during the period	5 473
Net change in available for sale investments matured during the period	(8 116)
Decrease in revaluation reserve related to sale of investments	(549)
Decrease in revaluation reserve related to hedge accounting	(1 901)
As at 31.12.2006	**505 102**

In thousands of PLN

As at 31 December 2006 BZWBK has revised valuation of its investments in Polish entities of the Commercial Union Group classified as available for sale. Resulting from the revision a positive adjustment to the carrying value of these investments in the amount of PLN 354 292 k has been recognised with corresponding increase (net of deferred tax) in the revaluation reserve.

Revaluation reserve comprises equity from the valuation of financial assets available for sale. Revaluation reserve is not distributable. On the day of derecognising of all or part of financial assets available for sale the total effects of periodical change in the fair value reflected in the revaluation reserve are reversed. Total or part of the previous revaluation charge increases or decreases the value of the given financial asset available for sale.

40. Hedge accounting

The Bank Zachodni WBK S.A. applies hedge accounting in line with the risk management assumptions described in note 7 of annual financial statements. Hedging transactions are constructed using interest rate swaps. Their purpose is to mitigate risk of fair value in hedged instruments stemming from changes in market interest rates. These transactions are not designed to hedge against the effects of fair value changes due to credit risk. Bank Zachodni WBK applies fair value hedge accounting in relation to the following classes of financial instruments:

- Own fixed-rate bonds denominated in PLN, which form a group of financial liabilities. Each element in this group carries a risk of changes in the interbank interest rates,
- A fixed rate loan denominated in PLN recognised as a financial asset. Each element in this group carries a risk of changes in the interbank interest rates,
- Fixed rate loans denominated in foreign currency,
- Deposit denominated in foreign currency,
- Fixed rate debt securities, forming a group of assets covered with an interest rate hedge.

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

The table below contains details about individual groups of hedge transactions for 2007:

	IRS hedging own bonds	IRS hedging corporate loans	IRS hedging deposits	IRS hedging Treasury and NBP bonds
Nominal value of hedged position	PLN 78 918 k	PLN 280 277 k	PLN 146 100 k	PLN 490 000 k
Fair value adjustment of hedging instrument asset/(liability)	PLN (538) k	PLN 134 k	PLN 24 k	PLN 11 660 k
Fair value adjustment of hedged instrument due to hedged risk asset/(liability)	PLN 557 k	PLN (105) k	PLN (48) k	PLN (12 100) k
Hedged risk	Movements in the fair value of the underlining instrument arising from changes in market interest rates			
Period over which the instruments have an impact on the bank's results	2007-2008	2007-2011	2007-2008	2007-2017

In thousands of PLN

41. Sell-buy-back transactions

The Bank raises funds by selling financial instruments under agreements to repay the funds by repurchasing the instruments at future dates at the same price plus interest at a predetermined rate. As at 31 December 2007, the balance sheet contains treasury bills and bonds traded under sell-buy-back transactions in the amount of PLN 1 757 802 k (PLN 1 225 264 k as at 31 December 2006).

At the same time, on the liabilities side, in the item representing obligations in respect repo transactions there were deposits recognised, corresponding to the securities traded in the amount of PLN 1 761 390 k (PLN – 1 230 682 k as at 31 December 2006).

In case of sale-by-back transactions with the Bank remains all risks and revards related to holding ofunderlying debt securities as well as power to dipose them.

Financial instruments received as collateral for (reverse) repurchase agreements can be sold or repledged under standard agreements, but have to be returned at the end of the transaction. As at 31.12.2007 financial instruments with nominal value of PLN 5 000 k accepted as collateral have been repledged under subsequent repurchase transactions, which will conclude before the maturity of the original transactions. As at 31.12.2006 there were no such transactions.

42. Fair value

Fair value of financial assets and liabilities

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

The following is a summary of the carrying amounts and fair values of each class of assets and liabilities that are not presented on the Bank's balance sheet at their fair value. In accordance with clause 36A of IFRS 1 Bank Zachodni WBK S.A. elected to use the exemption from disclosure of comparable data at fair value. For financial assets and liabilities, it is assumed that their carrying amount is approximately equal to their fair value.

	2007		2006	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Assets				
Loans and advances to banks	2 563 755	2 563 911	3 149 267	3 150 798
Loans and advances to customers	22 150 633	22 169 714	16 172 354	16 188 956
Investments in associate undertakings	155 967	155 967	186 318	186 318
Liabilities				
Deposits from banks	3 145 395	3 146 042	1 960 144	1 960 230
Deposits from customers	30 264 734	30 264 546	24 481 996	24 480 927

The comparable fair values have been adjusted to reflect a change in the calculation of fair values as at 31.12.2006.

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table above.

Loans and advances to banks: The fair value of floating rate placements and overnight deposits is their carrying amount. Fixed interest-bearing deposits fair value is estimated based on discounted cash flows using current money market interest rates for debts with similar credit risk and remaining maturity.

Loans and advances to customers: These are net of any impairment provisions. Fair value is calculated based on the discounted expected future principal and interest cash flows. Loan repayments are assumed to occur at contractual repayment dates, where applicable. For loans that have floating rate interest cash flows or maturing within one year it's assumed that their fair value is not significantly different from carrying value, if there was no significant change in the credit risk of the borrower. The estimated fair values of loans reflect changes in credit status since the loans were made and changes in interest rates in the case of fixed rate loans.
*Available-for-sale investments***:** The fair value of financial assets available for sale is based on quoted market prices. For instruments without quoted prices it was impossible to reliably estimate a fair value. For balance sheet valuation purposes instruments are recognised at purchase value (equity instruments) adjusted for impairment write downs.

Investments in subsidiaries and associates: Financial assets representing interests in associated entities were accounted for using the equity method. For the purpose of consolidated financial statements investments in subsidiaries and associates are: consolidated on line-by-line basis or accounted for by equity method respectively. In the opinion of the Management Board of the parent company, it was impossible to reliably estimate fair value of these instruments.

Bank and customer deposits: For demand deposits and deposits with no defined maturities, fair value is taken to be the amount payable on demand at the balance sheet date. The estimated fair value of fixed-maturity deposits, including certificates of deposit, is based on discounted cash flows using rates currently offered for deposits of similar remaining maturities. For deposits maturing within one year it's assumed that their fair value is not significantly different from carrying value. The value of long-term relationships with depositors is not taken into account in estimating fair values.

43. Contingent liabilities

Significant court proceedings conducted by Bank Zachodni WBK S.A.

As at 31 December 2007, no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the Bank amounting to a minimum of 10% of the Bank's equity.
The value of all litigations totals PLN 282 843 k, which is ca 7.35 % of the Bank's equity. This amount includes PLN 56 665 k claimed by the Bank, PLN 64 309 k in claims against the Bank and PLN 161 869 k are Bank's receivables due to bankruptcy or arrangement cases.

In thousands of PLN

As at 31 December 2006, no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the Bank amounting to a minimum of 10% of the Bank's equity.
The value of all litigations totals PLN 301 287 k, which is ca. 8,34% of the Bank's equity. This amount includes PLN 62 888 k claimed by the Bank, PLN 38 283 k in claims against the Bank and PLN 200 116 k are Bank's receivables due to bankruptcy or arrangement cases.

Off balance sheet liabilities

Bank Zachodni WBK S.A. has commitments to deliver loans. These commitments include loans sanctioned, credit card limits and overdrafts. Bank Zachodni WBK S.A. issue guarantees and letters of credit which collateralise customers' liabilities to third parties.
The break-down of contingent liabilities and off-balance transactions into categories are presented below. The values of guarantees and letters of credit as set out in the table below represent the maximum possible loss that would be disclosed as at the balance sheet day if the customers did not meet any of their obligations.

Contingent liabilities, sanctioned and received	31.12.2007	31.12.2006
Liabilities sanctioned	**8 978 520**	**7 812 302**
- financial	**8 183 465**	**7 064 149**
- including: import letters of credit	61 209	94 447
- including: credit lines	6 923 381	6 368 254
- including: credit cards debits	651 041	439 255
- including: term deposits with future commencement term	547 834	162 193
- guarantees	**795 055**	**748 153**
including: confirmed export letters of credit	814	1 880
Received liabilities	**1 979 265**	**1 540 683**
Total	**10 957 785**	**9 352 985**

The most common forms of guarantee are: payment guarantee, performance bond, bid bond, advance payment guarantee, loan repayment guarantee, customs guarantee. In accordance with the "Non-consumer lending regulations", the bank issues civil law guarantees (mainly: loan or advance repayment guarantee, service or goods repayment guarantee, advance payment guarantee, performance bond, bid bonds and other) and B/E guarantees (mainly: loan or advance repayment guarantee, service or goods repayment guarantee and other).
Guarantees and civil law guarantees are issued on the basis of the same information and in accordance with the same procedure as it is in the case of loans. Applicable regulations are set out in the Commercial Lending Manual and the Lending Manual of the Corporate Banking Centre.

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

In thousands of PLN

44. Assets pledged as collateral

Bank is obliged to set up a guaranteed funds protection fund. For the purpose as at 31 December 2007 Bank Zachodni WBK S.A. pledged as collateral PLN 64 335 k of debt securities (PLN 58 249 k in year 2006).
In 2007 a deposit for PLN 12 322 k was placed with another Polish bank as collateral for the day-to-day Treasury business.
At the end of 2006 Bank had drawn a Lombard loan from NBP in the amount of PLN 174 000 k, with a maturity date less than one month and interest rate 5,5%. It was secured with corresponding amount of bonds.

Other assets pledge as collateral are presented in note 41.

45. Trust activities

Bank Zachodni WBK S.A. provided custodian services in accordance with Stock Exchange Commission license of 09 August 1999. The Bank's custodian services were addressed to residents - private individuals and legal enterprises (incl. investment funds) - and to foreign institutional investors present on the Polish capital market. They involved, inter alia, maintaining securities accounts, settling transactions, handling dividend and interest payments and representing clients at the General Annual Meetings of public companies. Bank Zachodni WBK S.A. also acted as a depository for 4 investment funds, managed by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A.
As at the end of 2007 assets held by clients at the Bank Zachodni WBK S.A. securities accounts increased 5.5 % and totalled PLN 7 950 350k (PLN 7 531 764 k in 2006).
Year 2007 was the last year of trust activity. Since 1.01.2008 the process of Custodian Services Unit liquidation has begun at the securities accounts were transferred to other Depositories.

46. Financial and operating leases

Finance leases

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

Finance leases gross liabilities (maturity)	31.12.2007	31.12.2006
Less than 1 year	7 737	6 097
1-5 years	18 276	9 550
over 5 years	-	-
Total	**26 013**	**15 647**

Present value of lease payments (maturity)	31.12.2007	31.12.2006
Less than 1 year	7 061	5 438
1-5 years	16 431	8 459
over 5 years	-	-
Total	**23 492**	**13 897**

In thousands of PLN

Reconciliation between the gross investment and the present value of minimum lease payments	31.12.2007	31.12.2006
Finance leases gross liabilities	26 013	15 647
Unearned financial costs	(2 521)	(1 750)
Present value of minimum lease payments	**23 492**	**13 897**

The present value of the minimum lease payments includes effects of EIR adjustments.

Operating Leases

Bank Zachodni WBK S.A. leases offices in compliance with operational leasing agreements. Most significant agreements relate to the buildings in Poznań and Warsaw. As a standard, agreements are concluded for 5-10 years. A small part of the offices is subleased outside the Bank. In 2007 and 2006 rentals related to mentioned real estates totaled PLN 15 897 k and PLN 16 645 k respectively. These payments are presented in the profit and loss account under "administrative costs".

Total payments due to non cancelable operating leases (including land perpetual usufruct) shows the table below.

Payments (maturity)	31.12.2007	31.12.2006
Less than 1 year	16 624	20 583
1-5 years	30 828	56 696
over 5 years	60 683	63 285
Total	**108 135**	**140 565**

47. Cash flow statement- additional information

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

Cash components	31.12.2007	31.12.2006
Cash on hand	840 919	602 329
Current account in a central bank	1 365 130	931 546
Other cash equivalents	210	594
Current accounts other banks	19 215	8 247
Total	**2 225 474**	**1 542 716**

48. Related party disclosures

The tables below contain information about transactions effected by the bank and its related entities.

Most of the transactions are banking transactions made as part of ordinary business activities and mainly include loans, deposits and guarantees.

In thousands of PLN

Receivables and liabilities relating to transactions with connected entities

31.12.2007

Receivables	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Loans and advances to banks	-	-	174 250	174 250
Financial assets held for trading	5 357	-	40 771	46 128
Hedging derivatives	-	-	1 380	1 380
Loans and advances to customers	801 155	-	-	801 155
Investment securities	-	-	208 575	208 575
Other assets	11 879	-	-	11 879
Total	**818 391**	**-**	**424 976**	**1 243 367**

Liabilities	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Deposits from banks	-	-	950 869	950 869
Financial liabilities held for trading	3 914	-	55 044	58 958
Deposits from clients	1 537 430	58 568	-	1 595 998
Other liabilities	17 675	-	14 788	32 463
Total	**1 559 019**	**58 568**	**1 020 701**	**2 638 288**

31.12.2006

Receivables	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Loans and advances to banks	-	-	284 272	284 272
Financial assets held for trading	81	-	48 451	48 532
Derivative financial instruments	-	-	1 023	1 023
Loans and advances to customers	395 466	-	-	395 466
Investment securities	-	-	371 218	371 218
Other assets	13 210	-	-	13 210
Total	**408 757**	**-**	**704 964**	**1 113 721**

Liabilities	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Deposits from banks	-	-	5 155	5 155
Financial assets held for trading	18 461	-	33 037	51 498
Deposits from clients	1 184 622	88 061	-	1 272 683
Other liabilities	13 452	-	19 529	32 981
Total	**1 216 535**	**88 061**	**57 721**	**1 362 317**

In thousands of PLN

Revenues and expenses relating to transactions with connected entities

1.01.2007 - 31.12.2007

Income	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Interest and similar income	26 403	-	22 326	48 729
Fee and commission income	168 867	2	-	168 869
Other operating income	4 939	-	-	4 939
Net trading and revaluation income	-	-	24 408	24 408
Gains (losses) from other financial securities	-	-	357	357
Total	**200 209**	**2**	**47 091**	**247 302**

Expenses	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Interest expense and similar charges	60 809	3 913	(8 413)	56 309
Fee and commission expense	22		-	22
Gains less losses from financial instruments measured at fair value through profit and loss	4 631	-	-	4 631
Gains from investment in subsidiaries and associates	43	-	-	43
Other operating expenses incl.:	1 165	-	31 660	32 825
Bank's operating expenses and management costs	1 118	-	31 660	32 778
other	47	-	-	47
Total	**66 670**	**3 913**	**23 247**	**93 787**

1.01.2006 - 31.12.2006

Income	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Interest and similar income	16 699	-	29 669	46 368
Fee and commission income	118 610	4	-	118 614
Other operating income	4 344	-	-	4 344
Net trading and revaluation income	-	-	1 023	1 023
Gains (losses) from other financial securities	-	-	12 781	12 781
Total	**139 653**	**4**	**43 473**	**183 130**

Expenses	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Interest expense and similar charges	32 160	3 775	87	36 022
Fee and commission expense	36	-	-	36
Gains less losses from investment in securities	77	-	-	77
Other operating expenses incl.:	820	-	32 379	33 199
Bank's operating expenses and management costs	820	-	32 379	33 199
Total	**33 093**	**3 775**	**32 466**	**69 334**

In thousands of PLN

Off balance sheet positions relating to transactions with connected entities

31.12.2007

Intragroup transactions - off-balance sheet liabilities	of which from subsidiaries
1. Sanctioned contingent liabilities	**832 210**
- financing-related	717 400
- guarantees	114 810
2. Received contingent liabilities	**832 210**
- financing-related	717 400
- guarantees	114 810
Total	**1 664 420**

Intragroup transactions- derivatives' nominal values	of which from subsidiaries
3. Derivatives' nominal values, including:	**669 705**
-fx forward-purchased	3 201
-fx forward-sold	3 214
-FX swap	363 025
'-Financial instruments operations-single-currency interest rate swaps	300 265

31.12.2006

Intragroup transactions - off-balance sheet liabilities	of which from subsidiaries
1. Sanctioned contingent liabilities	**941 997**
- financing-related	816 952
- guarantees	125 045
2. Received contingent liabilities	**941 997**
- financing-related	816 952
- guarantees	125 045
Total	**1 883 994**

Intragroup transactions- derivatives' nominal values	of which from subsidiaries
2. Derivatives' nominal values, including:	**603 017**
-Financial instruments operations-single-currency interest rate swaps	603 017

In thousands of PLN

TRANSACTIONS WITH EXECUTIVES

REMUNERATION OF BANK ZACHODNI WBK S.A. MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS

31.12.2007

Remuneration paid to the members of Bank Zachodni WBK Supervisory Board

First and last name	Position	(PLN'000)
Aleksander Szwarc	Chairman of the Supervisory Board since 14.04.2005	183,2
Kieran Crowley*	Member of the Supervisory Board	32,6
Waldemar Frąckowiak	Member of the Supervisory Board	144,7
Aleksander Galos	Member of the Supervisory Board	140,7
James O'Leary	Member of the Supervisory Board	58,1
John Power	Member of the Supervisory Board	152,4
Jacek Ślotała	Member of the Supervisory Board	96,7
Total		**808,4**

* Mr. Kieran Crowley stepped down from on 17 April 2007

Members of the Supervisory Board who decided not to be remunerated

First and last name	Position	(PLN'000)
Gerry Byrne	Deputy Chairman of the Supervisory Board	-
Maeliosa OhOgartaigh	Member of the Supervisory Board	-

Remuneration paid to the members of Bank Zachodni WBK Management Board

First and last name	Position	Period	Remuneration and awards	Benefits	Total (PLN'000)
Mateusz Morawiecki*	President of the Management Board	16.05.2007-31.12.2007	1 645,58	13,52	1 659,10
Jacek Kseń	President of the Management Board	01.01.2007-30.04.2007	1 877,27	3 785,61	5 662,88
Andrzej Burliga	Member of the Management Board	24.07.2007-31.12.2007	273,33	6,10	279,43
Declan Flynn**	Member of the Management Board	01.01.2007-31.12.2007	2 592,08	825,35	3 417,43
Michał Gajewski	Member of the Management Board	01.01.2007-31.12.2007	1 458,56	57,48	1 516,04
Justyn Konieczny	Member of the Management Board	01.01.2007-31.12.2007	1 458,75	66,79	1 525,54
Janusz Krawczyk	Member of the Management Board	01.01.2007-31.12.2007	1 262,17	43,19	1 305,36
Jacek Marcinowski	Member of the Management Board	01.01.2007-31.12.2007	1 231,07	55,25	1 286,32
James Murphy**	Member of the Management Board	01.01.2007-31.12.2007	1 532,43	614,87	2 147,30
Marcin Prell	Member of the Management Board	01.01.2007-31.12.2007	1 229,58	61,70	1 291,28
Feliks Szyszkowiak	Member of the Management Board	01.01.2007-31.12.2007	1 229,00	50,83	1 279,83
Total					**21 370,51**

In thousands of PLN

The amount of remuneration and awards paid to the Management Board Members of Bank Zachodni WBK S.A. includes: basic salary for 2007, awards for 2006. Benefits include: any payment made or due, on termination of employment contract or retirement, annual leave equivalent, costs of insurance, costs of accommodation, costs of health care etc. Awards for results of 2007, to be paid in April 2008, have not been included as they have not yet been determined and approved by the Supervisory Board. Provision for the award pool was incurred in 2007.

* Mateusz Morawiecki was appointed to the position of MB President on the 16th of May 2007. Before that date, he was a Member of the Management Board.

**In respect of Messrs Flynn and Murphy (Irish nationals on assignment to BZWBK from Allied Irish Banks plc, Dublin, Ireland), whose terms of assignment cover payment of salaries in their home country currency. Furthermore, their terms of assignment include reimbursement of Allied Irish Banks plc's costs in respect of pension contributions, medical insurance cover, Allied Irish Banks plc profit sharing scheme and other benefits. Costs in respect of accommodation and school fees are also paid by BZWBK in specific cases.

In 2007, none of the Members of the Management Board or the Supervisory Board of Bank Zachodni WBK received any remuneration from subsidiaries or associated entities.

Members of the Management Board participate in performance-related Incentive Scheme. These conditional awards are subject to performance targets in terms of EPS growth. Detailed information on the Scheme including policy of granting and vesting periods, is given in note 55 of consolidated financial statements.

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

No. of awards	***2007***
Outstanding at 1 January	**23 494**
Granted	17 849
Granted before MB nomination	1 606
Forfeited	-
Exercised	-
Expired	-
Outstanding at 31 December	**42 949**
Exercisable at 31 December 2007	**-**

In thousands of PLN

First and last name	*Total as at 01.01.2007*	*Granted before MB nomination*	*Granted during 2007*	*Total as at 31.12.2007*
Mateusz Morawiecki	3 591	-	2 558	6 149
Jacek Kseń	-	-	-	-
Andrzej Burliga	-	1 606	1 085	2 691
Declan Flynn*	-		-	-
Michał Gajewski	3 591	-	2 665	6 256
Justyn Konieczny	3 591	-	2 665	6 256
Janusz Krawczyk	3 397	-	2 219	5 616
Jacek Marcinowski	3 397	-	2 219	5 616
James Murphy*	-	-	-	-
Marcin Prell	2 530	-	2 219	4 749
Feliks Szyszkowiak	3 397	-	2 219	5 616
Total	**23 494**	**1 606**	**17 849**	**42 949**

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

31.12.2006

Remuneration paid to the members of Bank Zachodni WBK Supervisory Board

First and last name	Position	(PLN'000)
Aleksander Szwarc	Chairman of the Supervisory Board since 14.04.2005	151,9
Waldemar Frąckowiak	Member of the Supervisory Board	119,5
Aleksander Galos	Member of the Supervisory Board	103,6
Jacek Ślotała	Member of the Supervisory Board	87,7
John Power	Member of the Supervisory Board	127,7
Kieran Crowley	Member of the Supervisory Board	81,1
Total		**671,5**

Members of the Supervisory Board who decided not to be remunerated

First and last name	Position	(PLN'000)
Gerry Byrne	Deputy Chairman of the Supervisory Board	-
Declan Mc Sweeney	Member of the Supervisory Board	-

In thousands of PLN

Remuneration paid to the members of Bank Zachodni WBK Management Board

First and last name	Position	Period	Remuneration and awards	Benefits	Total (PLN'000)
Jacek Kseń	President of the Management Board	01.01.2006-31.12.2006	1 813,9	112,7	1 926,6
Declan Flynn*	Member of the Management Board	01.01.2006-31.12.2006	1 834,9	1 117,0	2 951,9
Michał Gajewski	Member of the Management Board	01.01.2006-31.12.2006	1 069,5	42,8	1 112,3
Aleksander Kompf	Member of the Management Board	01.01.2006-04.04.2006	269,9	10,7	280,6
Justyn Konieczny	Member of the Management Board	01.01.2006-31.12.2006	999,5	57,2	1 056,7
Janusz Krawczyk	Member of the Management Board	01.01.2006-31.12.2006	889,0	41,5	930,5
Jacek Marcinowski	Member of the Management Board	01.01.2006-31.12.2006	853,9	30,5	884,4
Mateusz Morawiecki	Member of the Management Board	01.01.2006-31.12.2006	1 053,5	38,1	1 091,6
James Murphy*	Member of the Management Board	01.01.2006-31.12.2006	1 081,2	628,0	1 709,2
Marcin Prell	Member of the Management Board	04.04.2006-31.12.2006	410,9	29,4	440,3
Feliks Szyszkowiak	Member of the Management Board	01.01.2006-31.12.2006	857,4	15,6	873,0
Total					**13 257,1**

The amount of remuneration and awards paid to the Management Board Members of Bank Zachodni WBK S.A. includes: basic salary for 2006, awards for 2005. Benefits include: annual leave equivalent, costs of insurance, costs of accommodation, costs of health care etc. Awards for results of 2006, to be paid in April 2007, have not been included as they have not yet been determined and approved by the Supervisory Board. Provision for the award pool was incurred in 2006.

*In respect of Messrs Flynn and Murphy (Irish nationals on assignment to BZWBK from Allied Irish Banks plc, Dublin, Ireland), whose terms of assignment cover payment of salaries in their home country currency. Furthermore, their terms of assignment include reimbursement of Allied Irish Banks plc's costs in respect of pension contributions, medical insurance cover, Allied Irish Banks plc profit sharing scheme and other benefits. Costs in respect of accommodation and school fees are also paid by BZWBK in specific cases.

Members of the Management Board participate in performance-related Incentive Scheme. These conditional awards are subject to performance targets in terms of EPS growth. Detailed information on the Scheme including policy of granting and vesting periods, is given in note 55 of consolidated financial statements.

In thousands of PLN

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

No. of awards	2006
Outstanding at 1 January	**-**
Granted	23 494
Forfeited	-
Exercised	-
Expired	-
Outstanding at 31 December	**23 494**
Exercisable at 31 December 2006	**-**

No. of awards

First and last name	*Total as at 01.01.2006*	*Granted during 2006*	*Total as at 31.12.2006*
Jacek Kseń	-	-	-
Declan Flynn*	-	-	-
Michał Gajewski	-	3 591	3 591
Aleksander Kompf**		-	-
Justyn Konieczny	-	3 591	3 591
Janusz Krawczyk	-	3 397	3 397
Jacek Marcinowski	-	3 397	3 397
Mateusz Morawiecki	-	3 591	3 591
James Murphy*	-	-	-
Marcin Prell	-	2 530	2 530
Feliks Szyszkowiak	-	3 397	3 397
Total			**23 494**

* Members of Management Board on assignment to BZWBK from Allied Irish Banks plc do not participate in BZWBK Incentive Scheme.
** On grant date Mr Aleksander Kompf was no longer BZWBK Management Board member.

Members of the Management Board have signed non-competition agreements which remain in force after they step down from their function.

If a Member of the Management Board is removed from their function or not appointed for another term, he/she is entitled to a once-off severance pay. The severance pay does not apply if the person accepts another function in the Bank.

31 December 2007

As of 31.12.2007, the total of loans, advances and guarantees provided to members of the Management Board of BZ WBK S.A. by the subsidiaries and associates amounted to PLN 47 k.

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

Loans and advances made by the Bank to the executives of BZ WBK S.A. totalled PLN 3 103. k and CHF 19 k.
These facilities have been sanctioned on regular terms and conditions.

31 December 2006

As of 31.12.2006, the total of loans, advances and guarantees provided to members of the Management Board of BZ WBK S.A. by the subsidiaries and associates amounted to PLN 2 k.
Social Fund loans and advances provided to Board Members totalled nil.

Loans and advances made by the Bank to the executives of BZ WBK S.A. totalled PLN 4 225 k and CHF 21k.
These facilities have been sanctioned on regular terms and conditions.

During the reporting period there had been made an agreement between one of subsidiary of BZWBK and an entity from outside the Group in which a Member of Management Board of the parent company received consideration of PLN 260 k for services provided.

TRANSACTIONS WITH EMPLOYEES

31 December 2007

As of 31.12.2007, the total of loans and advances drawn by BZWBK S.A. employees was PLN 319 542 k (including the debt of PLN 34 947 k shown in joint accounts) and PLN 29 911 k in the case of employees of BZWBK subsidiaries and associates.
In the same period, the total of loans and advances drawn by BZWBK S.A. employees from the Social Fund was PLN 15 709 k.
These facilities have been sanctioned on regular terms and conditions.
On current accounts and term deposits employees of the bank held balances of PLN 135 268 k, (of which joined current accounts - PLN 22 027 k). Amount relating to employees of subsidiaries and associates totalled PLN 12 286 k.

31 December 2006

As of 31.12.2006, the total of loans and advances drawn by BZWBK S.A. employees was PLN 202 220 k (including the debt of PLN 17 568 k shown in joint accounts) and PLN 14 009 k in the case of employees of BZWBK subsidiaries and associates.
In the same period, the total of loans and advances drawn by BZWBK S.A. employees from the Social Fund was PLN 17 387 k.
These facilities have been sanctioned on regular terms and conditions.

In thousands of PLN

On current accounts and term deposits employees of the bank held balances of PLN 104 220 k, (of which joined current accounts - PLN 25 630 k). Amount relating to employees of subsidiaries and associates totalled PLN 8 497 k.

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

In 2007 Bank issued 5 224 banking writs of execution with total amount of PLN 67 330 k, of which:

- cash loans and overdrafts – 3 381 cases of PLN 19 604 k,
- credit cards – 1 801 cases of PLN 5 269 k
- mortgage loans – 9 cases of PLN 2 033 k
- corporate loans - 33 cases of PLN 40 424 k

In 2006 Bank issued 3 328 banking writs of execution with total amount of PLN 106 017 k, of which:

- cash loans and overdrafts – 1 498 cases of PLN 14 179 k,
- credit cards – 1 752 cases of PLN 5 567 k
- mortgage loans - 16 cases of PLN 3 099 k
- corporate loans - 62 cases of PLN 83 172 k

50. Acquisitions and disposals of investments

Disposal/ liquidation in 2007	Net assets	Revenue	Impairment loss	Gains/loss
NFI Magna Polonia S.A	5 404	17 116	(12 400)	(688)
BZWBK Nieruchomości S.A. i Wspólnicy Spółka Komandytowa	13 650	27 073	-	13 423
Total	19 054	44 189	(12 400)	12 735

Disposals in 2006	Net assets	Revenue	Gains/loss on sale
AIB WBK Fund Management Sp. z o.o.	2 989	270	(2 719)
Lubelskie Zakłady Przemysłu Skórzanego Protektor S.A.	3 231	13 245	10 014
NFI Magna Polonia S.A.	37 096	44 518	7 422
Total	43 316	58 033	14 717

BZWBK Nieruchomości S.A. i Wspólnicy Spółka Komandytowa was dissolved on 27th of February 2007.

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

On 6 December 2007, ownership right was transferred with regard to 980 517 NFI Magna Polonia S.A. shares from BZ WBK S.A. securities account to NFI Magna Polonia S.A. securities account.

The shares were purchased by NFI for redemption to deliver the Act 10/2007 of NFI Magna Polonia S.A. Extraordinary General Meeting of Shareholders of 4 October 2007 in which the Management Board was authorised to purchase NFI Magna Polonia S.A. shares for redemption.

In thousands of PLN

51. Investments in joint ventures

As at 31 December 2007 the companies from the BZ WBK were not involved in any joint-venture activities.

52. Events after the balance sheet date

Authorization for issue of financial statements

The unconsolidated financial statements were authorized for issue on 15th of February 2008 by the Management Board of Bank Zachodni WBK S.A. The financial statements will be approved by the shareholders at their Annual General Meeting.

53. Staff benefits

Staff benefits include the following categories:

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

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

Provisions for accrued holiday leaves

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

Provisions for employee bonuses

Liabilities related to the adopted bonus system are stated in the amount of the probable payment without discounting.

Provisions for retirement allowances

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

Other staff-related provisions

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

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

Provisions	31.12.2007	31.12.2006
Provisions for accrued holiday leaves	16 146	16 618
Provisions for employee bonuses	82 618	57 319
Provisions for retirement allowances	28 661	21 815
Other staff-related provisions	4 235	3 576
Total	**131 660**	**99 328**

In thousands of PLN

As at 31.12.2006 the difference in the amount of total staff benefits presented in 2006 results from the recognition of other staff-related expenses in sundry creditors.

Detailed information about movements on staff-relating provisions is available in additional note 36.

54. Share based payments

In 2006 the Bank has introduced the Incentive Scheme ("the Scheme") on terms approved by the shareholders. The scheme is designed to provide market-competitive incentives for senior executives, in the context of the Bank's long-term performance against stretching growth targets over the three financial years period 2006 – 2008. Conditional awards of shares are made to employees with vesting to take place on the date of the AGM approving financial statements for the last year of the scheme. Subject to vesting conditions the scheme will be realized be distribution of shares only.

Share will vest on a linear pattern between 25% and 100% contingent on EPS growth adjusted by Consumer Price Index (CPI). The lower level of the scale requires EPS pre annum growth adjusted for CPI respectively in 2006 and 2007: 5% and 8%. The upper level 12% and 16% accordingly.

During 2006 and 2007 conditional awards of shares were granted to no more then 100 individuals.

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

Share based payments granted:

	2007	**2006**
Number of share based payments	78 341	132 476
Exercise price	10	10
Vesting period	3 years	3 years
Volatility	40,69 %	37,38 %
Award life	3 years	3 years
Risk free rate	4,90 %	4,60 %
Fair value per award	267,53 PLN	150,60 PLN

The following table summarizes the share based payments activity:

	12 months of 2007 **Number of share based payments**	**12 months of 2006** **Number of share based payments**
Outstanding at 1 January	128 223,0	-
Granted	78 341,0	132 476,0
Exercised	-	-
Forfeited	(5 842,0)	(4 253,0)
Expired	-	-
Outstanding at 31 December	200 722,0	128 223,0
Exercisable at 31 December	**-**	**-**

In thousands of PLN

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

For the share based payments outstanding as at 31 December 2006 and as at 31 December 2007 the average remaining contractual life is approximately 2,3 years and 1,6 years respectively.

The total expense recognized with corresponding increase in equity (other reserve capital) for 12 months of 2006 and 2007 amounts to PLN 3 675 k and PLN 10 473 k respectively

55. Average staff level with a break-down into professional groups

31 December 2007

As at 31 December 2007 the Bank employed 8521 persons, i.e. 8469 FTE's.

In 2007, the average staffing level in Bank Zachodni WBK was 7834 FTE's.

The table below presents the employment structure in the Bank with a break-down according to education:

Education	No. of staffs	Structure %
University/collage degree	5241	61,51
High school degree	3067	35,99
Vocational	29	0,34
Other	184	2,16
Total	**8521**	**100,0**

31 December 2006

As at 31 December 2006 the Bank employed 7 512 persons, i.e. 7 467 FTE's.

In 2006, the average staffing level in Bank Zachodni WBK was 7 336 FTE's.

The table below presents the employment structure in the Bank with a break-down according to education:

Education	No. of staffs	Strukture%
University/collage degree	4 539	60,42
High school degree	2 816	37,49
Vocational	29	0,39
Other	128	1,70
Total	**7512**	**100,00**

56. Dividend per share

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

57. Accounting estimates and judgements

Loan impairment

The estimation of potential loan losses is inherently uncertain and depends upon many factors, including loan loss trends, portfolio grade profiles, economic climates, conditions in various industries to which BZWBK Group is exposed and other external factors such as legal and regulatory requirements. For example, should the expectation of loss within a portfolio increase, then this may result in an increase to the required incurred but not reported ("IBNR") loan loss provision level. A provision is made against problem loans when, in the judgement of management, the estimated repayment realizable from the obligor, including the value of any security available, is likely to fall short of the amount of principal and interest outstanding on the obligor's loan or overdraft account. The amount of provision made in BZWBK Group's consolidated financial statements is intended to cover the difference between the assets' carrying value and the present value of estimated future cash flows discounted at the assets' original effective interest rates. The management process for the identification of loans requiring provision is underpinned by independent tiers of review. Credit quality and loan loss provisioning are independently monitored by head office personnel on a regular basis. A groupwide system for grading advances according to agreed credit criteria exists with an important objective being the timely identification of vulnerable loans so that remedial action can be taken at the earliest opportunity. Credit rating is fundamental to the determination of provisioning in BZWBK Group; it triggers the process which results in the creation of provision on individual loans where there is doubt on recoverability. IBNR provisions are also maintained to cover loans, which are impaired at balance sheet date and, while not seperately identified, are known from experience to be present in any portfolio of loans. IBNR provisions are maintained at levels that are deemed appropriate by management having considered: credit grading profiles and grading movements, historic loan loss rates, changes in credit management, procedures, processes and policies, economic climates, portfolio sector profiles/industry conditions and current estimates of loss in the portfolio. Estimates of loss are driven by the following key factors;

- Probability of default i.e. the likelihood of a customer defaulting on its obligations over the next 12 months,
- Loss given default i.e. the fraction of the exposure amount that will be lost in the event of default, and
- Exposure at default i.e. exposure is calculated by adding the expected drawn balance plus a percentage of the unused limits.

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

Write-down due to impairment of non-financial assets

Balance sheet values assets other than deferred tax assets are reviewed as at a balance sheet day to specify whether there are reasons for write-down due to impairment. If there are such reasons, recoverable value of assets should be determined.

In case intangible assets not yet available for use, recoverable value is determined as at every balance sheet day.

Write-down due to impairment is recognized if book value of an asset exceeds its recoverable value and is presented in the profit and loss account.

For other receivables impairment amount has been recognised considering the expected recoverable amounts, and for long term other receivables discounting has been applied.
Asset held for sale at the lower of its carrying amount and estimated fair value less estimated costs to sell.

Fair value of financial instruments

Some of the Group's financial instruments are carried at fair value, including all derivatives, financial assets at fair value through profit or loss and financial investments available for sale. Financial instruments are either priced with reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using financial-markets pricing models, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. These models use as their basis independently sourced market parameters including, for example, interest rate yield curves, equities and commodities prices, option volatilities and currency rates. Most market parameters are either directly observable or are implied from instrument prices. However, where no observable price is available the instrument fair value will include a provision for the uncertainty in the market parameter based on sale price or subsequent traded levels. The calculation of fair value for any financial instrument may require adjustment of quoted price or model value to reflect the cost of credit risk (where not embedded in underlying models or prices used), hedging costs not captured in pricing models and adjustments to reflect the cost of exiting illiquid or other significant positions. This may also include an estimation of the likely occurrence of future events which could affect the cashflows of the financial instrument. The valuation model used for a particular instrument, the quality and liquidity of market data used for pricing, other fair value adjustments not specifically captured by the model and market data are all subject to internal review and approval procedures and consistent application between accounting periods.

Other accounting estimates and judgements

Provisions for employee benefits arising from the Group Collective Labour Agreement and terms of individual employee contracts were estimated on the basis of an actuarial valuation. The actuarial valuation of those accruals is updated on an annual basis.
Provisions for legal claims have been estimated considering the expected probably amount to settle a case, and where applicable, including the time value of money.

In thousands of PLN

SIGNATURES Signatures of Members of the Management board			
Date	**Name**	**Function**	**Signature**
15-02-2008	Mateusz Morawiecki	President	
15-02-2008	Andrzej Burliga	Member	
15-02-2008	Declan Flynn	Member	
15-02-2008	Michał Gajewski	Member	
15-02-2008	Justyn Konieczny	Member	
15-02-2008	Janusz Krawczyk	Member	
15-02-2008	Jacek Marcinowski	Member	
15-02-2008	James Murphy	Member	
15-02-2008	Marcin Prell	Member	
15-02-2008	Feliks Szyszkowiak	Member	

Signature of a person who is responsible for maintaining the book of account			
Date	**Name**	**Function**	**Signature**
15-02-2008	Wanda Rogowska	Financial Accounting Area Director	