Financial statements of Bank Zachodni WBK S.A. for 2006

Ladies and Gentlemen,

last year was a record one for Bank Zachodni WBK. In that period our PBT totalled PLN 745,2 m, and PAT was PLN 592,8 m. Against 2005 this represents a growth by 33,1 % and 32,9 % respectively.

This success was driven by a number of reasons the key one being the commitment and competence of the bank's staff. Professional Staff Attitude Surveys that have been already carried out for a few years unambiguously indicate that every year our work satisfaction and commitment keep growing , strategic management and leadership are rated higher and higher while the "Customer Focus and Strategy" is the highest rated category. In 2006, the outcome of internal customer satisfaction survey significantly improved. This proves that BZWBK staff are happy about their jobs and well motivated to achieve subsequent successes. In this context it should not come as a surprise that Bank Zachodni WBK became one of the "Dream Employers" being the best of commercial banks in a nationwide ranking. In 2006, we were awarded the "Investor in People" emblem which truly reflects how we continuously strive to upgrade skills and qualifications of Bank Zachodni WBK staff.

As the level of professionalism and commitment of our staff is high the bank has the ability to respond to growing and changing customer needs. In 2006 we had a lot of achievements in this area. We were the first bank in Poland to comprehensively replace payment cards as a result of which our customers use microprocessor cards – the safest technology of today that protects interests of card holders. Last year, our mobile sales network was launched and the relationship with credit agents started. We also started to develop a new ATM network in a unique way on the Polish market.

Last year Bank Zachodni WBK offered a number of modern products to customers to include co-branded credit cards, new accounts for customers working or travelling abroad, saving accounts and bancassurance products. Innovation and the ability to satisfy customer needs produce primarily business results but are also appreciated by institutions that monitor the market. Last year we received another trophy to be added to our collection – the title of the "Pearls of Polish Economy" awarded by the Economic Science Institute of the Polish Academy of Science. In 2006, we became one of very few banks who achieved ISO certification, and in terms of the number of certified processes we are unquestionable leader in the Polish banking sector. All these things indicate high quality of our services.

Undoubtedly, the bank's last year's success was also driven by objective factors such as the conditions of the Polish economy. In 2006, inflation was kept at a low level and the GDP growth rate amounted to 5.8% which was higher than expected by majority of analysts.

It seems that the best summary of the last year is the growth in BZWBK share price on Warsaw Stock Exchange that increased from PLN 141.50 on the last day of 2005 to PLN 225 on 29 December 2006. This represents an over 59% growth as in the same period WIG 20 grew by only 23.75%.

The 2006 success and strong foundations that ensure success in the years to come mobilise us to face new business challenges but also make us sensitive to social issues. Our charity activity addressed to disadvantaged children is spreading wider and wider. In 2006, the number of our scholarship holders increased and so did the number of children learning English and number of children who went on summer and winter camps organised by us. In 2006 we spent PLN 2.4m on charity. Our intention is to increase this amount as we are of the opinion that our obligation is to share the success with those who deserve support.

This is the last annual report of Bank Zachodni WBK signed by me. After 11 years of managing first Wielkopolski Bank Kredytowy, and then Bank Zachodni WBK, I am retiring leaving the company in a great shape that will serve as a basis for excellent performance going forward. I would like to thank the staff, members of the Management Board and Supervisory Board, customers and investors for the excellent relationship over that period that finds its reflection in today's position of Bank Zachodni WBK.

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In thousands of PLN

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

For reporting periods ending on:		01.01.2006-31.12.2006	01.01.2005-31.12.2005
Interest and similar income		1 541 219	1 543 465
Interest expense and similar charges		(581 365)	(714 273)
Net interest income	Note 8	**959 854**	**829 192**
Fee and commission income		683 646	647 786
Fee and commission expense		(60 323)	(112 704)
Net fee and commission income	Note 9	**623 323**	**535 082**
Dividend income	Note 10	98 712	73 658
Foreign exchange profit	Note 11	205 711	215 311
Gains (losses) on hedge accounting activities	Note 12	2 998	(49)
Gains (losses) from financial instruments measured at fair value through profit and loss	Note 13	7 187	12 647
Gains (losses) from investment in securities	Note 14	8 663	7 203
Gains (losses) on sale of subsidiaries and associates	Note 15	14 717	-
Other operating income	Note 16	32 088	34 429
Impairment losses on loans and advances	Note 17	(26 126)	(57 471)
Operating expenses		(1 181 965)	(1 090 199)
Bank's staff, operating expenses and management costs	Notes 18 and 19	(995 781)	(885 366)
Depreciation/amortisation		(153 008)	(180 937)
Other operating expenses	Note 20	(33 176)	(23 896)
Operating profit		**745 162**	**559 803**
Profit before tax		**745 162**	**559 803**
Corporate income tax	Note 21	(152 367)	(113 580)
Profit for the period		**592 795**	**446 223**
Net earnings (loss) per ordinary share (PLN)	Note 22	8,13	6,12
Diluted earnings (loss) per ordinary share (PLN)		8,12	6,12

In thousands of PLN

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

			31.12.2006	31.12.2005
ASSETS				
	Cash and balances with central bank	Note 23	1 534 469	572 329
	Loans and advances to banks	Note 24	3 149 267	3 606 067
	Financial instruments at fair value through profit or loss	Note 25	685 255	1 925 612
	Derivative financial instruments	Note 26	395 730	443 615
	Loans and advances to customers	Note 27	16 159 539	12 897 389
	Reverse repo transactions	Note 28	15 629	15 199
	Investment securities	Note 29	8 028 392	6 917 015
	Investments in associates	Note 30	186 318	240 069
	Intangible assets	Note 31	127 101	166 728
	Property, plant & equipment	Note 32	483 594	510 976
	Current income tax due		947	21 014
	Deferred tax assets	Note 33	346 508	402 407
	Other assets	Note 34	269 731	172 928
	Total assets		31 382 480	27 891 348
LIABILITIES				
	Deposits from banks	Note 35	737 549	1 319 491
	Derivative financial instruments	Note 26	267 800	313 156
	Deposits from customers	Note 36	24 515 358	20 969 867
	Repo transactions	Note 37	1 230 682	999 541
	Debt securities in issue	Note 38	95 897	93 035
	Deferred tax liabilities	Note 39	282 196	303 428
	Other liabilities	Note 40	639 754	703 900
	Total liabilities		27 769 236	24 702 418
Equity				
	Capital and reserves attributable to the Company's equity holders		3 613 244	3 188 930
	Share capital	Note 41	729 603	729 603
	Other reserve funds	Note 42	1 785 744	1 950 396
	Revaluation reserve	Note 43	505 102	239 495
	Retained earnings			(176 787)
	Profit of the current period		592 795	446 223
	Total equity		3 613 244	3 188 930
	Total equity and liabilities		31 382 480	27 891 348

In thousands of PLN

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

	Equity				
MOVEMENTS ON EQUITY	**Share capital**	**Other reserve funds**	**Revaluation reserve**	**Retained earnings**	**Total**
Balance at 31.12.2005	**729 603**	**1 950 396**	**239 495**	**269 436**	**3 188 930**
Net change in available for sale investments	-	-	265 607	-	265 607
Share scheme charge	-	3 674	-	-	3 674
Net gains not recognised in income statement	-	3 674	265 607	-	269 281
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**

	Equity				
MOVEMENTS ON EQUITY	**Share capital**	**Other reserve funds**	**Revaluation reserve**	**Retained earnings**	**Total**
Balance at 31.12.2004	**729 603**	**1 684 362**	**154 534**	**326 227**	**2 894 726**
changes in accounting principles resulting from adoption of IFRS	-	-	20 621	(59 687)	(39 066)
Adjusted balance at 01.01.2005	**729 603**	**1 684 362**	**175 155**	**266 540**	**2 855 660**
Net change in available for sale investments	-	-	64 340	-	64 340
Net gains not recognised in income statement	-	-	64 340	-	64 340
Net profit	-	-	-	446 223	446 223
Total recognised increase in equity in 2005	-	-	**64 340**	**446 223**	**510 563**
Dividend relating to 2004	-	-	-	(177 293)	(177 293)
Transfer to general banking risk fund	-	30 000	-	(30 000)	-
Transfer to reserve capital	-	236 034	-	(236 034)	-
As at 31.12.2005	**729 603**	**1 950 396**	**239 495**	**269 436**	**3 188 930**

In thousands of PLN

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

	01.01.2006-31.12.2006	01.01.2005-31.12.2005
Profit (loss) before tax	**745 162**	**559 803**
Total adjustments:	**1 434 757**	**231 717**
Amortization	153 008	180 937
Impairment losses	(3 742)	(5 140)
Interests and similar charges	58 431	(74 140)
Dividend income	(98 712)	(73 658)
(Profit) loss from investing activities	(19 880)	(2 058)
Change in provisions	24 519	9 680
Change in financial instruments at fair value through profit and loss	1 242 886	(653 040)
Change in loans and advances from banks	445 992	(818 831)
Change in loans and advances from customers	(3 262 150)	(97 181)
Change in receivables arising from securities purchased under reverse repo agreements	(430)	10 498
Change in deposits from banks	(581 942)	412 740
Change in deposits from customers	3 595 471	1 638 019
Change in liabilities arising from securities sold under repurchase agreements	231 141	266 851
Change in liabilities arising from debt securities in issue	2 862	(466 093)
Change in assets and liabilities arising from deferred taxation	(1)	123
Change in other assets and liabilities	(209 831)	(31 422)
Tax paid	(143 946)	(65 108)
Other adjustments	1 081	(460)
Net cash flow from operating activities - indirect method	**2 179 919**	**791 520**
Inflows	**1 772 800**	**1 649 220**
Sale of shares or interests in subsidiaries and associates	71 054	6 837
Sale of investment securities	1 599 209	1 558 382
Sale of intangible and tangible fixed assets	3 682	8 912
Dividends received	98 712	73 658
Proceeds from other investments	143	1 431
Outflows	**(2 510 113)**	**(2 803 076)**
Purchase of shares or interests in subsidiaries and associates	-	(16 360)
Purchase of investment securities	(2 426 437)	(2 720 370)
Purchase of intangible and tangible fixed assets	(81 337)	(64 741)
Other investments	(2 339)	(1 605)
Net cash flow from investing activities	**(737 313)**	**(1 153 856)**
Inflows	-	-
Outflows	**(491 274)**	**(265 546)**
Repayment of long-term loans	(49 980)	(84 874)
Dividends paid	(437 762)	(177 263)
Other financing outflows	(3 532)	(3 409)
Net cash flow from financing activities	**(491 274)**	**(265 546)**
Total net cash flow	**951 332**	**(627 882)**
Cash at the beginning of the accounting period	**591 384**	**1 219 266**
Cash at the end of the accounting period	**1 542 716**	**591 384**

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, registered in the District Court for Wrocław-Fabryczna, VI Economic Unit of the National Court Registry. The bank's ultimate parent company is Allied Irish Bank plc.
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 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 '000		EUR '000	
	for period:	2006	2005	2006	2005
	Stand alone financial statements				
I	Interest and similar income	1 541 219	1 543 465	395 276	383 632
II	Fee and commission income	683 646	647 786	175 334	161 009
III	Operating profit	745 162	559 803	191 111	139 140
IV	Gross profit (loss)	745 162	559 803	191 111	139 140
V	Net profit (loss)	592 795	446 223	152 034	110 910
VI	Total net cash flow	951 332	(627 882)	243 988	(156 061)
VII	Total assets	31 382 480	27 891 348	8 191 293	7 226 112
VIII	Deposits from banks	737 549	1 319 491	192 511	341 855
IX	Deposits from customers	24 515 358	20 969 867	6 398 872	5 432 890
X	Total liabilities	27 769 236	24 702 418	7 248 182	6 399 922
XI	Capital and reserves attributable to the Company's equity holders	3 613 244	3 188 930	943 110	826 190
XII	Number of shares	72 960 284	72 960 284		
XIII	net book value per share in PLN/EUR	49,52	43,71	12,93	11,32
XIV	Solvency ratio	13,79%	15,06%		
XV	Profit (loss) per ordinary share PLN/EUR	8,13	6,12	2,09	1,52
XVI	Diluted earnings (loss) per ordinary share in PLN/EUR	8,12	6,12	2,08	1,52
XVII	Declared or paid dividend per share in PLN/EUR	6,00	6,00	1,57	1,55

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

- for balance sheet items – 3,8312, EUR rate to PLN as at 31.12.2006 in National Bank of Poland (NBP), 3,8598 EUR rate to PLN as at 31.12.2005 in NBP
- For profit and loss items -as at 31.12.2006- 3,8991 (an average EUR rate to PLN in NBP on the last day of each month in 2006), as at 31.12.2005- 4,0233 (an average EUR rate to PLN in NBP on the last day of each month in 2005)

6. Significant accounting policies applied in Bank Zachodni WBK S.A.

Statement of compliance

The annual unconsolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) with respect to the preparation of a parent's separate financial statements as adopted by the European Union and in respect to matters that are not regulated by the above standards, in accordance with the requirements of the Accounting Act dated 29 September 1994 (Official Journal from 2002, No. 76, item 694 with amendments) and respective bylaws and regulations, and the requirements for issuers of securities admitted or sought to be admitted to trading on an official stock-exchange listing market.

Standards that are issued and not yet effective.

IFRS 7 *Financial Instruments: Disclosures* is not effective until 1 January 2007 and was endorsed by the European Union on 11 January 2006. Bank Zachodni WBK S.A. has not early adopted since management believe that the disclosures under IFRS 7 would not be very different to the requirements of IAS 32 and IAS 30. Other standards, amendments to the standards and IFRIC interpretations recently endorsed or awaiting endorsement are either not relevant to the Bank or would not have a material impact on the current 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, the following substantial changes were made to the presentation of financial data compared with 2005:

a) in the consolidated income statement:

- change in recognition of fees of PLN 6 063 k under item "Fee and commission income", which were previously presented under item "Other operating income",

b) in the consolidated balance sheet:

- change in presentation of derivative financial instruments in comparable period in the amount of PLN 291 599 k, currently presented as net value of "derivative financial instruments" item.

Subsidiaries

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

(a) power over more than half of the voting rights by virtue of an agreement with other investors;

(b) power to govern the financial and operating policies of the entity under a statute or an agreement;

(c) power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; or

(d) power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

Purchase method of accounting

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

Associates

Associates are those entities on which Bank Zachodni WBK S.A. has significant influence, but not control, over the financial and operating policies.

Interests in subsidiaries and associates are carried at cost. The carrying amount of the investment is annually tested for impairment as per IAS 36. Impairment is recognised in the profit and loss account under "Impairment charges". Dividend payment is not reflected in the carrying amount of the shares – it is only taken to profit and loss and is included under "Dividend income".

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, which are stated at historical cost, are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. 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.

Hedge accounting and derivative financial instruments

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

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

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

Hedge accounting 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 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. 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.

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. Recognition of the gain or loss attributable to the hedged risk in profit or loss applies if the hedged item is an available-for-sale financial asset.

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 and financial liabilities measured at amortised cost.

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.

(1) Classified as held for trading. A financial asset or financial liability is classified as held for trading if:
   a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
   b) 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;
   c) derivatives are held for trading unless the derivative is a designated and effective hedging instrument.

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

Loans and receivables

Loans and receivables arise when the bank provides money to a debtor for a purpose other than short-term profit taking. 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.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost using EIR method include deposits from banks, deposits from customers, repo transactions and debt securities in issue.

Recognition

A regular way purchase or sale of a financial asset classified at fair value through profit or loss, held to maturity (at present, in our portfolio we haven't such assets) 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.

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.

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 as 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 and foreign exchange gains and losses, is recognised directly in equity, through the statement of changes 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 investments 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.

Sale and repurchase agreements

The bank also generates funds by selling financial instruments under repurchase agreements whereby the instruments must be repurchased at the same price plus initially agreed interest.
Securities sold subject to repurchase agreements ("repos") are not derecognised at the balance sheet date. Where the transferee has the right by contract or custom to sell or repledge the collateral, the liability is disclosed as a liability arising from repo transactions. Securities purchased under agreements to resell ("reverse repos") are recorded as receivables arising from reverse repo transactions. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

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 group, including:
   (i) adverse changes in the payment status of borrowers in the group, or
   (ii) national or local economic conditions that correlate with defaults on the assets in the group.

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

As a practical expedient, the bank may measure impairment of a financial asset carried at amortised cost on the basis of an instrument's fair value using an observable market price. 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.

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 Group are not included in a collective assessment of impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms (for example, on the basis of the Group's credit risk evaluation or the 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 group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status or other factors that are indicative of incurred losses in the group and their magnitude). The 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 impairment analysis is carried out 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.

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.

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, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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. Such impairment losses are not reversed.

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.

Off balance sheet liabilities

For off-balance sheet liabilities, provisions for impairment is measured using the existing credit limit and the recoverable amount defined as the present value of the estimated future cash flows discounted by the effective interest rate. For off-balance sheet liabilities the cash flows are calculated with reference to the existing credit limit at the date corresponding to the maturity of the obligation and depend on the probability of outflow of the funds from the Bank.

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 costs

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

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

Goodwill

Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint ventures. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. At present, goodwill doesn’t exist in the balance sheet of BZWBK.

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.

Other intangible assets

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

Subsequent expenditure

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

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of 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

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.

For intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

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 in respect of goodwill is not reversed.

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.
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 on redeemable preference shares are recognised as a liability and expressed on an accrual basis. 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

The bank operates a share based compensation plan. For grants of share based payments after 7 November 2002 (IFSR 2, 53), the fair value of the employee services received is measured by reference to the fair value of awards granted on the day of the grant. The cost of the employee services received in exchange for awards granted is recognized in the income statement over the period during which the employees become unconditionally entitled to the share based payments, which is the vesting period. The amount expensed is determined by reference to the fair value of awards granted. The fair value of awards granted is determined using the share based payments pricing models, which take into account the exercise price of the award, the share price at date of grant, the risk free rate, the expected volatility of the share price over the life of the award and other relevant factors. Vesting conditions included in the terms of the grant are not taken into account in estimating fair value except where those terms relate to market conditions. Non-market vesting conditions are taken into account by adjusting the number of awards included in the measurement of the cost of employee services so that ultimately, the amount recognized in the income statement reflects the number of vested awards. The expense related to share based payments is credited to the shareholder's equity. Where the share based payment arrangements give rise to the issue of new shares, the proceeds of issue of the shares are credited to share capital (nominal amount) and share premium (if any) when awards are exercised.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a

pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.
Provisions for off balance sheet items such as guarantees, letters of credit, and unutilised irrevocable credit facilities are recognised in accordance with this policy.

Net interest income

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

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 on an on-going basis.

Dividend income

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

FX profit

Result on SPOT transactions taken to the FX profit is calculated by way of comparing the transaction exchange rate with the average NBP rate as at the balance sheet date.
Result on and valuation of FX Swap and FX Forward transactions is disclosed in "FX gains/losses".
The effects of valuation of the FX off balance sheet items (FX swaps, forwards and spot contracts) are recognized in the balance sheet and the profit and loss account at the transaction date.

Profit on disposal of subsidiaries and associates

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

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

Other operating income and costs

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

Operating lease payments

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

Finance lease payments

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

Corporate income tax

Corporate income tax consists of current and deferred tax.

Current tax is calculated based on the gross accounting income/loss adjusted by revenues which in line with tax regulations are not taken to taxable income and by costs which tax regulations do not recognize as tax deductible costs. Moreover, for tax purposes, the gross accounting income/loss is adjusted for income and costs from previous years realized for tax purposes in a given accounting period, and for deductions from income, e.g. donations.

The Group creates a provision for deferred tax in respect of all taxable temporary differences and deferred tax assets with regard to all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities should be measured as the multiple of a temporary difference and the tax rates that are expected to apply to the period when the asset is realised or the liability is settled (liability method), based on tax rates/laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are not discounted.

Pursuant to the decision of 19 December 2003, based on art. 1a of the Corporate Income Tax Act, Stare Miasto Tax Office in Wrocław registered an Agreement establishing a tax group between Bank Zachodni WBK S.A. and its subsidiary – BZ WBK Inwestycje Sp. z o.o. The agreement was concluded for 3 tax years, i.e. from 1 January 2004 to 31 December 2006.

7. Risk Management

It is essential in the banking business that risk is taken in a conscious and controlled manner. Therefore BZWBK is taking risk associated to its business using proper mechanisms supporting appropriate management of these risks.

Key risk areas in BZWBK business include mostly:
- Credit risk;
- Market risk, incl.:
  - Liquidity risk,
  - Pricing risk,
- Operational risk.

Other risk areas such as settlement and counterparty risks are monitored, however their level in 2006 was not significant.

Below is an outline of the key risks, their management, measurement and reporting mechanisms and a description of financial instruments that generate or mitigate risk.

Credit risk

Bank Zachodni WBK fully adheres to the standards provided for in the Banking Law with regard to the concentration of risk bearing exposures to a single entity or a group of entities connected in terms of capital or organisation. . As at 31.12.2006, pursuant to art. 71 of the Banking Law Act, the maximum limits for the bank totalled:

- PLN 572 383 k (20% of bank's own funds) in the case of exposures to subsidiary or dominant entities or to subsidiary entities of the entity dominant for the bank,
- PLN 715 479 k (25% of bank's own funds) in other cases.

The policy pursued by the bank aims at minimising the credit concentration risk, by for example applying more rigorous rules than the regulatory ones 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 2006, proved that the bank does not have any exposures in excess of the limits imposed by the regulator.

At the end of 2006, the bank had credit exposures (balance sheet and off-balance sheet) exceeding 10% of its own funds attributable to 6 entities (three of which were members of the BZWBK Group) and which accounted for 84% of own funds (vis-à-vis the permissible norm of 800%).

In thousands of PLN

A list of the 20 largest borrowers of Bank Zachodni WBK SA (performing loans) as of 31.12.2006 (excluding subsidiaries).

No.	Industry code (PKD)	Total credit exposure	Balance	Committed credit line	Guarantees
1	70	584 643	419 359	165 283	0
2	16	360 000	210 000	150 000	0
3	70	291 067	152 823	118 244	20 000
4	70	208 807	67 425	141 382	0
5	70	185 530	118 262	67 268	0
6	55	178 015	178 015	0	0
7	20	174 155	19 140	125 957	29 058
8	24	155 000	155 000	0	0
9	70	151 977	151 977	0	0
10	45	142 347	76 954	56 066	9 327
11	65	140 204	140 204	0	0
12	52	138 348	5 663	132 662	23
13	29	137 456	133 678	3 778	0
14	25	135 463	36 653	98 347	463
15	70	132 339	132 339	0	0
16	65	125 000	0	125 000	0
17	100	125 000	0	125 000	0
18	92	119 298	119 215	83	0
19	65	118 279	50 516	65 204	2 559
20	45	116 519	12 529	50 693	53 297
		3 719 448	**2 179 754**	**1 424 967**	**114 727**

data in PLN k

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 eliminate 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 2006, the highest concentration level was recorded in the "property service" (22% of the Bank's credit exposure and 20% of the BZ WBK Group 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:

	Industry sector	31.12.2006	31.12.2005
	Property service	3 641	1 725
	Manufacturing	2 756	2 670
	Distribution	1 933	1 754
	Financial sector	664	663
	Agriculture	637	568
	Energy	612	779
	Construction	593	294
	Transport	393	256
	Other services	1 251	1 500
A	**Total Business Loans**	**12 480**	**10 207**
B	**Personal (including mortgage loans)**	**4 196**	**3 293**
A+B	**BZWBK PORTFOLIO**	**16 676**	**13 500**

Portfolio includes IAS adjustments

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 toward non-residents represents a marginal part of the bank's portfolio. In Poland, the credit activities focus on the marketplace of western provinces and 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). Credit portfolio breakdown into macroregions is very well balanced. Concentration in macroregion Warsaw accounts for 36% of the bank's total exposure, in macroregion Poznań 35% and Wrocław 28%. The macroregions are divided into regions. Warsaw Region shows the biggest credit exposure which represents 27% of the bank's total exposure.

	Personal (excl. mortgage loans)*	Mortgage loans*	Business loans*
BZ WBK	**1 591 648**	**2 627 242**	**12 525 707**
Poznań Macroregion	**604 597**	**893 977**	**4 336 806**
Region Poznań	156 901	282 611	1 475 408
Region Wielkopolska Północ	94 387	122 630	436 572
Region Wielkopolska Południe	146 668	162 692	1 041 698
Region Kujawsko-Pomorski	72 335	119 346	427 981
Region Lubuski	102 279	119 409	440 661
Region Zachodniopomorski	32 027	87 289	514 486
Warsaw Macroregion	**226 408**	**849 567**	**4 876 776**
Region Warsaw	101 393	605 695	3 848 204
Region Łódzki	41 311	65 727	259 459
Region Pomorsko-Mazurski	83 704	178 145	769 113
Wrocław Macroregion	**534 133**	**883 698**	**3 312 125**
Region Wrocław	110 742	251 638	1 120 918
Region Śląski	57 465	150 535	359 625
Region Dolnośląsko-Opolski	167 137	181 786	647 338
Region Dolnośląski Zachód	174 458	193 406	611 382
Region Małopolsko-Podkarpacki	24 331	106 333	572 862
Credit cards**	**226 509**		

* Nominal value of credit porfolio

** Unallocated to regions

Market Risk

Market risk management focuses on liquidity and pricing risk.

Liquidity risk is the risk that the bank will not be able to meet its contractual or contingent obligations when due.

Pricing risk is defined as an adverse earnings impact of changes in interest rates, FX rates, share quotations, stock exchange indices, etc. The main entity that manages pricing risk of interest and FX rates (presented below as interest rate and FX risk respectively) is the Bank. The market risk generated by equity instruments (shares, stock exchange indices) is marginal in the Bank, however is actively managed by the BZ WBK Brokerage House.

General principles of market risk management

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

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

Upon the recommendation from the Assets and Liabilities Management Committee (ALCO) the Management Board approves the Strategies and Policies for market risk management along with the limits that define the maximum acceptable exposure to individual risk types. Market risk is managed by qualified personnel using the appropriate systems and controls. Management of interest rate, FX and liquidity risks is centralised in the BZ WBK Treasury Division.

Market risk is measured and its compliance with the stated risk limits is monitored by qualified personnel segregated from the unit which manages and generates the risk. Exposure to market risk is regularly reviewed by ALCO.

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

In order to reduce the structural balance sheet risk and ensure a stable income stream for the bank a special portfolio was established with debt securities funded by net liabilities that are not sensitive to interest rate fluctuations.

According to the Policy approved by the Management Board, any decisions relating to the value or structure of this portfolio are taken by ALCO.

Interest rate risk

Exposure to interest rate risk appears as result of gaps in the schedule of revaluation of assets, liabilities and their derivative instruments. Interest rate movements observed on the market where the bank holds open exposures liable to such movements contributes both to the risk of incurring losses and the possibility of earning substantial profits. Open interest rate positions which are sensitive to interest rate changes are created because it is extremely difficult to match the assets generating interest income with the liabilities generating interest expenses, both in terms of amounts and revaluation/maturity dates. Besides, there exists a base risk arising out of differences in the nature of revaluation applied to different types of variable interest rates, e.g. an instrument bearing variable interest on three-month cycles based on 3M WIBOR as of revaluation date and an instrument whose interest is based on an arithmetical average of 5 quotations on the inter-bank market preceding the revaluation date.

The main source of revaluation risk are transactions entered in the bank's 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 (e.g. loans from EBRD or from the Banking Guarantee Fund). However all positions which generate a revaluation risk are transferred from a system of internal contracts centralised in 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.

In thousands of PLN

The bank perceives margins as the main source of revenues, hence limits for the open interest rate positions and stop-loss limits for trading positions can be viewed as prudent.

Interest rate risk is measured as Probable Maximum Loss (PML), a method based on an industry standard value at risk. PML 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 interval for a three-year interest rate history. Volatility is based on a one-month position maintenance period. PML 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.

The tables below show the PML values on 31 December 2006 and in comparable period:

PLN m	31.12.06	Average in 2006
PML	12,9	14,2

PLN m	31.12.05	Average in 2005
PML	8,1	9,9

The Treasury Division operates within an operational risk limit, which amounted to PLN 38.3 m at the end of December 2006.

There are also additional reports prepared to support the risk management process. Daily reports include:

- Stress-test reports, showing changes in the market value of portfolios in the event of substantial changes in interest rates;
- PV01 reports – illustrating changes in the value of portfolios where the profitability curve is moved by 1 base point.

In order to curtail losses on the trading portfolio, a stop-loss limit has been established, which allows trading positions to be closed in the event of losses exceeding the stated limit.

The risk profile can also be represented as a gap arising on repricing terms of assets and liabilities, as shown in the table below (data for the Bank as at 31 December2006 and in comparable period).

In thousands of PLN

31.12.2006	up to 1 month	from 1 to 3 months	from 3 to 12 months	from1 to 2 years	from to 2 to 5 years	over 5 years	rate insensitive	Total
Loans and receivables to banks	2 602 838	196 004	310 000	23 684	-	-	16 741	3 149 267
Financial instruments at fair value through profit or loss	533 202	30 224	21 298	65 906	30 321	-	4 304	685 255
Loans and receivables to customers	11 264 528	2 872 886	1 681 012	305 819	611 868	481	(577 055)	16 159 539
Investment securities	189 923	788 067	1 628 438	1 086 286	2 593 269	937 883	804 526	8 028 392
Other assets								3 360 027
Long position	**14 590 491**	**3 887 181**	**3 640 748**	**1 481 695**	**3 235 458**	**938 364**	**248 516**	**31 382 480**
Deposits from banks	596 609	105 780	-	-	-	-	35 160	737 549
Deposits from customers	19 603 728	2 311 881	2 017 291	120 551	17 497	-	444 410	24 515 358
Repo transactions	1 223 968	6 305	-	-	-	-	409	1 230 682
Debt securities in issue	-	-	-	93 730	-	-	2 167	95 897
Other liabilities								4 802 994
Short position	**21 424 305**	**2 423 966**	**2 017 291**	**214 281**	**17 497**	**-**	**482 146**	**31 382 480**
Gap	**(6 833 814)**	**1 463 215**	**1 623 457**	**1 267 414**	**3 217 961**	**938 364**	**(233 630)**	

In thousands of PLN

31.12.2005	up to 1 month	from 1 to 3 months	from 3 to 12 months	from1 to 2 years	from to 2 to 5 years	over 5 years	rate insensitive	Total
Loans and receivables to banks	1 984 370	277 211	1 267 922	36 413	-	-	40 151	3 606 067
Financial instruments at fair value through profit or loss	1 675 154	9 153	108 989	62 517	67 150	-	2 649	1 925 612
Loans and receivables to customers	9 757 311	1 593 136	1 147 166	564 594	452 733	40 482	(658 033)	12 897 389
Investment securities	19 098	297 870	1 155 572	1 097 978	2 807 669	1 099 775	439 053	6 917 015
Other assets								2 545 265
Long position	**13 435 933**	**2 177 370**	**3 679 649**	**1 761 502**	**3 327 552**	**1 140 257**	**(176 180)**	**27 891 348**
Deposits from banks	727 565	-	559 764	-	-	-	32 162	1 319 491
Deposits from customers	15 113 121	2 947 483	2 232 528	277 197	34 765	296	364 477	20 969 867
Repo transactions	997 592	1 503	-	-	-	-	446	999 541
Debt securities in issue	-	-	-	-	88 507	-	4 528	93 035
Other liabilities								4 509 414
Short position	**16 838 278**	**2 948 986**	**2 792 292**	**277 197**	**123 272**	**296**	**401 613**	**27 891 348**
Gap	**(3 402 345)**	**(771 616)**	**887 357**	**1 484 305**	**3 204 280**	**1 139 961**	**(577 793)**	

In thousands of PLN

During the year the structure of liabilities changed as a result of an increase in customer deposits (current accounts and short-term deposits). This widened the interest rate gap for terms up to 1 month. The gap was partly covered by an increase in loans and advances to customers, where interest rates are based on money market rates (WIBOR/LIBOR). Also, the Bank is an active player in the derivatives market. Interest rate risk is actively managed using interest rate SWOPs and FRAs, thus forming the repricing profile corresponding to the expected movements in interest rates.

Tables below present estimated effective interest rate for selected balance sheet items of Bank Zachodni WBK S.A. as at 31.12.2006 and in comparable period:

31.12.2006	PLN	EUR	USD	GBP	JPY	CHF
Loans and receivables to banks	4,1425%	3,6455%	5,3462%	-	-	2,0452%
Financial instruments at fair value through profit or loss (debt instruments	4,2000%	3,9700%	-	-	-	-
Loans and receivables to customers	7,6633%	5,2965%	7,5909%	7,6546%	-	4,0374%
Investment securities (debt instruments)	5,4228%	3,2200%	5,0800%	-	-	-
Deposits from banks	5,0542%	3,5765%	5,3648%	-	-	1,8600%
Deposits from customers	2,2428%	1,4709%	2,8210%	2,0078%	-	0,3798%
Debt securities in issue	5,9011%	-	-	-	-	-
Repo	3,4082%	-	-	-	-	-

31.12.2005	PLN	EUR	USD	GBP	JPY	CHF
Loans and receivables to banks	5,1561%	2,4017%	4,4275%	4,6500%	0,2028%	
Financial instruments at fair value through profit or loss (debt instruments	4,5319%	-	-	-	-	-
Loans and receivables to customers	7,3436%	4,0571%	6,0785%	6,9587%	0,8219%	3,2761%
Investment securities (debt instruments)	5,7603%	2,7180%	3,5642%	-	-	-
Deposits from banks	4,3699%	2,2513%	4,0863%	-	-	-
Deposits from customers	2,2071%	1,0645%	1,5410%	1,6376%	-	0,2855%
Debt securities in issue	5,6821%	-	-	-	-	-
Repo	4,0312%	-	-	-	-	-

FX risk

The key role of inter-bank trading is to maintain a presence which allows the bank to offer competitive pricing conditions for client transactions effected through the branch banking network and the Treasury Services Department. A secondary role is to generate additional profits on trading positions, which are subject to conservative and prudential limits.

FX risk is measured as Probable Maximum Loss (PML) against the total open FX position of the bank.

PML is determined by means of a statistical modelling process (industry standard value at risk). PML 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.

The tables below show the PML values on 31 December 2006 and in comparable period:

In thousands of PLN

PLN m	31.12.06	Average in 2006
PML	0,1	0,3

PLN m	31.12.05	Average in 2005
PML	0,3	0,3

The Treasury Division operates within an operational risk limit, which amounted to PLN 1.9 m at the end of December 2006.

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

Comparison of the FX balance sheets (see the tables below) for presented reporting periods shows that the overall structure of the FX position did not change. The PLN balance sheet generates a short position deepened during the year through an increase in deposits from customers. The Bank's policy envisages limited sanction of long-term home mortgages denominated in foreign currencies, especially in CHF as the FX risk borne by the customer might lead to an increase in the bank's credit risk. For this reason, FX loans and advances are mainly funded by deposits from customers and derivative transactions used PLN surplus to create funding for FX transactions.

At the reporting date and in the comparable period, the bank's balance sheet by currencies was as follows:

In thousands of PLN

31.12.2006	EUR	USD	CHF	GBP	other	PLN	Total
Cash and balances with central bank	107 824	25 605	2 840	24 833	12 328	1 361 039	1 534 469
Loans and receivables to banks	281 647	1 788 657	77 373	424	3 785	997 381	3 149 267
Financial instruments at fair value through profit or loss	49 492	-	-	-	-	635 763	685 255
Loans and receivables to customers	3 770 824	629 936	609 560	6 394	39 203	11 103 622	16 159 539
Investment securities	504 291	455 425	-	-	-	7 068 676	8 028 392
Other assets	137 265	7 851	534	23 599	9 971	1 646 338	1 825 558
Long position	**4 851 343**	**2 907 474**	**690 307**	**55 250**	**65 287**	**22 812 819**	**31 382 480**
Deposits from banks	393 112	4 644	41 068	46	8 114	290 565	737 549
Repo transactions	-	-	-	-	-	1 230 682	1 230 682
Deposits from customers	2 693 388	1 213 830	38 839	201 660	12 916	20 354 725	24 515 358
Debt securities in issue	-	-	-	-	-	95 897	95 897
Other liabilities	21 441	241	37	1	-	4 781 274	4 802 994
Short position	**3 107 941**	**1 218 715**	**79 944**	**201 707**	**21 030**	**26 753 143**	**31 382 480**
Gap	**1 743 402**	**1 688 759**	**610 363**	**(146 457)**	**44 257**	**(3 940 324)**	**-**

In thousands of PLN

31.12.2005	EUR	USD	CHF	GBP	other	PLN	Total
Cash and balances with central bank	69 654	33 691	2 458	16 300	5 607	444 619	572 329
Loans and receivables to banks	132 784	2 533 635	-	136 380	7 121	796 147	3 606 067
Financial instruments at fair value through profit or loss	-	-	-	-	-	1 925 612	1 925 612
Loans and receivables to customers	2 348 850	816 076	600 509	4 025	97 068	9 030 861	12 897 389
Investment securities	324 874	95 915	-	-	-	6 496 226	6 917 015
Other assets	54 314	3 933	-	8 279	2 400	1 904 010	1 972 936
Long position	**2 930 476**	**3 483 250**	**602 967**	**164 984**	**112 196**	**20 597 475**	**27 891 348**
Deposits from banks	250 657	279 695	30 692	-	-	758 447	1 319 491
Repo transactions	-	-	-	-	-	999 541	999 541
Deposits from customers	2 136 046	1 177 174	32 118	153 670	8 863	17 461 996	20 969 867
Debt securities in issue	-	-	-	-	-	93 035	93 035
Other liabilities	11 474	2 124	37	27	7	4 495 745	4 509 414
Short position	**2 398 177**	**1 458 993**	**62 847**	**153 697**	**8 870**	**23 808 764**	**27 891 348**
Gap	**532 299**	**2 024 257**	**540 120**	**11 287**	**103 326**	**(3 211 289)**	

Liquidity risk

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 all withdrawals of term deposits, demand deposits, loan payments, guarantee payments and settlements.

The Bank's liquidity is assessed separately using liquidity gap reports. The reports contain all flows from on balance sheet and off balance sheet transactions. Liquidity gap based on contractual maturity periods is dealt with in the first place.

The tables below show the gap arising from contractual maturity terms as at 31 December 2006 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. 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

31.12.2006	up to 1 month	from 1 to 3 months	from 3 to 12 months	from 1 to 3 years	from to 2 to 5 years	over 5 years	rate insensitive	Total
Loans and receivables to banks	2 425 863	342 315	363 689	23 684	-	-	(6 284)	3 149 267
Financial instruments at fair value through profit or loss	485 494	198	13 718	124 181	61 664	-	-	685 255
Loans and receivables to customers	993 253	719 604	4 019 887	3 884 146	1 891 777	5 269 542	(618 670)	16 159 539
Investment securities	205 383	-	1 482 659	2 142 975	2 032 297	1 552 251	612 827	8 028 392
Other assets								3 360 027
Long position	**4 109 993**	**1 062 117**	**5 879 953**	**6 174 986**	**3 985 738**	**6 821 793**	**(12 127)**	**31 382 480**
Deposits from banks	470 093	229 145	38 311	-	-	-	-	737 549
Deposits from customers	19 760 457	2 344 037	2 156 482	154 405	99 977	-	-	24 515 358
Repo transactions	1 223 968	6 305	-	-	-	-	409	1 230 682
Debt securities in issue	-	-	-	93 730	-	-	2 167	95 897
Other liabilities								4 802 994
Short position	**21 454 518**	**2 579 487**	**2 194 793**	**248 135**	**99 977**	**-**	**2 576**	**31 382 480**
Cumulative gap	**(17 344 525)**	**(1 517 370)**	**3 685 160**	**5 926 851**	**3 885 761**	**6 821 793**	**(14 703)**	

31.12.2005	up to 1 month	from 1 to 3 months	from 3 to 12 months	from 1 to 3 years	from to 2 to 5 years	over 5 years	rate insensitive	Total
Loans and receivables to banks	2 032 088	277 210	1 267 922	-	36 413	-	(7 566)	3 606 067
Financial instruments at fair value through profit or loss	1 675 154	9 153	109 016	67 783	64 224	-	282	1 925 612
Loans and receivables to customers	1 158 144	839 866	3 327 732	3 038 373	1 656 841	3 570 756	(694 323)	12 897 389
Investment securities	-	319 096	1 059 444	2 205 199	1 950 854	1 134 465	247 957	6 917 015
Other assets								2 545 265
Long position	**4 865 386**	**1 445 325**	**5 764 114**	**5 311 355**	**3 708 332**	**4 705 221**	**(453 650)**	**27 891 348**
Deposits from banks	759 477	-	560 014	-	-	-	-	1 319 491
Deposits from customers	15 666 873	2 420 331	2 449 766	319 841	36	113 020	-	20 969 867
Repo transactions	998 592	503	-	-	-	-	446	999 541
Debt securities in issue	-	-	-	-	78 919	-	14 116	93 035
Other liabilities								4 509 414
Short position	**17 424 942**	**2 420 834**	**3 009 780**	**319 841**	**78 955**	**113 020**	**14 562**	**27 891 348**
Cumulative gap	**(12 559 556)**	**(975 509)**	**2 754 334**	**4 991 514**	**3 629 377**	**4 592 201**	**(468 212)**	

In the daily gap report for the Bank, cash flows are shown 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 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 2006, the Bank complied with the foregoing requirements. The policy is designed to ensure a 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). Dodatkowo do wskazanych powyżej limitów ustalany jest codziennie szereg wskaźników obserwacyjnych m.in. wskaźnik kredytów udzielonych do depozytów, wskaźnik uzależnienia od finansowania na rynku hurtowym; wspierających proces zarządzania płynnością.

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 bear 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.

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.

Equity instruments

The bank enters into the following equity transactions:

- Index options;

An index option entitles its holder make a profit from the difference between the value of the stock exchange index and the underlying value determined in the option agreement (the difference is also referred to the notional principal amount specified in the agreement). In the bank such options (also FX) are embedded in deposit products which in addition to guaranteed interest allow their holders to earn from favourable changes in stock exchange indices. In this product area, the bank sold call options to customers. Also, the bank closed its exposure to risk by purchasing options in the interbank market, so its open option positions are not exposed to market risk.

Operational risk

Operational risk is exposure to losses related to the failure of internal processes, human and system errors and external factors. Bank Zachodni WBK S.A. has been working on full implementation of operational risk management standards which conform with Recommendation M of the Banking Supervisory Commission and the Basel Committee requirements.

Operational risk management in the Bank Zachodni WBK S.A. is operated at the following levels of responsibility:

- Organizational units are responsible for direct management of the operational risks evident in their operations.
- The Operational Risk Management Department is responsible for coordination of the whole risk management process across the organisation.
- The Internal Audit Area is responsible for overseeing and assessing the quality of operational risk management.
- All operational risk management processes are supervised by the dedicated Operational Risk Management Committee (ORMCO).

Operational risk management in the Bank Zachodni WBK S.A. includes in particular:

- operational risk self-assessment;
- fraud prevention (including anti-money laundering);
- information security (including personal data protection);
- operational loss reporting and the lessons-learned process;
- preparation, analysis and regular testing of Business Continuity plans;
- periodic reporting to the Management Board on operational risk related issues, including: operational incidents report, risk indicators and analysis of operational risk self-assessment.

In order to achieve its operational risk management agenda, Bank Zachodni WBK S.A. has developed and implemented the relevant governance model as well as suitable policies, standards and procedures.

Bank Zachodni WBK S.A. closely liaises with the AIB Group on development and implementation of the operational risk management strategy and policy, introduction of tools supporting the risk management process and compliance with the Basel II requirements.

In thousands of PLN

Capital adequacy

Capital requirements due to different risk types are determined in the Bank in compliance with principles set forth in Resolution no 4/2004 of the Commission for Banking Supervision and Resolution no 57/2005 of the Management Board. The Bank runs significant trade business and is subject to complete calculation of capital requirements due to different risks. The entire capital requirement as at Y/E 2006 totaled 1 660 199 including:

- 1 623 048 i.e. 97.76 % from credit risk
- 29 771 i.e. 1.79% from market risk
- 7 380 i.e. 0.45% from settlement and counterparty risk

The table below shows the calculations.

	31.12.2006		31.12.2005	
	Exposure amount in PLN k	Capital requirement amount	Exposure amount in PLN k	Capital requirement amount
Credit risk	**20 288 094**	**1 623 048**	**15 569 573**	**1 245 566**
Market risk	**-**	**29 771**	**-**	**23 439**
Settlement/delivery and counter party risk	**-**	**7 380**	**-**	**7 977**
Total		**1 660 199**		**1 276 982**

	31.12.2006	31.12.2005
Equity and short-term capital	**2 861 915**	**2 403 810**
Capital adequacy ratio	**13,79%**	**15,06%**

	31.12.2006			31.12.2005		
	Amount	Credit equivalent	RWA	Amount	Credit equivalent	RWA
STRUCTURE OF ASSETS BY RISK WEIGHT	**30 392 371**	**17 309 117**	**17 309 117**	**26 242 136**	**13 552 906**	**13 552 906**
Assets of the risk weight of 0%	9 204 240	-	-	8 769 465		-
Assets of the risk weight of 20%	3 854 748	770 950	770 950	4 044 008	808 802	808 802
Assets of the risk weight of 50%	1 590 432	795 216	795 216	1 369 119	684 560	684 560
Assets of the risk weight of 100%	15 742 951	15 742 951	15 742 951	12 059 544	12 059 544	12 059 544
Assets of the risk weight of 1250%	-	-	-	-	-	-
OFF BALANCE SHEET LIABILITIES	**7 868 969**	**3 163 912**	**2 978 977**	**5 790 245**	**2 075 395**	**2 016 667**
- counter party risk weighted of 0%	**29 941**	**29 264**	**-**	**1 639**	**1 599**	**-**
Product risk weight of 0%	50	-	-	40	-	-
Product risk weight of 20%	-	-	-	-	-	-
Product risk weight of 50%	1 254	627	-	-	-	-
Product risk weight of 100%	-	-	-	-	-	-
Product risk weights for forward and option transactions	28 637	28 637	-	1 599	1 599	-
- counter party risk weighted of 20%	**332 634**	**194 590**	**38 918**	**225 712**	**71 411**	**14 282**
Product risk weight of 0%	135 930	-	-	125 182	-	-

In thousands of PLN

Product risk weight of 20%	-	-	-	-	-	-
Product risk weight of 50%	4 229	2 115	423	58 239	29 120	5 824
Product risk weight of 100%	164 444	164 444	32 889	4 500	4 500	900
Product risk weights for forward and option transactions	28 031	28 031	5 606	37 791	37 791	7 558
- counter party risk weighted of 100%	**7 506 394**	**2 940 059**	**2 940 059**	**5 562 894**	**2 002 385**	**2 002 385**
Product risk weight of 0%	1 721 565	-	-	1 706 700	-	-
Product risk weight of 20%	-	-	-	-	-	-
Product risk weight of 50%	5 689 541	2 844 771	2 844 771	3 707 618	1 853 809	1 853 809
Product risk weight of 100%	95 288	95 288	95 288	148 576	148 576	148 576

Capital requirements due to credit risk were calculated basing on an off-balance sheet structure in which assets and liabilities were presented according to risk weight in a bank portfolio (except of items concerning a trading portfolio).

8. Net interest income

Interest and similar income	01.01-31.12.2006	01.01-31.12.2005
Loans and advances to enterprises	608 005	572 932
Debt securities	418 248	510 248
Loans and advances to individuals of which:	328 903	291 420
Mortgage loans	*129 476*	*127 222*
Loans and advances to banks	152 744	118 075
Reverse repo transactions	3 019	1 705
Public sector	30 300	49 085
Total	**1 541 219**	**1 543 465**

Loans and advances to banks exclude income on repo transactions.

Interest expense and similar charges	01.01-31.12.2006	01.01-31.12.2005
Deposits from individuals	(231 175)	(322 059)
Deposits from enterprises	(218 562)	(214 177)
Deposits from banks	(31 719)	(59 587)
Debt securities in issue	(5 283)	(26 372)
Repo transactions	(52 073)	(47 880)
Public sector	(42 553)	(44 198)
Total	**(581 365)**	**(714 273)**

Net interest income	**959 854**	**829 192**

As at 31 December 2006 net interest income includes interest accrued on impaired financial assets of PLN 34 973 k (as at 31.12.2005 - PLN 26 661 k).

In thousands of PLN

9. Net fee and commission income

Fee and commission income	01.01-31.12.2006	01.01-31.12.2005
Current accounts and money turnover	227 094	236 135
eBusiness & payments	223 449	271 758
Distribution fees	115 808	33 042
Loans and advances (incl. factoring)	42 499	43 836
Credit cards	32 629	32 592
Insurance commissions	19 172	6 908
Off-balance sheet guarantee commissions	12 898	14 425
Issue arrangement	7 314	6 063
Other	2 783	3 027
Total	**683 646**	**647 786**

Fee and commission expenses	01.01-31.12.2006	01.01-31.12.2005
eBusiness & payments	(43 040)	(95 871)
Loans and advances commissions	(2 577)	(999)
Commission pay for other banks	(5 571)	(5 885)
Credit cards	(2 485)	(2 026)
Other inc.:	(6 650)	(7 923)
brokerage commissions	*(1 948)*	*(2 376)*
agency costs	*(180)*	*(126)*
others	*(4 522)*	*(5 421)*
Total	**(60 323)**	**(112 704)**
Net commission income	**623 323**	**535 082**

10. Dividend income

Dividend income	01.01-31.12.2006	01.01-31.12.2005
Dividends from investment portfolio entities	56 661	47 325
Dividends from subsidiaries and associates	42 051	26 263
Dividends from entities measured at fair value through profit and loss	-	70
Total	**98 712**	**73 658**

11. Foreign exchange profit

F/X income	01.01-31.12.2006	01.01-31.12.2005
Corporate negotiated transactions	106 607	93 965
Branch operations	60 050	50 529
Not-negotiated transactions	21 676	18 608
Trading activities	7 811	10 569
Other	9 567	41 640
Total	**205 711**	**215 311**

Foreign exchange income includes gains and losses from spot contracts, fx derivatives and translated foreign currency assets and liabilities.

In thousands of PLN

12. Gain (losses) on hedge accounting activities

Gains less losses on hedge accounting activities	01.01-31.12.2006	01.01-31.12.2005
Change in fair value of underlying hedged positions	14 296	(2 221)
Change in fair value of hedging instruments	(11 298)	2 172
Total	**2 998**	**(49)**

13. Gain (losses) from financial instruments measured at fair value through profit and loss

Gains less losses from financial instruments measured at fair value through profit and loss	01.01-31.12.2006	01.01-31.12.2005
Profit/(loss) on debt instruments	4 062	3 680
Profit/(loss) on derivative instruments	3 116	9 234
Profit/(loss) on equity instruments	9	(267)
Total	**7 187**	**12 647**

14. Gain (losses) from investment in securities

Gains less losses from investment in securities	01.01-31.12.2006	01.01-31.12.2005
Sales of available-for-sale financial instruments	5 926	6 006
Costs of sales of available-for-sale financial instruments	(977)	(4 166)
Reversal (charge) due to impairment losses on investment securities	3 714	5 363
Total	**8 663**	**7 203**

15. Gain (losses) on sale of subsidiaries and associates

Gains less losses on sale of subsidiaries and associates	01.01-31.12.2006	01.01-31.12.2005
Sale of subsidiaries	(2 719)	-
Sale of associates	17 436	-
Total	**14 717**	**-**

Information about acquisitions and disposals of subsidiaries and associates is available in additional note 54.

16. Other operating income

Other operating income	01.01-31.12.2006	01.01-31.12.2005
Release of provision	11 883	11 246
Sundry income	9 993	10 401
Recovery of non-credit receivables	2 393	1 582
Sales or liquidation of fixed assets, intangible assets and assets for disposal	746	2 808
Received compensations, penalties and fines	452	14
Donations received	143	1 431
Other incl.:	6 478	6 947
Costs of bailiff reimbursement	*1 233*	*1 163*
Selling of rights to perpetuity of land	*1 181*	-
Insurance indemnity received	*800*	*521*
Reimbursements of BFG charges	*674*	*364*
Other	*2 590*	*4 899*
Total	**32 088**	**34 429**

In thousands of PLN

17. Impairment losses on loans and advances

Impairment losses on loans and advances	01.01-31.12.2006	01.01-31.12.2005
Impairment charge	(12 487)	(52 677)
Incurred but not reported losses charge	(22 219)	(812)
Credit related off balance sheet items	8 580	(3 982)
Total	**(26 126)**	**(57 471)**

Amount PLN (12 487) k "impairment charge" includes profit from recoveries of PLN 23 093 k (as at 31.12.2005 - PLN 3 379 k)

18. Employee costs

Employee costs	01.01-31.12.2006	01.01-31.12.2005
Salaries	(461 412)	(422 410)
Salary related costs and provisions	(80 575)	(72 634)
Staff benefits costs	(33 769)	(14 132)
Professional trainings	(15 041)	(9 805)
Retirement fund and holiday provisions	(6 887)	(2 318)
Total	**(597 684)**	**(521 299)**

19. General and administrative expenses

General and administrative expenses	01.01-31.12.2006	01.01-31.12.2005
Maintenance and rentals of premises	(101 319)	(100 227)
IT systems costs	(62 627)	(51 225)
Marketing and public relations	(47 328)	(34 153)
Postal and telecommunication costs	(40 313)	(38 975)
Consulting fees	(25 918)	(25 129)
Car, transport expenses, carriage of cash	(19 571)	(17 795)
Data transmission	(16 018)	(14 535)
Taxes	(13 573)	(13 989)
External services	(12 368)	(15 194)
Business trips	(10 762)	(7 433)
Security costs	(9 191)	(11 219)
Costs of repairs	(7 779)	(4 827)
BFG costs	(3 532)	(3 409)
Others incl.:	(27 798)	(25 957)
KIR, SWIFT etc. settlements	*(8 959)*	*(10 038)*
Stationery	*(8 209)*	*(8 015)*
Printing of cheque books, plastic cards	*(6 976)*	*(6 499)*
Others	*(3 654)*	*(1 405)*
Total	**(398 097)**	**(364 067)**

20. Other operating costs

Other operating costs	01.01-31.12.2006	01.01-31.12.2005
Provisions for legal risk and other assets	(24 231)	(13 845)
Donations paid	(2 339)	(1 605)
Debt recovery costs	(1 977)	(2 607)
Paid compensations, penalties and fines	(405)	(482)
Sundry costs	(369)	(393)
Others incl.:	(3 855)	(4 964)

In thousands of PLN

Provision for non-credit receivables	*(745)*	*(1 330)*
Costs of representation paid to counsellors	*(513)*	(445)
Voluntary membership fees	*(651)*	*(601)*
Cost of legal proceedings	*(315)*	*(80)*
Operating costs from Visa cards transactions	*(124)*	*(130)*
Other	*(1 507)*	*(2 378)*
Total	**(33 176)**	**(23 896)**

21. Income tax charge

Income tax charge	01.01-31.12.2006	01.01-31.12.2005
Current tax charge	179 989	66 987
Deferred tax charge	(27 622)	46 593
Total	**152 367**	**113 580**

Corporate total tax charge information	01.01-31.12.2006	01.01-31.12.2005
Profit/loss before tax	745 162	559 803
Tax rate	19%	19%
Tax calculated at the tax rate	141 581	106 363
Non taxable expenses	21 203	10 795
Non taxable incomes	(20 172)	(13 995)
Other tax burden:		
- provision costs which will not be taxable	5 704	581
- write's off's	1 657	9 520
- other	2 394	316
Total income tax expense	**152 367**	**113 580**

Deferred tax recognised directly in equity		
As at 31 December 2005 the amount of deferred tax recognised directly in equity includes:		
Relating to equity securities available-for-sale	101 355	31 634
Relating to debt securities available-for-sale	17 126	24 557
Total	**118 481**	**56 191**

22. Earning per share

Earning per share	01.01-31.12.2006	01.01-31.12.2005
Profit attributable to ordinary shares	592 795	446 223
Weighted average number of ordinary shares	72 960 284	72 960 284
Basic earnings per share (PLN)	**8,13**	**6,12**
Profit attributable to ordinary shares	592 795	446 223
Weighted average number of ordinary shares	72 960 284	72 960 284
Weighted average number of potential shares	61 957	-
Diluted earnings per share (PLN)	**8,12**	**6,12**

23. Cash and balances with central bank

Cash and balances with central bank	31.12.2006	31.12.2005

Current account in central bank	931 546	67 783
Cash on hand	602 329	503 339
Other cash equivalents	594	1 207
Total	**1 534 469**	**572 329**

The amount of current account in the central bank refers to the monies held in the National Bank of Poland account as the obligatory reserve. This reserve is reduced by equivalence of EUR 500 k. Obligatory reserve for period 30.11.2006-01.01.2007 amounted to PLN 805 004 k (in comparable period of previous year: PLN 717 171 k). For particular month it is calculated as a arithmetical average of a state of bank accounts at the end of each day of the month.

24. Loans and advances to bank

Loans and advances to banks	31.12.2006	31.12.2005
Current accounts	1 693 034	280 270
Loans and advances	1 462 516	3 333 363
Gross receivables	**3 155 550**	**3 613 633**
Impairment write down	(6 283)	(7 566)
Total	**3 149 267**	**3 606 067**

In the item "current accounts" one-day deposits are included.
Fair value of loans and advances to banks is presented in additional note 46.

Movements on impairment losses on receivables from banks	31.12.2006	31.12.2005
Balance at 1 January	(7 566)	(7 566)
Write down of provision	1 283	-
Balance at the end of the period	**(6 283)**	**(7 566)**

25. Financial instruments at fair value through profit and loss account

Financial instruments at fair value through profit & loss account	31.12.2006	31.12.2005
Debt securities	685 255	1 925 330
Government securities:	685 255	1 925 330
- bills	497 460	1 792 789
- bonds	187 795	132 541
Equity securities:	-	282
- listed	-	282
Total	**685 255**	**1 925 612**

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 net trading income.

All financial assets measured at fair value through profit and loss are assigned to this category due to trading character of transactions. Financial assets were not designated to this category at 31 December 2005 and in comparable periods.

26. Derivative financial instruments

Trading derivatives	31.12.2006		31.12.2005	
	Assets	Liabilities	Assets	Liabilities
Interest rate transactions	162 950	118 930	201 701	169 680
IRS	146 520	97 289	188 970	157 044
FRA	16 430	21 641	12 731	12 636
Equity derivatives	15 409	13 019	22 589	14 972

In thousands of PLN

Options long	15 409	13 019	22 589	14 972
Currency derivatives	214 363	125 963	216 839	104 842
FX Swap	119 008	76 183	137 155	71 769
CIRS	70 424	13 735	43 295	2 892
Forward	15 609	25 943	23 589	15 929
Spot	1 302	2 082	580	2 032
Options	8 020	8 020	12 220	12 220
Total trading derivatives	**392 722**	**257 912**	**441 129**	**289 494**

Hedging derivatives	Assets	Liabilities	Assets	Liabilities
IRS	3 008	9 888	2 486	23 662
Total hedging derivatives	**3 008**	**9 888**	**2 486**	**23 662**
Total derivatives	**395 730**	**267 800**	**443 615**	**313 156**

Detailed information about each group of hedging is available in additional note 44.

27. Loans and advances to customers

Loans and advances to customers	31.12.2006	31.12.2005
Loans and advances to individuals, of which:	4 212 350	3 306 295
- real estate financing	*2 562 786*	*2 028 770*
Loans and advances to enterprises	12 302 459	9 908 959
Loans and advances to public sector	222 029	342 450
Other	41 371	34 008
Gross receivables	**16 778 209**	**13 591 712**
Impairment losses in loans and advances to customers	(618 670)	(694 323)
Total	**16 159 539**	**12 897 389**

As at 31.12.2006 fair value adjustment due to hedged risk of corporate loans totalled PLN 6 949 k (As at 31.12.2005 - PLN 18 283k). Fair value of loans and advances to customers is presented in additional note 46.

Movements on impairment recognised on loans and advances to customers	31.12.2006	31.12.2005
Balance at 31st December of previous year	(694 323)	(597 870)
IFRS impact	-	(95 343)
Balance at 1st January of current year	(694 323)	(693 213)
Charge of current period	(306 050)	(145 363)
Write back of current period	271 345	91 874
Write downs and write off's	108 458	50 408
Currency movements	1 900	1 971
Balance at the 31st December	**(618 670)**	**(694 323)**

As at the end of the period closing balance of impairment recognised on loans and advances to clients consisted of:

Impairment charge	523 537	620 529
Incurred but not reported losses	95 133	73 794
Total	**618 670**	**694 323**

In thousands of PLN

28. Reverse repo transactions

Reverse repo transactions	31.12.2006	31.12.2005
Transactions related to equity securities	15 629	15 199
Total	**15 629**	**15 199**

29. Investment securities

Investment securities	31.12.2006	31.12.2005
Available for sale securities - measured at fair value	8 028 392	6 917 015
Debt securities:	7 415 564	6 669 058
Government securities:	6 250 766	5 965 725
- bills	206 627	497 560
- bonds	6 044 139	5 468 165
Central Bank securities:	593 104	604 113
- bonds	593 104	604 113
Other securities:	571 694	99 220
- bonds	537 072	68 049
- other securities	34 622	31 171
Equity securities - measured at fair value:	594 126	232 092
- listed	3 875	6 663
- unlisted	590 251	225 429
Other	18 702	15 865
Total	**8 028 392**	**6 917 015**

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 PLN 1 072 720 k.
As at 31.12.2005 fixed interest rate debt securities measured at fair value amount to PLN 5 793 560 k, variable interest rate securities amount to PLN875 498 k.

As at 31.12.2006 fair value adjustment due to hedged risk totalled PLN 1 305 k.
As at 31.12.2005 fair value adjustment due to hedged risk totalled PLN 3 665 k.

Reclassification of debt securities, presented as held to maturity in comparable periods, to the available for sale portfolio was made at the time of full IRFS adoption, i.e. as at 1 January 2005.

When fair value cannot be reliable determined, Bank Zachodni WBK S.A. carries certain groups of debt and capital instruments at cost, periodically testing for impairment. As at 31.12.2006 group of debt securities amount to PLN 34 622 k (2005 PLN 31 171k) and capital instruments amount to PLN 26 201 k (2004 PLN 26 201k).

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 (net of deferred tax) has been recognised with corresponding increase in the revaluation reserve.
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

Movement on investment securities	Debt securities	Equity securities	Total
As at 1 January 2006	**6 669 058**	**247 957**	**6 990 336**
Additions	2 426 483	5 837	2 440 782
Disposals (sale and redemption)	(1 588 164)	(7 055)	(1 655 505)
Fair value adjustment (AFS)	(39 110)	364 168	331 431
Movements on interest accrued	(40 128)	-	(40 128)
Provision for impairment	-	1 921	1 570
F/X Difference	(12 575)	-	(12 575)
As at 31 December 2006	**7 415 564**	**612 828**	**8 055 911**

Movement on investment securities	Available for sale	Held to maturity	Debt securities-total	Equity securities	Investment securities-total
As at 31 December 2004	**2 616 927**	**2 684 848**	**5 301 775**		**5 301 775**
IFRS impact	2 684 848	(2 684 848)	**-**		**-**
Fair value adjustment (AFS)	20 621	-	20 621		20 621
As at 1 January 2005	**5 322 396**	**-**	**5 322 396**	**266 233**	**5 588 629**
Additions	2 720 370	-	2 720 370	676	2 721 046
Disposals (sale and redemption)	(1 536 216)	-	(1 536 216)	(23 824)	(1 560 040)
Fair value adjustment (AFS)	104 802	-	104 802	(380)	104 422
Movements on interest accrued	57 595		57 595		57 595
Provision for impairment/Reversal of impairment	111	-	111	5 252	5 363
As at 31 December 2005	**6 669 058**	**-**	**6 669 058**	**247 957**	**6 917 015**

In thousands of PLN

30. Investments in subsidiaries and associates

Investments in subsidiaries and associates	31.12.2006	31.12.2005
Subsidiaries	156 962	170 697
Associates	29 356	69 372
Total	**186 318**	**240 069**

Investments in subsidiaries and associates
as at 31.12.2006

	a	b	c	d	e	f						g			h	i
						own funds of entity, of which:						liabilities of entity, of which:				
									other own funds, of which:							
No.	name of entity (and its legal status)	business	registered office	balance sheet value of shares/ interests	total assets	Equity	share capital	due contributions to share capital (negative value)		from previous years	net profit (loss)		short-term	long-term	Revenues	% of holding
1	BZ WBK Inwestycje Sp. z o.o.	trading in shares of commercial companies as well as other securities; seeking investors for companies	Poznań	50	25 727	24 824	50	-	24 774	-	18 851	-	-	-	701	100,00
2	BZ WBK Faktor Sp. z o.o.	financial services, granting credit, market research and public opinion survey, business consulting, holding management	Warszawa	5 119	122 408	5 273	50	-	5 223	(2 859)	1 932	114 274	114 274	-	14 893	100,00
3	BZ WBK Finanse & Leasing SA	leasing and renting of fixed assets	Poznań	37 012	718 178	73 329	37 000	-	36 329	-	9 513	450 343	78 147	372 196	52 839	99,99
4	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	Poznań	47 757	1 118 727	116 255	108 192	-	8 063	(15 762)	19 953	564 981	178 252	386 729	86 627	99,99
5	Dom Maklerski BZ WBK SA	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	Poznań	45 926	1 137 063	133 001	44 974	-	88 027	-	61 355	839 492	839 492	-	182 194	99,99

In thousands of PLN

6	BZ WBK Nieruchomości i Wspólnicy Sp. komandytowa	leasing of fixed assets	Poznań	13 650	26 954	26 941	13 599	-	13 342	7 488	5 853	-	-	-	15 307	99,99
7	BZ WBK Nieruchomości SA	organisation of various events, catering and hotel services, agency services	Poznań	475	735	467	500	-	(33)	(77)	33	-	-	-	460	99,98
8	Brytyjsko-Polskie Towarzystwo Finansowe WBK-CU Sp.z o.o.	distribution of insurance products	Poznań	218	1 745	1 100	350	-	750	-	309	-	-	-	7 157	60,00
9	BZ WBK AIB Asset Management SA	brokerage activities: managing customer's share portfolios (listed and not listed)	Poznań	6 755	126 820	106 418	13 500	-	92 918	-	87 819	-	-	-	125 368	50,00
10	POLFUND - Fundusz Poręczeń Kredytowych S.A.-As at November 2006	providing lending guarantees, investing and managing funds invested in companies, management	Szczecin	8 000	62 571	17 929	16 000	-	1 929	632	997	43 187	73	43 114	2 854	50,00
11	NFI Magna Polonia S.A.-As at September 2006	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	Warszawa	21 356	79 372	77 225	3 554	-	73 671	(35 252)	6 697	2 147	2 147	-	4 729	28,77
	Total			186 318	3 420 300	582 762	237 769	-	344 993	(45 830)	213 312	2 014 424	1 212 385	802 039	493 129	

In thousands of PLN

Investments in subsidiaries and associates
as at 31.12.2005

No.	a	b	c	d	e	f						g			h	i
						own funds of entity, of which:						liabilities of entity, of which:				
									other own funds, of which:							
	name of entity (and its legal status)	business	registered office	balance sheet value of shares/ interests	total assets	Equity	share capital	due contributions to share capital (negative value)		from previous years	net profit (loss)		short-term	long-term and contingent	Revenues	% of holding
1	BZ WBK Inwestycje Sp. z o.o.	trading in shares of commercial companies as well as other securities; seeking investors for companies	Poznań	4 850	20 145	17 710	50	-	17 660	(598)	2 029	-	-	-	3 868	100,00
2	BZ WBK Faktor Sp. z o.o.	financial services, granting credit, market research and public opinion survey, business consulting, holding management	Warszawa	3 088	74 699	3 363	50	-	3 313	(4 183)	1 346	70 790	70 790	-	11 717	100,00
3	BZ WBK Finanse & Leasing SA	leasing and renting of fixed assets	Poznań	37 012	603 974	63 811	37 000	-	26 811	(4 647)	7 404	294 272	31 167	263 105	47 222	99,99
4	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	Poznań	47 757	937 551	96 348	108 192	-	(11 844)	(34 680)	20 609	246 009	33 236	212 773	86 900	99,99
5	Dom Maklerski BZ WBK SA	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	Poznań	45 926	663 233	84 269	44 973	-	39 296	-	31 560	453 653	453 653	-	112 582	99,99
6	BZ WBK Nieruchomości i Wspólnicy Sp. komandytowa	leasing of fixed assets	Poznań	21 849	149 487	29 287	21 799	-	7 488	6 235	1 253	120 173	7 480	112 693	15 391	99,99

In thousands of PLN

7	BZ WBK Nieruchomości SA	organisation of various events, catering and hotel services, agency services	Poznań	253	649	184	250	-	(66)	-	(77)	-	-	-	608	99,96
8	Brytyjsko-Polskie Towarzystwo Finansowe WBK-CU Sp.z o.o.	distribution of insurance products	Poznań	218	1 350	775	350	-	425	-	(71)	-	-	-	5 728	60,00
9	AIB WBK Fund Management Sp. z o.o.	business and management consulting, holding companies' management, accounting activities	Warszawa	2 989	29 388	27 365	2 469	-	24 896	-	10 913	-	-	-	21 022	54,00
10	BZ WBK AIB Asset Management SA	brokerage activities: managing customer's share portfolios (listed and not listed)	Poznań	6 755	54 459	49 813	13 500	-	36 313	(21 069)	32 285	-	-	-	44 197	50,00
11	POLFUND - Fundusz Poręczeń Kredytowych S.A. As at November 2005	providing lending guarantees, investing and managing funds invested in companies, management	Szczecin	8 000	67 991	17 192	16 000	-	1 192	-	761	50 043	43	50 000	1 300	50,00
12	LZPS PROTEKTOR S.A. As at September 2005	production of protective, military and ordinary footwear	Lublin	2 939	27 614	14 253	4 744	-	9 509	-	(1 153)	11 619	11 619	-	14 693	36,07
13	NFI Magna Polonia S.A. As at September 2005	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	Warszawa	58 433	210 609	209 162	3 554	-	205 608	(41 662)	1 431	1 343	1 343	-	5 833	29,67
	Total			240 069	2 841 149	613 532	252 931	-	360 601	(100 604)	108 290	1 247 902	609 331	638 571	371 061	

In thousands of PLN

31. Intangible assets

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	-	-	-	**-**
Impairment/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 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 current 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. The main items are: central platform enlargement and Programme of Optimalization and Automation of Selling Campaigns.

In thousands of PLN

Intangible assets	Licences, patents etc.	Other	Capital expenditures	Total
Year 2005				
Gross value at the beginning of the period	**452 504**	**5 371**	**22 343**	**480 218**
Additions from:				
-purchases	-	-	22 196	**22 196**
-intangible assets taken for use	23 833	604	-	**24 437**
-transfers	-	-	676	**676**
Disposals from:				
-liquidation	(12 823)	-	-	**(12 823)**
-intangible assets taken for use			(24 437)	**(24 437)**
-transfers	-	-		**-**
Gross value at the end of the period	**463 514**	**5 975**	**20 778**	**490 267**
Accumulated depreciation at the beginning of the period	**(244 182)**	**(5 371)**	**-**	**(249 553)**
Depreciation:				
- current year	(83 276)	(82)	-	**(83 358)**
-liquidation	11 256	-	-	**11 256**
-transfers	(1 884)	-	-	**(1 884)**
Accumulated depreciation at the end of the period	**(318 086)**	**(5 453)**	**-**	**(323 539)**
Book Value				
Purchase value	463 514	5 975	20 778	**490 267**
Accumulated depreciation	(318 086)	(5 453)	-	**(323 539)**
As at 31 December 2005	**145 428**	**522**	**20 778**	**166 728**

Transfer concerns: 1/ separating capital expenditures connected with tangible and intangible assets 2/ separating impairment losses connected with tangible and intangible assets release of provision (transfer of impairment losses). The value of intangible assets is mostly relates to Integrated Centralised Banking System presented. It is a core system for BZWBK branches since 2002. Its net book value at the end of the period amounted to PLN 103 951 k (excluding modifications).

In thousands of PLN

32. Property, plant and equipment

Property, plant & equipment	Land and Buildings	Equipment	Transportation means	Other fixed assets	Capital expenditures	Total
Year 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 us	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 us	-	-	-	-	(26 560)	**(26 560)**
-transfers	-	-	-	-	-	**-**
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 one piece of properties of the bank. Gains on this sale amounted to PLN 132 k. Sale revenue from other real estate -especially flats- amounted to PLN 261 k.

In thousands of PLN

Property, plant & equipment	Land and Buildings	Equipment	Transportation means	Other fixed assets	Capital expenditures	Total
Year 2005						
Gross value at the beginning of the period	**546 323**	**326 534**	**26 990**	**235 306**	**15 491**	**1 150 644**
Additions from:						
-purchases	-	-	-	-	42 545	**42 545**
-leasing	-	-	5 082	-	-	**5 082**
-fixed assets taken for us	1 738	27 953	-	19 809	-	**49 500**
-transfers	-	-	-	10	-	**10**
Disposals from:						
- sale, liquidation and donation	(4 100)	(18 346)	(6 566)	(22 386)	-	**(51 398)**
-fixed assets taken for us	-	-	-	-	(49 500)	**(49 500)**
-transfers	4 408	94	-	365	(1 139)	**3 728**
Gross value at the end of the period	**548 369**	**336 235**	**25 506**	**233 104**	**7 397**	**1 150 611**
Accumulated depreciation at the beginning of the period	**(161 650)**	**(265 242)**	**(12 472)**	**(148 402)**	-	**(587 766)**
Depreciation:						
- current year	(21 824)	(48 712)	(4 868)	(22 175)	-	**(97 579)**
- sale, liquidation and donation	1 200	18 327	5 649	16 236	-	**41 412**
-transfers	(1 355)	(83)	-	5 199	-	**3 761**
Impairment write down	-	-	-	(951)	-	**(951)**
Reversal of impairment write down	-	-	-	1 488	-	**1 488**
Accumulated depreciation at the end of the period	**(183 629)**	**(295 710)**	**(11 691)**	**(148 605)**	**-**	**(639 635)**
Book Value						
Purchase value	548 369	336 235	25 506	233 104	7 397	**1 150 611**
Accumulated depreciation	(183 629)	(295 710)	(11 691)	(148 605)	-	**(639 635)**
As at 31 December 2005	**364 740**	**40 525**	**13 815**	**84 499**	**7 397**	**510 976**

The opening balance was adjusted by perpetual usufruct value, which has been qualified to operating lease and assets held for sale. Transfers concerns: 1/ reclassification one piece of properties from assets held for sale to fixed assets (transfer of gross value and impairment losses), 2/ separating capital expenditures connected with tangible and intangible assets, 3/ reclassification one of properties to assets held for sale, 4/ separating impairment losses connected with tangible and intangible assets, release of provision.

In thousands of PLN

33. Deferred tax assets

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
Specific provisions which are not yet taxable costs	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
Other	28 972	1 072		30 044
Total	**402 407**	**8 821**	**(64 720)**	**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.

Deferred tax asset	31.12.2004	Increase	Decrease	31.12.2005
Unrealized deposit interest	22 967	-	(4 852)	18 115
Unrealized securities interest	13 188	13 776	-	26 964
Unrealized liabilities due to derivatives	163 168	-	(24 960)	138 208
Specific provisions which are not yet taxable costs	165 656	-	(31 048)	134 608
Other provisions which are not yet taxable costs	47 430	-	(7 183)	40 247
Additional deferred tax assets resulting from art. 38 a of Corporate Tax Act	14 808	485	-	15 293
Other	15 094	13 878	-	28 972
Total	**442 311**	**28 139**	**(68 043)**	**402 407**

As at 31 December 2005 calculation of deferred tax asset did not taken into account bought receivables of PLN 21 949 k and loans that will not be realised of PLN 3 060 k.

34. Other assets

Other assets	31.12.2006	31.12.2005
Prepayments	16 500	17 624
Sundry debtors	84 067	76 049
Assets held for sale	17 053	17 420
Interbank and interbranch settlements	152 056	61 779
Other	55	56
Total	**269 731**	**172 928**

Assets held for sale -BZWBK

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

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

31 December 2005	Gross value	Impairment loss	Carrying value
Land and buildings	22 376	(7 078)	15 298
Other assets	2 149	(27)	2 122
Total	**24 525**	**(7 105)**	**17 420**

Opening balance for 2005 was decreased by the real estate held for sale. During 2005 four properties were sold, one was qualified as held for sale, one was reclassified as tangible assets (intention of selling it was abandoned).

In thousands of PLN

35. Deposits from banks

Deposits from banks	31.12.2006	31.12.2005
Deposits	371 635	651 601
Current accounts	191 914	667 632
Loans from other banks	174 000	-
Other		258
Total	**737 549**	**1 319 491**

As at 31.12.2006 fair value adjustment for hedged deposit totalled PLN nil k (2005 - PLN 85 k)
Fair value of deposits from banks is presented in additional note 46.

36. Deposit from customers

Deposits from customers	31.12.2006	31.12.2005
Deposits from individuals	11 694 510	10 886 972
- current accounts	3 908 725	2 731 847
- term deposits	7 733 698	8 120 242
- other	52 087	34 883
Deposits from enterprises	11 201 073	8 618 483
- current accounts	6 818 344	5 112 402
- term deposits	3 927 934	3 107 462
- other	19 381	69 234
- credits	435 414	329 385
Deposits from public sector	1 619 775	1 464 412
- current accounts	1 265 565	1 172 527
- term deposits	353 237	291 243
- other	973	642
Total	**24 515 358**	**20 969 867**

As at 31.12.2006 deposits held as collateral totalled PLN 175 871 k.
As at 31.12.2005 deposits held as collateral totalled PLN 167 869 k.
Fair value of deposits from customers is presented in additional note 46.

37. Repo transactions

Repo transactions	31.12.2006	31.12.2005
Banks	1 227 601	976 476
Other entities	3 081	23 065
Total	**1 230 682**	**999 541**

The transaction relates to State Treasury securities (bond and bills).

38. Debt security in issue

Debt security in issue	Average coupon		Nominal value	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
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			**95 897**	**93 035**

In thousands of PLN

As at 31.12.2006 the nominal value was increased by interest of PLN 15 539 k and bond valuation of PLN 1 439 k related to hedging activities. As at 31.12.2005 the nominal value was increased by interest of PLN 10 367 k and bond valuation of PLN 3 749 k related to hedging activities.

39. Deferred tax liabilities

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**

Deferred tax liability	31.12.2004	Increase	Decrease	31.12.2005
Unrealised interests from securities and interbank deposits	59 703	-	(12 659)	47 044
Unrealised loans interests	8 379	4 541	-	12 920
Unrealised receivables on derivatives	149 700	-	(8 829)	140 871
Provision due to application of investment relief	6 467	-	(1 444)	5 023
Valuation of assets available for sale	36 249	19 942	-	56 191
Other	29 888	11 491	-	41 379
Total	**290 386**	**35 974**	**(22 932)**	**303 428**

40. Other liabilities

Other liabilities	31.12.2006	31.12.2005
Sundry creditors	86 010	68 641
Accrued expenses	71 270	62 118
Other deferred and suspended income	50 160	64 709
Interbank and interbranch settlements	307 792	408 439
Provisions, incl.:	124 522	99 993
Employee provisions	*95 765*	*78 134*
Provisions for off balance sheet credit facilities	*3 238*	*11 818*
Provisions for legal claims	*25 519*	*10 041*
Total	**639 754**	**703 900**

On the day of full adoption of IFRS on 01.01.2005 Bank Zachodni WBK S.A. seized recognizing a provision for banking general risk.

In thousands of PLN

Movements on provisions	31.12.2006	31.12.2005
As at 31 December	**99 993**	**161 900**
Provisions for off balance sheet credit facilities	11 818	7 539
General risk provision	-	72 537
Employee provisions and accruals	78 134	74 114
Provisions for legal claims	10 041	7 710
IFRS impact	**-**	**(72 247)**
Provisions for off balance sheet credit facilities	-	290
General risk provision	-	(72 537)
Employee provisions and accruals	-	-
Provisions for legal claims	-	-
As at 1 January	**99 993**	**89 653**
Provisions for off balance sheet credit facilities	11 818	7 829
Employee provisions and accruals	78 134	74 114
Provisions for legal claims	10 041	7 710
Provision charge	**104 747**	**103 527**
Provisions for off balance sheet credit facilities	2 323	14 551
Employee provisions and accruals	86 026	79 982
Provisions for legal claims	16 398	8 994
Utilisation	**(68 384)**	**(76 098)**
Provisions for off balance sheet credit facilities	-	7
Employee provisions and accruals	(68 384)	(75 962)
Provisions for legal claims	-	(143)
Write back	**(11 834)**	**(17 089)**
Provisions for off balance sheet credit facilities	(10 903)	(10 569)
Employee provisions and accruals	(11)	-
Provisions for legal claims	(920)	(6 520)
As at the end of the period	**124 522**	**99 993**
Provisions for off balance sheet credit facilities	3 238	11 818
Employee provisions and accruals	95 765	78 134
Provisions for legal claims	25 519	10 041

The Bank 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 are described in note 56.

41. 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 reported periods.

In thousands of PLN

According to the information available to the Bank's Management Board, as at 31.12.2006 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

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.

42. Other reserve funds

Other reserve funds	31.12.2006	31.12.2005
General banking risk fund	529 810	529 810
Share premium	261 699	261 699
Other reserve capitals	994 235	1 158 887
Total	**1 785 744**	**1 950 396**

Other funds

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.

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 (supplementary) capital include a part of revaluation fund that refers to fixed assets disposed, sold or transferred that were subject to revaluation reserve by increasing revaluation fund.
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.

43. Revaluation reserve

Revaluation reserve	31.12.2006
As at 31 December 2005	239 495
Net change in available for sale investments, of which:	336 218
- related to debt investments purchased before current reporting period	(37 546)
- related to equity investments purchased before current reporting period	367 007
- related to investments purchased	6 757
Net change in available for sale investments matured during the period	(10 020)
Decrease in revaluation reserve related to sale of investments	(678)
Decrease in revaluation reserve related to hedge accounting	2 377
Deferred tax adjustment	(62 290)
Total	**505 102**

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 (net of deferred tax) has been recognised with corresponding increase in the revaluation reserve.

Revaluation reserve	31.12.2005
As at 31 December 2004	154 534
Impact of IFRS	20 621
As at 01 January 2005	175 155
Net change in available for sale investments, of which:	99 206
- related to debt investments purchased before current reporting period	47 058
- related to equity investments purchased before current reporting period	105
- related to investments purchased during the period	52 043
Net change in available for sale investments matured during the period	(8 179)
Decrease in revaluation reserve related to sale of investments	(6 005)
Decrease in revaluation reserve related to hedge accounting	(740)
Deferred tax adjustment	(19 942)
Total	**239 495**

In thousands of PLN

Revaluation reserve comprises equity from the valuation of financial assets available for sale and from the valuation of tangible fixed assets. 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.

44. Hedge accounting

Bank Zachodni WBK applies hedge accounting in line with the risk management assumptions described note 7 of annual financial statements. Hedging transactions are constructed using interest rate swaps. Their purpose is to eliminate 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,
- Fixed rate loans denominated in foreign currency, forming a portfolio of assets covered with an interest rate hedge
- Fixed rate debt securities, forming a group of assets covered with an interest rate hedge

The hedged and hedging items are measured at fair value using the discounted future cash flows method or measured at amortised cost including fair value adjustment.

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

	IRS hedging own bonds	IRS hedging corporate loans	IRS hedging Treasury bonds
Nominal value of hedged position	PLN 78 918 k	PLN 289 009 k	PLN 375 000 k
Fair value adjustment difference of hedging instrument (asset)/liability	PLN 1 436 k	PLN (7 078) k	PLN (1 238) k
Fair value adjustment of hedged instrument asset/(liability)	PLN (1 439) k	PLN 6 949 k	PLN 1305 k
Period over which the instruments have an impact on the bank's results	2006 – 2008	2006 – 2011	2006 – 2011

45. 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 2006, the balance sheet contains treasury bills and bonds traded under sell-buy-back transactions in the amount of PLN 1 225 264 k (PLN 964 730 k as at 31 December 2005). 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 1 230 682 k (PLN – 999 541 k as at 31 December 2005).

In thousands of PLN

46. 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.

	2006		2005	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Loans and advances to banks	3 149 267	3 150 798	3 606 067	3 610 925
Loans and advances to customers	16 159 539	16 166 878	12 897 389	12 943 812
Liabilities				
Deposits from banks	737 549	737 635	1 319 491	1 320 363
Deposits from customers	24 515 358	24 501 316	20 969 867	20 940 809

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. 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.

In thousands of PLN

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.

47. Contingent liabilities

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

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 888k 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.

As at 31 December 2005, 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 290 300 k, which is ca. 9,10% of the Bank's equity. This amount includes PLN 70 148k claimed by the Bank, PLN 46 243 k in claims against the Bank and PLN 173 909 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	31.12.2006	31.12.2005
Liabilities sanctioned	**7 812 302**	**5 750 892**
-financing-related	**7 064 149**	**4 937 346**
including: import letters of credit	94 447	54 032
including: credit lines	6 368 254	4 524 908
including: credit cards debits	439 255	358 406
including: term deposits with future commencement term	162 193	-
-guarantees	**748 153**	**813 546**
including: confirmed export letters of credit	1 880	2 630
Received liabilities	**68 129**	**24 238**
Total	**7 880 431**	**5 775 130**

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

In thousands of PLN

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.

	Derivatives' nominal values	31.12.2006	31.12.2005
1.	**Derivatives (hedging)**	**1 486 018**	**1 144 942**
a)	Single-currency interest rate swaps – purchased amounts	743 009	572 471
b)	Single-currency interest rate swaps – sold amounts	743 009	572 471
2.	**Term derivatives (trading)**	**136 761 943**	**97 952 670**
a)	Interest rate operations	119 364 670	78 931 768
-	Single-currency interest rate swaps – purchased amounts	38 807 335	16 915 884
-	Single-currency interest rate swaps – sold amounts	38 807 335	16 915 884
-	FRA-purchased amounts	19 650 000	24 600 000
-	FRA-sold amounts	22 100 000	20 500 000
b)	FX operations	17 397 273	19 020 902
-	FX swap – purchased amounts	7 193 754	8 493 174
-	FX swap – sold amounts	7 157 445	8 420 063
-	Double-currency interest rate swaps – purchased amounts	1 550 962	1 072 912
-	Double-currency interest rate swaps – sold amounts	1 495 112	1 034 753
3.	**Currency transactions-spot**	**3 850 694**	**2 359 361**
	spot-purchased	1 924 957	1 178 956
	spot-sold	1 925 737	1 180 405
4.	**Derivatives – OTC options**	**918 168**	**939 250**
-	Options purchased	543 528	616 502
-	Options sold	374 640	322 748
Total		**143 016 823**	**102 396 223**

48. Assets pledged as collateral

Bank is obliged to set up a guaranteed funds protection fund. For the purpose as at 31 December 2006 Bank Zachodni WBK S.A. pledged as collateral PLN 58 249 k of debt securities (PLN 39 896 k in year 2005).
At the end of 2006 the Group drawn a Lombard loan from NBP in the amount of PLN 174 000 k. It is secured with corresponding amount of bonds.

49. Trust activities

Bank Zachodni WBK S.A. provides custodian services in accordance with Stock Exchange Commission license of 09 August 1999. The Bank's custodian services are addressed to residents - private individuals and legal enterprises (incl. investment funds) - and to foreign institutional investors present on the Polish capital market.

In thousands of PLN

They involve, 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 acts as a depository for following investment funds: Fundusz Inwestycyjny ARKA BZ WBK Obligacji FIO, ARKA BZ WBK GLOBAL INDEX 2007 FIZ and LUKAS Fundusz Stabilnego Wzrostu FIO, managed by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A.
As at the end of 2006 assets held by clients at the Bank Zachodni WBK S.A. securities accounts increased by 39% and totalled PLN 7 531 764 k (PLN 5 420 114 k in 2005).

50. 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 and other equipment.

Finance leases gross liabilities (maturity)	31.12.2006	31.12.2005
less then 1 year	6 097	4 988
Between 1 and 5 years	9 550	10 557
Total	**15 647**	**15 545**

Present value of lease payments (maturity)	31.12.2006	31.12.2005
less then 1 year	5 438	4 294
Between 1 and 5 years	8 459	9 168
Total	**13 897**	**13 462**

Reconciliation between the gross investment and the present value of minimum lease payments	31.12.2006	31.12.2005
Finance leases gross liabilities	15 647	15 545
Unearned financial costs	(1 750)	(2 083)
Present value of minimum lease payments	**13 897**	**13 462**

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. Leasing payments are indexed on an annual basis so that the price reflects market values. A small part of the offices is subleased outside the Bank. In 2005 and 2006 rentals related to mentioned real estates totaled PLN 16 030k and PLN 16 645k 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.

In thousands of PLN

Payments (maturity)	31.12.2006	31.12.2005
less then 1 year	20 583	21 985
between 1 and 5 years	56 696	77 903
over 5 years	63 285	72 121
Total	**140 565**	**172 009**

51. Cash flow statement- additional information

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

Cash components	31.12.2006	31.12.2005
Cash on hand	602 329	503 339
Current account in a central bank	931 546	67 783
Other cash equivalents	594	1 207
Current accounts in other banks	8 247	19 055
Total	**1 542 716**	**591 384**

52. 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.

Receivables and liabilities relating to transactions with connected entities

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
Derivative financial instruments	81	-	58 465	58 546
Loans and advances to customers	395 466	-	-	395 466
Investment securities	-	-	371 218	371 218
Other assets	13 210	-	-	13 210
Total	**408 757**	**-**	**713 955**	**1 122 712**

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
Derivative financial instruments	18 461	-	54 019	72 480
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**	**78 703**	**1 383 299**

In thousands of PLN

31.12.2005

Receivables	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Loans and advances to banks	-	-	408 889	408 889
Derivative financial instruments	-	-	55 958	55 958
Loans and advances to customers	359 876	-	-	359 876
Other assets	6 067	-	-	6 067
Total	**365 943**	**-**	**464 847**	**830 790**

Liabilities	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Deposits from banks	-	-	2 732	2 732
Derivative financial instruments	27 669	-	55 264	82 933
Deposits from clients	580 583	118 132	-	698 715
Other liabilities	14 147	-	14 415	28 562
Total	**622 399**	**118 132**	**72 411**	**812 942**

Revenues and expenses relating to transactions with connected entities
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
Gains on hedge accounting activities	-	-	1 023	1 023
Gains from financial instruments measured at fair value through profit and loss	-	-	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
Bank's operating expenses and management costs	820	-	-	820
Total	**33 093**	**3 775**	**87**	**36 955**

1.01.2005- 31.12.2005

Income	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Interest and similar income	13 421		22 801	36 222
Fee and commission income	35 819		-	35 819
Other operating income	5 491	15	-	5 506
Gains from financial instruments measured at fair value through profit and loss	-	-	9 066	9 066
Total	**54 731**	**15**	**31 867**	**86 613**

In thousands of PLN

Expenses	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Interest expense and similar charges	27 781	2 128	90	29 999
Fee and commission expense	592	11	-	603
Gains from investment in securities	-	-	3 462	3 462
Other operating expenses inc.:	1 194	-	34 692	35 886
Bank's operating expenses and management costs	1 194		34 692	35 886
Total	**29 567**	**2 139**	**38 244**	**69 950**

Off balance sheet positions relating to transactions with connected entities

31.12.2006

Intragroup transactions - off-balance sheet liabilities	of which from subsidiaries	of which from associates	Total
1. Received/Sanctioned contingent liabilities	**1 883 994**	**-**	**1 883 994**
- financing-related	1 633 904	-	1 633 904
- guarantees	250 090		250 090

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

31.12.2005

Intragroup transactions - off-balance sheet liabilities	of which from subsidiaries	of which from associates	Total
1. Received/Sanctioned contingent liabilities	**1 837 841**	**6 000**	**1 843 841**
- financing-related	1 718 164	-	1 718 164
- guarantees	119 677	6 000	125 677

Intragroup transactions - Derivatives' nominal values	of which from subsidiaries	of which from associates	Total
2. Derivatives' nominal values, including:	**734 867**	**-**	**734 867**
-Financial instruments operations-double-currency interest rate swaps	30 192	-	30 192
-Financial instruments operations-single-currency interest rate hedging swaps	704 675	-	704 675

In thousands of PLN

TRANSACTIONS WITH EXECUTIVES

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

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	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	-

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**

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 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 from the awards totalled PLN 3,747 k. Provision raised on the occasion in 2005 and utilised in 2006 totalled PLN 3,050 k.

*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 59 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	***2006***
Outstanding at 1 January	**-**
Granted	23 494
Forfeited	-
Exercised	-
Expired	-
Outstanding at 31 December	**23 494**
Exercisable at 31 December 2006	**-**

In thousands of PLN

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.

31.12.2005

Remuneration paid to the members of Bank Zachodni WBK Supervisory Board

First and last name	Position	amount (PLN'000)
Aleksander Szwarc	Chairman of the Supervisory Board since 14.04.2005	118,0
Marian Górski	Chairman of the Supervisory Board until 14.04.2005	57,8
John Power	Member of the Supervisory Board	126,8
Waldemar Frąckowiak	Member of the Supervisory Board	107,6
Don Godson*	Member of the Supervisory Board	60,2
Aleksander Galos	Member of the Supervisory Board	111,6
Jacek Ślotała	Member of the Supervisory Board	82,6
Kieran Crowley	Member of the Supervisory Board	43,9
Total		**708,5**

* Mr Don Godson donated his remuneration in full amount to BZ WBK charity fund.

Members of the Supervisory Board who decided not to be remunerated.

First and last name	Position	amount (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	01.01-31.12.2005	1 397,4	177,2	1 574,6
Cornelius O'Sullivan*	First Vice President of the Management Board	01.01-30.04.2005	2 078,1	1 157,9	3 236,0
Declan Flynn*	Member of the Management Board	01.01-31.12.2005	1 793,0	869,0	2 662,0
Michał Gajewski	Member of the Management Board	01.01-31.12.2005	842,4	36,4	878,8
Aleksander Kompf	Member of the Management Board	21.06-31.12.2005	175,0	22,9	197,9
Justyn Konieczny	Member of the Management Board	01.01-31.12.2005	851,1	154,7	1 005,8
Janusz Krawczyk	Member of the Management Board	01.01-31.12.2005	775,2	72,4	847,6
Jacek Marcinowski	Member of the Management Board	01.01-31.12.2005	784,1	30,4	814,5
Mateusz Morawiecki	Member of the Management Board	01.01-31.12.2005	852,0	31,1	883,1
James Murphy*	Member of the Management Board	01.01-31.12.2005	999,7	447,7	1 447,4
Feliks Szyszkowiak	Member of the Management Board	01.01-31.12.2005	784,1	15,9	800,0
Total					**14 347,7**

The amount of remuneration and awards paid to the Management Board Members of Bank Zachodni WBK S.A. includes: basic salary for 2005, awards for 2004. Benefits include: any payment on termination of employment contract or retirement, annual leave equivalent, costs of insurance, costs of accommodation, costs of health care etc. Awards for 2005 have not been included as they have not yet been determined and approved by the Supervisory Board. Performance awards for 2005 are not expected to be materially different to the level of 2004 performance awards.

*In respect of Messrs O'Sullivan, 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 2005, 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 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 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 21 k. 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.

31 December 2005

As of 31.12.2005, 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 9 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 2 791 k and CHF 23 k. These facilities have been sanctioned on regular terms and conditions.

TRANSACTIONS WITH EMPLOYEES

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.

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.

In thousands of PLN

31 December 2005

As of 31.12.2005, the total of loans and advances drawn by BZWBK S.A. employees was PLN 135 776 k (including the debt of PLN 12 370 k shown in joint accounts) and PLN 12 962 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 18 267 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 96 301 k, (of which joined current accounts - PLN 25 605 k), Amount relating to employees of subsidiaries and associates totalled PLN 7 684 k.

53. Information of number and value of banking writs of execution

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

In 2005 Bank issued 1 498 banking writs of execution with total amount of PLN 68 524 k, of which:
- cash loans and overdrafts – 417 cases of PLN 10 378 k,
- credit cards - 901 cases of PLN 3 677 k
- mortgage loans - 52 cases of PLN 5 767 k
- corporate loans - 128 cases of PLN 48 702 k

54. Acquisitions and disposals of investments

Disposals in 2006	Net assets	Revenue	Gains/loss on sale
AIB WBK Fund Management Sp. z o.o.	2 989	270	(2 719)
Lubelskie ZakładyPrzemysłu 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**

Sale of AIB WBK Fund Management Sp. z o.o

On 10 May 2006 Bank Zachodni WBK S.A. sold 13 331 shares of AIB WBK Fund Management Sp. z o.o., with the total nominal value of PLN 1 333 100.00 representing 54% of the share capital and 54% of votes at the AGM of AIB WBK Fund Management Sp. z o.o.

The shares sale price was set at PLN 270 000 PLN. The first price installment of PLN 135 000 was paid on the day of signing an agreement on transferring ownership of the said shares, the second installment of PLN 135 000 was paid in 29 November 2006. Total amount of loss on sale was 2 719 PLN k.

Sale of shares of associate company LZPS PROTEKTOR S.A.

On 27 January 2006 BZ WBK S.A. sold, in package transactions on the Warsaw Stock Exchange, 586 416 shares of the Company with the nominal value of PLN 3 each which represent 36.07% of the Company's share capital and the total number of votes at the AGM. Total amount of the transaction was PLN 13 245 k and total amount of profit was PLN 10 014 k. Currently BZWBK doesn't have any shares of the company.

Transfer of ownership right outside the regulated market from BZWBK S.A. securities account to NFI Magna Polonia S.A. securities account

On 5 July 2006, ownership right was transferred outside the regulated market with regard to 5 570 261 NFI Magna Polonia S.A. shares from BZ WBK S.A. securities account to NFI Magna Polonia S.A. securities account. Selling price of one share was PLN 8 whereas cost of purchase of those shares totalled PLN 37 096 k.
The shares were purchased by NFI for redemption to deliver the Act 8/2006 of NFI Magna Polonia S.A. Extraordinary General Meeting of Shareholders of 13 April 2006 in which the Management Board was authorized to purchase NFI Magna Polonia S.A. shares for redemption.

55. Investments in joint ventures

As at 31 December 2006 the companies from the BZ WBK were not involved in any joint-venture activities.

56. 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),
- Other long-term employee benefits (jubilee bonuses, disability pensions, training or scholarship leaves – if these are paid leaves longer than 12 months from the balance sheet date).

Within these categories, Bank Zachodni WBK S.A. 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.

In thousands of PLN

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 jubilee awards, 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	31.12.2006	31.12.2005
Provisions for accrued holiday leaves	16 618	13 138
Provisions for employee bonuses	54 678	44 243
Provisions for retirement allowances	21 815	18 409
Other staff-related provisions	2 654	2 344
Total	**95 765**	**78 134**

57. Share based payments

During 2006 BZWBK Group 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 and will be realised by distribution of shares only.

25% of shares will vest if compounded EPS performance over the three year period exceeds the growth in Consumer Price Index (CPI) plus 5% per annum with up to 100% vesting on a straight-line scale if compounded EPS performance over the three year period exceeds CPI plus 12% p.a..

During 2006 conditional awards of 132 476 shares were granted to no more the 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.

Number of share based payments	132 476
Exercise price	10
Vesting period	3 y
Volatility	37,38 %
Award life	3 y
Risk free rate	4,60 %
Fair value per award	PLN 150,60

In thousands of PLN

The following table summarizes the share based payments activity over the year 2006

	2006	
	Number of share based payments	**Weighted average exercise**
Outstanding at 1 January 2006	-	-
Granted	132 476	10
Exercised	-	-
Forfeited	(4 253)	10
Expired	-	-
Outstanding at 31 December 2006	128 223	10
Exercisable at 31 December 2006	**-**	**-**

For the share based payments outstanding as at 31 December 2006 the exercise price equal 10 PLN and remaining contractual life is approximately 2.25 years.

The total expense recognized for year 2006 amounts to PLN 3 223 k.

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

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 Bank Zachodni WBK with a break-down according to education:

Education	No. of staffs	Structure %
University/college degree	4 539	60,42
High school degree	2 816	37,49
Vocational	29	0,39
Other	128	1,70
Total	**7 512**	**100**

31 December 2005

As at 31 December 2005 the Bank employed 7 252 persons, i.e. 7 204 FTE's.

In 2005, the average staffing level in Bank Zachodni WBK was 7 127 FTE's.

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

In thousands of PLN

Education	No. of staffs	Structure %
University/college degree	4 309	59,4
High school degree	2 818	38,8
Vocational	33	0,5
Other	92	1,3
Total	**7 252**	**100**

59. Events after the balance sheet date

Authorization for issue of financial statements

The unconsolidated financial statements were authorised for issue on 19th of February 2007 by the Management Board of Bank Zachodni WBK S.A.

Convening the Annual General Meeting of Shareholders

Bank Zachodni WBK S.A. advised that the Bank's Management Board has convened the Annual General Meeting of Shareholders for 17th April 2007.

Incentive Scheme II for the Senior Management of Bank Zachodni WBK SA and its subsidiaries

The Management Board of Bank Zachodni WBK SA, as requested by the Supervisory Board, undertook actions aimed at implementing, as of the year 2007, the Incentive Scheme II for the Senior Management of Bank Zachodni WBK SA and its subsidiaries. The Scheme will consist in allocating bonds with pre-emptive rights to the Company's managerial cadre.

60. Dividend per share

As at 31.12.2006 Bank Zachodni WBK will propose an allocation to dividends 73,9 % of net profit of PLN 437 761 704 i.e. PLN 6,00 per one share (PLN 6,00 in 2005). Outstanding profit of PLN 155 033 626,97 will be allocated to other reserve capital. Number of shares totalled 72 960 284.

61. Accounting estimates and judgements

Impairment of financial assets

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. It is not necessary to identify a single, discrete event that caused the impairment. Rather the combined effect of several events

may have caused the impairment. The Bank makes judgements whether there is indications of objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset.
If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost 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). The calculation of the present value of the estimated future cash flows requires judgement by management. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly and updated where appropriate. In addition back testing is performed to compare actual and estimates of loan losses.
Where there is any objective evidence that available-for-sale investments may be impaired, the Bank creates appropriate impairment charges.
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 even though the financial asset has not been derecognised. 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 repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss. 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.

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 derivatives

The fair value of derivatives not quoted on active markets is determined using valuation techniques. If valuation techniques are used to determine the fair values, these methods are periodically assessed and verified. All the models are approved before application. As far as possible, only observable data are used in the models, although in some areas, the entity's management must use estimates. Changes in the assumptions relating to the estimated factors may affect the fair values of derivatives disclosed.

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**
2007-02-19	Jacek Kseń	President	
2007-02-19	Declan Flynn	Member	
2007-02-19	Michał Gajewski	Member	
2007-02-19	Justyn Konieczny	Member	
2007-02-19	Janusz Krawczyk	Member	
2007-02-19	Jacek Marcinowski	Member	
2007-02-19	Mateusz Morawiecki	Member	
2007-02-19	James Murphy	Member	
2007-02-19	Marcin Prell	Member	
2007-02-19	Feliks Szyszkowiak	Member	
Signature of a person who is in charge of keeping the accounts			
Date	**Name**	**Function**	**Signature**
2007-02-19	Wanda Rogowska	Financial Accounting Area Director	