Consolidated financial statements of Bank Zachodni WBK Group for 1Q 2008

In thousands of PLN

	FINANCIAL HIGHLIGHTS	PLN		EUR	
		01-01-2008 - 31-03-2008	01-01-2007 - 31-03-2007	01-01-2008 - 31-03-2008	01-01-2007 - 31-03-2007
	Consolidated financial statements				
I	Interest and similar income	688 473	455 458	193 533	116 596
II	Fee and commission income	411 314	421 693	115 622	107 952
III	Operating profit	348 584	366 490	97 988	93 820
IV	Profit before tax	348 525	366 413	97 972	93 801
V	Net profit attributable to the Company's equity holders	243 101	260 612	68 337	66 716
VI	Total net cash flow	(784 752)	(430 626)	(220 597)	(110 239)
VII	Total assets	44 882 295	35 268 159	12 729 677	9 114 397
VIII	Deposits from banks	5 178 306	3 703 476	1 468 690	957 094
IX	Deposits from customers	32 171 721	24 777 960	9 124 659	6 403 401
X	Total liabilities	40 114 045	30 941 190	11 377 289	7 996 173
XI	Total equity	4 768 250	4 326 969	1 352 388	1 118 224
XII	Minority interest	177 065	112 049	50 220	28 957
XIII	Net profit attributable to the Minority	33 420	32 622	9 395	8 351
XIV	Number of shares	72 960 284	72 960 284		
XV	Net book value per share in PLN/EUR	65,35	59,31	18,53	15,33
XVI	Solvency ratio	10,56%	13,87%		
XVII	Profit (loss) per share in PLN/ EUR	3,33	3,58	0,94	0,92
XVIII	Diluted earnings (loss) per share in PLN/EUR	3,33	3,57	0,94	0,91
XIX	Declared or paid dividend per share in PLN/EUR	3,00	6,00	0,84	1,54
	Stand alone financial statements				
XX	Interest and similar income	644 002	425 608	181 032	108 954
XXI	Fee and commission income	253 217	236 288	71 180	60 489
XXII	Operating profit	327 910	333 642	92 177	85 411
XXIII	Profit before tax	327 910	333 642	92 177	85 411
XXIV	Net profit (loss)	278 466	286 980	78 278	73 466
XXV	Total net cash flow	(779 122)	(431 666)	(219 014)	(110 505)
XXVI	Total assets	42 714 473	33 248 817	12 114 832	8 592 536
XXVII	Deposits from banks	3 718 602	2 893 422	1 054 683	747 751
XXVIII	Deposits from customers	32 619 756	25 084 723	9 251 732	6 482 678
XXIX	Total liabilities	38 577 115	29 354 068	10 941 379	7 586 011
XXX	Equity attributable to the Company's equity holders	4 137 358	3 894 749	1 173 452	1 006 525
XXXI	Number of shares	72 960 284	72 960 284		
XXXII	Net book value per share in PLN/EUR	56,71	53,38	16,08	13,80
XXXIII	Solvency ratio	9,27%	12,24%		
XXXIV	Profit (loss) per share in PLN/ EUR	3,82	3,94	1,07	1,01
XXXV	Diluted earnings (loss) per share in PLN/EUR	3,81	3,93	1,07	1,01
XXXVI	Declared or paid dividend per share in PLN/EUR	3,00	6,00	0,84	1,54

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In thousands of PLN

1. Consolidated income statement

for the reporting periods:	01-01-2008 31-03-2008	01-01-2007 31-03-2007
Interest and similar income	688 473	455 458
Interest expense and similar charges	(312 744)	(165 396)
Net interest income	**375 729**	**290 062**
Fee and commission income	411 314	421 693
Fee and commission expense	(62 018)	(54 714)
Net fee and commission income	**349 296**	**366 979**
Dividend income	13	10
Net trading income and revaluation	20 783	16 701
Gains (losses) from other financial securities	(393)	4 692
Other operating income	15 022	10 206
Impairment losses on loans and advances	(5 966)	20 645
Operating expenses incl.:	(405 900)	(342 805)
Bank's staff, operating expenses and management costs	(376 456)	(295 423)
Depreciation/amortisation	(23 979)	(33 610)
Other operating expenses	(5 465)	(13 772)
Operating profit	**348 584**	**366 490**
Share in net profit (losses) of associates accounted for by the equity method	(59)	(77)
Profit before tax	**348 525**	**366 413**
Corporate income tax	(72 004)	(73 179)
Profit for the period	**276 521**	**293 234**
of which:		
attributable to the Company's equity holders	243 101	260 612
attributable to the Minority equity holders	33 420	32 622
Net earnings per share		
Basic earnings per share (PLN)	3,33	3,58
Diluted earnings per share (PLN)	3,33	3,57

In thousands of PLN

2. Consolidated balance sheet

as at:	31-03-2008	31-12-2007	31-03-2007
ASSETS			
Cash and balances with central bank	1 428 511	2 206 265	1 092 607
Loans and advances to banks	3 707 899	2 576 878	4 424 736
Financial assets held for trading	1 282 635	1 250 420	733 419
Hedging derivatives	32 239	37 113	21 736
Loans and advances to customers	26 167 971	23 949 685	18 722 907
Investment securities	10 757 735	9 763 669	8 569 739
Investments in associates	9 807	13 378	35 824
Intangible assets	118 763	115 280	123 560
Property, plant & equipment	554 295	543 226	484 781
Deferred tax assets	354 448	368 449	444 631
Other assets	467 992	495 557	614 219
Total assets	44 882 295	41 319 920	35 268 159
LIABILITIES			
Deposits from banks	5 178 306	4 483 526	3 703 476
Hedging derivatives	3 596	3 316	11 572
Financial liabilities held for trading	1 078 843	989 012	267 096
Deposits from customers	32 171 721	29 765 687	24 777 960
Debt securities in issue	312 662	352 961	613 795
Current income tax liabilities	10 724	49 115	32 672
Deferred tax liabilities	199 214	202 777	348 287
Other liabilities	1 158 979	896 825	1 186 332
Total liabilities	40 114 045	36 743 219	30 941 190
Equity			
Equity attributable to the parent entity	4 591 185	4 341 527	4 214 920
Share capital	729 603	729 603	729 603
Other reserve funds	2 076 028	2 061 578	1 884 076
Revaluation reserve	366 114	362 963	501 437
Retained earnings	1 176 339	232 688	839 192
Profit of the current period	243 101	954 695	260 612
Minority interest	177 065	235 174	112 049
Total equity	4 768 250	4 576 701	4 326 969
Total equity and liabilities	44 882 295	41 319 920	35 268 159

In thousands of PLN

3. Movements on consolidated equity

MOVEMENTS ON CONSOLIDATED EQUITY	Equity: Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Minority interest	Total
Opening balance as at 31.12.2007	**729 603**	**2 061 578**	**362 963**	**1 187 383**	**235 174**	**4 576 701**
Change in available for sale investments -increase	-	-	9 625	-	-	9 625
Change in available for sale investments - decrease	-	-	(5 397)	-	(1 381)	(6 778)
Cash Flow Hedge activities	-	-	(235)	-	-	(235)
Share scheme charge	-	3 451	-	-	-	3 451
Net (gains)/losses recognised in income statement	-	-	(842)	-	-	(842)
Net profit	-	-	-	243 101	33 420	276 521
Total recognised increase in equity in 1Q 2008	**-**	**3 451**	**3 151**	**243 101**	**32 039**	**281 742**
Dividend relating to 2007	-	-	-	-	(90 155)	(90 155)
Transfer to other reserve funds	-	10 999	-	(10 999)	-	-
Other	-	-	-	(45)	7	(38)
As at 31.03.2008	**729 603**	**2 076 028**	**366 114**	**1 419 440**	**177 065**	**4 768 250**

As at the end of the period the revaluation reserve in the amount of PLN 366 114 k comprises of debt securities and equity shares classified as available for sale of PLN (80 185) k and PLN 446 534 k respectively, and additionally cash flow hedge activities PLN (235) k.

MOVEMENTS ON CONSOLIDATED EQUITY	Equity: Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Minority interest	Total
Opening balance as at 31.12.2006	**729 603**	**1 857 147**	**508 548**	**864 703**	**116 741**	**4 076 742**
Change in available for sale investments - increase	-	-	15 864	-	165	16 029
Change in available for sale investments - decrease	-	-	(193 445)	-		(193 445)
Share scheme charge	-	10 474	-	-	-	10 474
Net (gains)/losses recognised in income statement	-	-	31 996	-	-	31 996
Net profit	-	-	-	954 695	155 982	1 110 677
Total recognised increase in equity in 2007	**-**	**10 474**	**(145 585)**	**954 695**	**156 147**	**975 731**
Dividend relating to 2006	-	-	-	(437 762)	(37 723)	(475 485)
Transfer to other reserve funds	-	193 908	-	(193 908)	-	-
Other	-	49	-	(345)	9	(287)
As at 31.12.2007	**729 603**	**2 061 578**	**362 963**	**1 187 383**	**235 174**	**4 576 701**

As at the end of the period the revaluation reserve in the amount of PLN 362 963 k comprises of debt securities and equity shares classified as available for sale of PLN (83 848) k and PLN 446 811 k respectively.

In thousands of PLN

MOVEMENTS ON CONSOLIDATED EQUITY	Equity					
	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Minority interest	Total
Opening balance as at 31.12.2006	**729 603**	**1 857 147**	**508 548**	**864 703**	**116 741**	**4 076 742**
Change in available for sale investments -increase	-	-	17 072	-	140	17 212
Change in available for sale investments - decrease	-	-	(21 699)	-	-	(21 699)
Share scheme charge	-	1 714	-	-	-	1 714
Net (gains)/losses recognised in income statement	-	-	(2 484)	-	-	(2 484)
Net profit	-	-	-	260 612	32 622	293 234
Total recognised increase in equity in 1Q 2007	**-**	**1 714**	**(7 111)**	**260 612**	**32 762**	**287 977**
Dividend relating to 2006	-	-	-	-	(37 463)	(37 463)
Transfer to other reserve funds	-	25 166	-	(25 166)	-	-
Other	-	49	-	(345)	9	(287)
As at 31.03.2007	**729 603**	**1 884 076**	**501 437**	**1 099 804**	**112 049**	**4 326 969**

As at the end of the period the revaluation reserve in the amount of PLN 501 437 k comprises of debt securities and equity shares classified as available for sale of PLN 61 060 k and PLN 440 377 k respectively.

In thousands of PLN

4. Consolidated cash flow statement

	01-01-2008 - 31-03-2008	01-01-2007 - 31-03-2007
Profit (loss) before tax	**348 525**	**366 413**
Total adjustments:	**(150 944)**	**(357 738)**
Share in net profits (losses) of associates accounted for by the equity method	59	77
Depreciation	23 979	33 610
Impairment losses	59	-
Gains (losses) on exchange differences	1 629	755
Interests and similar charges	(45 842)	(36 235)
Dividend income	(13)	(10)
(Profit) loss from investing activities	(3 143)	(3 493)
Change in provisions	(35 023)	(2 690)
Change in trading portfolio financial instruments	62 771	406 800
Change in loans and advances to banks	(1 138 019)	(1 258 943)
Change in loans and advances to customers	(2 219 135)	(1 104 942)
Change in deposits from banks	569 008	930 445
Change in deposits from customers	2 406 034	564 177
Change in liabilities arising from debt securities in issue	(301)	(1 033)
Change in assets and liabilities arising from deferred taxation	1 063	1 671
Change in other assets and liabilities	321 013	155 885
Paid income tax	(95 524)	(43 932)
Other adjustments	441	120
Net cash flow from operating activities - indirect method	**197 581**	**8 675**
Inflows	**306 364**	**541 997**
Sale of investment securities	300 877	541 586
Sale of intangible and tangible fixed assets	5 472	398
Dividends received	13	10
Proceeds from other investments	2	3
Outflows	**(1 273 202)**	**(1 061 773)**
Purchase of investment securities	(1 239 988)	(1 050 312)
Purchase of intangible and tangible fixed assets	(33 176)	(10 990)
Other investments	(38)	(471)
Net cash flow from investing activities	**(966 838)**	**(519 776)**
Inflows	**194 530**	**243 465**
Drawing of long-term loans	194 530	211 145
Issue of debt securities	-	32 320
Outflows	**(210 025)**	**(162 990)**
Repayment of long-term loans	(69 539)	(53 505)
Debt securities buy out	(39 998)	(63 834)
Dividends and other payments to shareholders	(90 155)	(37 463)
Other financing outflows	(10 333)	(8 188)
Net cash flow from financing activities	**(15 495)**	**80 475**
Total net cash flow	**(784 752)**	**(430 626)**
Cash at the beginning of the accounting period	**2 238 539**	**1 547 604**
Cash at the end of the accounting period	**1 453 787**	**1 116 978**

In thousands of PLN

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

For reporting periods:	01-01-2008 - 31-03-2008	01-01-2007 -31-03-2007
Interest and similar income	644 002	425 608
Interest expense and similar charges	(301 313)	(156 660)
Net interest income	**342 689**	**268 948**
Fee and commission income	253 217	236 288
Fee and commission expense	(25 312)	(16 062)
Net fee and commission income	**227 905**	**220 226**
Dividend income	90 168	86 556
Net trading income and revaluation	20 141	9 834
Gains (losses) from other financial securities	(1 617)	1 017
Gains (losses) from investment in subsidiaries and associates	-	13 423
Other operating income	9 643	7 341
Impairment losses on loans and advances	(1 187)	21 941
Operating expenses incl.:	(359 832)	(295 644)
Bank's staff, operating expenses and management costs	(334 474)	(253 478)
Depreciation/amortisation	(21 681)	(31 918)
Other operating expenses	(3 677)	(10 248)
Operating profit	**327 910**	**333 642**
Profit before tax	**327 910**	**333 642**
Corporate income tax	(49 444)	(46 662)
Profit for the period	**278 466**	**286 980**
Basic earnings per share (PLN)	3,82	3,94
Diluted earnings per share (PLN)	3,81	3,93

In thousands of PLN

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

as at:	31-03-2008	31-12-2007	31-03-2007
ASSETS			
Cash and balances with central bank	1 428 500	2 206 259	1 092 588
Loans and advances to banks	3 700 398	2 563 755	4 419 689
Financial assets held for trading	1 175 114	1 140 826	649 078
Hedging derivatives	32 239	37 113	21 736
Loans and advances to customers	24 251 786	22 150 604	17 128 707
Investment securities	10 736 650	9 698 307	8 551 881
Investments in associates	152 415	155 967	172 635
Intangible assets	105 474	102 906	115 103
Property, plant & equipment	537 762	528 027	474 500
Current income tax due	687	37 950	-
Deferred tax assets	296 702	312 700	395 699
Other assets	296 746	248 674	227 201
Total assets	42 714 473	39 183 088	33 248 817
LIABILITIES			
Deposits from banks	3 718 602	3 145 395	2 893 422
Hedging derivatives	3 596	3 316	11 573
Financial liabilities held for trading	1 082 673	992 925	284 228
Deposits from customers	32 619 756	30 264 734	25 084 723
Debt securities in issue	100 741	99 348	96 896
Current income tax liabilities	-	-	917
Deferred tax liabilities	185 897	188 620	336 191
Other liabilities	865 850	637 981	646 118
Total liabilities	38 577 115	35 332 319	29 354 068
Equity			
Share capital	729 603	729 603	729 603
Other reserve funds	1 954 702	1 951 251	1 787 458
Revaluation reserve	365 113	360 441	497 913
Retained earnings	809 474	-	592 795
Profit of the current period	278 466	809 474	286 980
Total equity	4 137 358	3 850 769	3 894 749
Total equity and liabilities	42 714 473	39 183 088	33 248 817

In thousands of PLN

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

MOVEMENTS ON EQUITY	Equity				
	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Total
Opening balance as at 31.12.2007	**729 603**	**1 951 251**	**360 441**	**809 474**	**3 850 769**
Net change in available for sale investments - increase	-	-	9 625	-	9 625
Net change in available for sale investments - decrease	-	-	(3 876)	-	(3 876)
Cash Flow Hedge activities	-	-	(235)	-	(235)
Share scheme charge	-	3 451	-	-	3 451
Net (gains)/losses recognised in income statement	-	-	(842)	-	(842)
Net profit	-	-	-	278 466	278 466
Total recognised increase in equity in 1Q 2008	**-**	**3 451**	**4 672**	**278 466**	**286 589**
As at 31.03.2008	**729 603**	**1 954 702**	**365 113**	**1 087 940**	**4 137 358**

As at the end of the period the revaluation reserve in the amount of PLN 365 113 k comprises of debt securities and equity shares classified as available for sale of PLN (80 171) k and PLN 445 519 k respectively and additionally cash flow hedge activities PLN (235) k

MOVEMENTS ON EQUITY	Equity				
	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Total
Opening balance at 31.12.2006	**729 603**	**1 785 744**	**505 102**	**592 795**	**3 613 244**
Net change in available for sale investments - increase	-	-	14 470	-	14 470
Net change in available for sale investments - decrease	-	-	(193 379)	-	(193 379)
Share scheme charge	-	10 474	-	-	10 474
Net (gains)/losses recognised in income statement	-	-	34 248	-	34 248
Net profit	-	-	-	809 474	809 474
Total recognised increase in equity in 2007	**-**	**10 474**	**(144 661)**	**809 474**	**675 287**
Dividend relating to 2006	-	-	-	(437 762)	(437 762)
Transfer to other reserve funds	-	155 033	-	(155 033)	-
As at 31.12.2007	**729 603**	**1 951 251**	**360 441**	**809 474**	**3 850 769**

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

In thousands of PLN

MOVEMENTS ON EQUITY	Equity				
	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Total
Opening balance as at 31.12.2006	**729 603**	**1 785 744**	**505 102**	**592 795**	**3 613 244**
Net change in available for sale investments - increase	-	-	14 738	-	14 738
Net change in available for sale investments - decrease	-	-	(21 695)	-	(21 695)
Share scheme charge	-	1 714	-	-	1 714
Net (gains)/losses recognised in income statement	-	-	(232)	-	(232)
Net profit	-	-	-	286 980	286 980
Total recognised increase in equity in 1Q 2007	**-**	**1 714**	**(7 189)**	**286 980**	**281 505**
As at 31.03.2007	**729 603**	**1 787 458**	**497 913**	**879 775**	**3 894 749**

As at the end of the period revaluation the reserve in the amount of PLN 497 913 k comprises of debt securities and equity shares classified as available for sale of PLN 61 051 k and PLN 436 862 k respectively.

In thousands of PLN

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

	01-01-2008 - 31-03-2008	01-01-2007 - 31-03-2007
Profit (loss) before tax	**327 910**	**333 642**
Total adjustments:	**(189 256)**	**(327 538)**
Depreciation	21 681	31 918
Impairment losses	807	33
Interests and similar charges	(48 293)	(43 313)
Dividend income	(90 168)	(86 556)
(Profit) loss from investing activities	(2 151)	(13 657)
Change in provisions	(9 679)	5 417
Change in trading portfolio financial instruments	60 615	433 222
Change in loans and advances to banks	(1 138 006)	(1 260 207)
Change in loans and advances to customers	(2 101 182)	(956 435)
Change in deposits from banks	573 207	933 277
Change in deposits from customers	2 355 022	621 883
Change in liabilities arising from debt securities in issue	1 393	999
Change in other assets and liabilities	187 070	44 039
Paid income tax	-	(38 304)
Other adjustments	428	119
Net cash flow from operating activities - indirect method	**138 654**	**6 104**
Inflows	**355 491**	**642 363**
Sale of shares or interests in subsidiaries and associates	**-**	27 074
Sale of investment securities	260 030	528 337
Sale of intangible and tangible fixed assets	5 291	393
Dividends received	90 168	86 556
Proceeds from other investments	2	3
Outflows	**(1 269 903)**	**(1 059 861)**
Purchase of investment securities	(1 239 988)	(1 050 312)
Purchase of intangible and tangible fixed assets	(29 886)	(9 096)
Other investments	(29)	(453)
Net cash flow from investing activities	**(914 412)**	**(417 498)**
Inflows	**-**	-
Outflows	**(3 364)**	**(20 272)**
Repayment of long-term loans	**-**	(19 156)
Dividends paid	-	-
Other financing outflows	(3 364)	(1 116)
Net cash flow from financing activities	**(3 364)**	**(20 272)**
Total net cash flow	**(779 122)**	**(431 666)**
Cash at the beginning of the accounting period	**2 225 474**	**1 542 716**
Cash at the end of the accounting period	**1 446 352**	**1 111 050**

ADDITIONAL INFORMATION TO CONSOLIDATED QUARTERLY REPORT OF BZ WBK GROUP FOR 1 Q 2008

9. Bank Zachodni WBK Group performance

Executive Summary of Performance in the First Quarter of 2008

In the first quarter of 2008, Bank Zachodni WBK Group achieved a 10.4% y-o-y increase in total income and made further progress along its development path. Profit-before-tax amounted to PLN 348.5 m.

Key factors impacting the consolidated profit:

- Strong increase in the net interest income in the rising interest rates environment and the dynamic, balanced growth of loan and deposit volumes;
- Fast expansion of the promising business lines, such as bancassurance, payment cards, services for third party institutions;
- Lower equity gains due to the depressed stock market;
- Increase in staff and other administrative expenses driven by business growth, investments into the Group's sales infrastructure and intensive marketing campaigns.

Financial highlights:

- Profit-before-tax was PLN 348.5 m and 4.9% down y-o-y, profit-after-tax was PLN 243.1 m and 6.7% down y-o-y;
- High Return on Equity (21.6% at the end of March 2008 versus 21.3% 12 months before);
- Total income increased by 10.4% y-o-y to PLN 760.5 m, including net interest income growth by 29.5% y-o-y to PLN 375.7 m;
- Total costs increased by 18.4% to PLN 405.9 m;
- Cost to Income ratio for the first quarter of 2008 was 53.4% versus 49.8% for the first quarter of 2007 driven mainly by higher cost of distribution channels development;
- Loan impairment charge was PLN -6 m versus the positive balance of PLN 20.6 m reported for the first quarter of 2007;
- Continued reduction of the NPL ratio (from 4.1% at the end of March 2007 to 2.7% 12 months later), confirming the high quality of the Group's credit risk management.

Key business volumes and achievements:

- Rapid growth of credit volumes: cash loans (+69% y-o-y), PLN mortgage loans (+48% y-o-y), business loans (+37% y-o-y), lease receivables (+36% y-o-y);
- Strong growth in deposits (+30% y-o-y), particularly in savings account balances (PLN 8.74 bn at the end of March 2008);
- Increase in the number of BZWBK24 electronic banking users by 27% y-o-y, credit cards by 39% y-o-y, debit cards by 23% y-o-y and the number of respective card transactions;
- Successful completion of the 5th issue of the BZWBK Investment-Linked Policy (PLN 140.4 m);
- Decrease in the value of mutual funds and individual portfolios (- PLN 3.97 bn y-o-y) in the aftermath of sharp declines in stock prices in January 2008;
- Growing sales performance as a result of:
    - Geographical expansion of the distribution network (22 new branches and Gdańsk-based Business Banking Centre launched);
    - New organisational and technological solutions (Front Score process);
    - Effective sales and marketing campaigns;
    - Staff highly committed to delivery of their individual and team sales targets (Sales Activation Programme).

Profit and Loss Account

The table below presents major developments in key categories of the consolidated profit and loss account during the first quarter of 2008 compared with the corresponding period of 2007.

PLN m

Profit and Loss Account	Q1 2008*	Q1 2007**	Change
Total income	760.5	688.7	+10.4%
Total costs	(405.9)	(342.8)	+18.4%
Impairment charge	(6.0)	20.6	-
Profit-before-tax* **	**348.5**	**366.4**	**-4.9%**
Profit-after-tax attributable to BZWBK shareholders	**243.1**	**260.6**	**-6.7%**
Profit attributable to minority interests	33.4	32.6	+2.5%

** Q1 2008 comprises valuation of NFI Magna Polonia S.A. of PLN -0.8 m and income of PLN 1 m from liquidation of closed-end mutual fund Arka Global Indeks 2007 FIZ;*
*** Q1 2007 comprises income of PLN 16.8 m from servicing public offerings (e.g. issues of PBG S.A., Koelner S.A., Ruch S.A. shares) and profit of PLN 3.3 m from the disposal of TIM S.A.;*
**** includes profit attributable to the entities accounted for using the equity method [Q1 2008r. – PLN -59 k.;Q1 2007 – PLN -77 k]*

In the first quarter of 2008, BZWBK Group generated a profit-before-tax of PLN 348.5 m, 4.9% down y-o-y. The net profit attributable to the shareholders of Bank Zachodni WBK S.A. was PLN 243.1 m, a decrease of 6.7% y-o-y.

The lower profits announced for the first quarter of 2008 is primarily due to the base effect of high income earned in the comparable period of 2007 in the equity market amid prevailing growth trends on the Warsaw Stock Exchange. It was also impacted by the bank's posting negative impairment charge and higher costs driven by the fast organic growth of the Group and intensive marketing campaigns dictated by the requirements of the competitive market.

Income

PLN m

Total income	Q1 2008	Q1 2007	Change
Net interest income	375.7	290.1	+29.5%
Net commission income	349.3	367.0	-4.8%
Net trading income and revaluation	20.8	16.7	+24.6%
Other income	14.7	14.9	-1.3%
Total	**760.5**	**688.7**	**+10.4%**

In the first quarter of 2008, Bank Zachodni WBK Group posted a total income of PLN 760.5 m, an increase of 10.4% on the corresponding period last year. This growth was mainly driven by the rising core-business volumes, particularly in the area of loans, deposits and connected products.

Net interest income amounted to PLN 375.7 m compared with PLN 290.1 m reported for the same period 12 months before. Taking into account other interest-related income from FX Swaps and Basis Swaps recognised in net trading income and revaluation (PLN 14.6 m in the first quarter of 2008 and PLN 2.4 m in the first quarter of 2007), the underlying net interest income increased by 33.4% y-o-y. This change was favourably affected by the strong growth in loan volumes, including business loans, cash loans and home mortgages, and the widening of the deposit margin in the rising interest rates environment.

Net commission income

PLN m

Net commission income	Q1 2008	Q1 2007	Change
Distribution of mutual fund units and asset management	119.8	146.5	-18.2%
Account maintenance and cash transactions	55.7	53.9	+3.3%
FX fees	53.9	47.2	+14.2%
e-business & payments	53.9	43.4	+24.2%
Stockbroking fees	28.2	44.9	-37.2%
Credit fees *	23.0	20.7	+11.1%
Insurance fees	16.8	6.0	+180.0%
Other	-2.0	4.4	-
Total	**349.3**	**367.0**	**-4.8%**

** includes fees relating to leasing, factoring, credit intermediation*

Net commission income amounted to PLN 349.3 m and decreased by 4.8% mainly due to the downturn in the Polish stock market which resulted in the lower level of fees for distribution of mutual funds, asset management and brokerage services. The other business lines reported a growth, particularly bancassurance, electronic business and payments, and FX fees. Details of the key changes are presented below:

- **The Group's net income from fund distribution and asset management** was PLN 119.8 m and lower by 18.2% y-o-y due to the steep fall in the stock market in January 2008, this in turn triggered caution among mutual fund customers and made investors more averse to risk-bearing instruments such as equity or mixed funds.
- **Net commission income of Dom Maklerski BZ WBK S.A.** decreased by 37.2% y-o-y to PLN 28.2 m. The contributing factors included the company's lower trading at the equity market, no servicing of primary market transactions as companies abstained from issuing new shares (awaiting the change of sentiment in the Warsaw Stock Exchange) and the lower level of the company's market-making activity in the decelerated market.
- **The bancassurance line** generated an income of PLN 16.8 m, exceeding the last year's figure by 180% due to the growing sale of loan insurance and the fifth subscription of the investment-linked policy.
- **The fees on customer FX transactions** increased by 14.2% to PLN 53.9 m, reflecting the improved margins and stronger trading at the branch level and centrally (Treasury-based corporate negotiated trading).
- **The net commission income from e-business and payments** increased by 24.2% to PLN 53.9 m. Two product lines from this area grew particularly strongly: "debit cards" and "services to third-party financial institutions", reporting an increase in the fee income by 25.3% and 36.5%, respectively. These changes were driven by the growing number of the bank's debit cards (+280,7 k items y-o-y) and higher frequency of their use in cashless transactions, and also by the expansion of the customer base and the scope of services provided to third party financial institutions.

Net trading income and revaluation increased by 24.6% to PLN 20.8 m due to the higher income earned by the bank from the wholesale FX Swaps and derivatives business transacted both by the bank and the Brokerage House, the latter using such instruments as part of its market-making activity.

Loan Impairment Charge

The **loan impairment charge** to the profit and loss account was PLN 6 m, while in the comparable period last year the balance of loan impairment was positive and amounted to PLN 20.6 m. The bank successfully continues the restructure and collection of debts, but the process has been gradually decelerating as a substantial portion of the historical cases have been closed and the new lendings are of high quality. With the substantial y-o-y growth in lending volumes (+39.8% y-o-y), the net impairment figure confirms the soundness of the Group's credit risk management framework and its sharp focus on ensuring the high quality of the portfolio.

Costs

Total operating costs of BZWBK Group amounted to PLN 405.9 m and were higher by 18.4% y-o-y. Their main components were as follows.

PLN m

Total costs	Q1 2008	Q1 2007	Change
Staff and administrative expenses	(376.4)	(295.4)	+27.4%
Depreciation/amortisation	(24.0)	(33.6)	-28.6%
Other operating costs	(5.5)	(13.8)	-60.1%
Total	**(405.9)**	**(342.8)**	**+18.4%**

The staff and other administrative expenses of the Group totalled PLN 376.4 m and were 27.4% up y-o-y, driven by dynamic business development and delivery of the strategic programmes.

- **Staff costs** increased by 23% y-o-y to PLN 223 m as a result of the higher employment (+1,422 FTEs over 12 month period) driven by developing business and growing distribution network, pay increases linked to the annual performance review (April 2007), growing competition for banking experts in the labour market, higher performance-related bonuses as well as increased cost of training driven by growing business demands and bigger numbers of trainees.

- **With a strong business growth and the distribution infrastructure,** the Group's other administrative expenses increased by 34.4% y-o-y to PLN 153.4 m. This movement results mainly from the Group's intensive promotional activity designed to support the sales of its strategic products, e.g. the savings account, cash loans, Account<30 and the new BZ WBK Arka mutual funds. The principal contributory factor was the growing cost of lease and maintenance of premises as a result of the bank's expanding distribution channels, including the Branch Network, specialist business centres (e.g. new Business Banking Centre) and their supporting functions in the Business Support Division. With a number of development and modernisation initiatives in progress, there was also a significant growth in the cost of renovation of premises and equipment for branches. Consultancy costs increased as well, due to the larger range of projects requiring unique skills. The Group's savings initiatives coupled with rigorous planning and control of operating cost budget, continued to keep the administrative expenses at the minimum necessary level.

Depreciation/amortisation totalled PLN 24 m and decreased by 28.6% y-o-y due to the full amortisation of the ICBS branch banking system.

Balance Sheet Items

The table below presents major developments in key categories of the balance sheet of BZWBK Group at the end of March 2008 versus end of March 2007.

PLN m

Balance-Sheet Items	31-03-2008	Balance Sheet Structure 31-03-2008	31-03-2007	Balance Sheet Structure 31-03-2007	Change
Balance sheet total	44,882.3	*100.0%*	35,268.2	*100.0%*	+27.3%
Assets					
Loans and advances to customers*	26,168.0	*58.3%*	18,722.9	*53.1%*	+39.8%
Investment securities	10,757.7	*24.0%*	8,569.7	*24.3%*	+25.5%
Loans and advances to banks	3,707.9	*8.3%*	4,424.7	*12.5%*	-16.2%
Cash and operations with Central Bank	1,428.5	*3.2%*	1,092.6	*3.1%*	+30.7%
Financial assets held for trading	1,282.6	*2.8%*	733.4	*2.1%*	+74.9%
Other assets	1,537.6	*3.4%*	1,724.9	*4.9%*	-10.9%
Liabilities					
Deposits from customers	32,171.7	*71.7%*	24,778.0	*70.3%*	+29.8%
Deposits from banks	5,178.3	*11.5%*	3,703.5	*10.5%*	+39.8%
Financial liabilities held for trading	1,078.8	*2.4%*	267.1	*0.8%*	+303.9%
Debt securities in issue	312.7	*0.7%*	613.8	*1.7%*	-49.1%
Other liabilities	1,372.5	*3.1%*	1,578.8	*4.4%*	-13.1%
Total equity	4,768.3	*10.6%*	4,327.0	*12.3%*	+10.2%

** less impairment charge*

As at 31 March 2008, total assets of the Bank Zachodni WBK Group amounted to PLN 44,882.3 m and were 27.3% higher than last year. The value and structure of the Group's balance sheet is determined by the bank's balance sheet which accounts for 95.2% of the consolidated total assets.

The main asset growth driver during the past 12 months until 31 March 2008 was loans and advances to customers (+39.8% y-o-y), which increased as a result of the strong credit delivery. Financial assets expanded (+25.5%
y-o-y) based on the decisions made as part of the management of the Group's structural balance sheet risk. An increase was also noted in cash and operations with Central Bank (+30.7% y-o-y), and financial assets held for trading (+74.9% y-o-y), the latter category reflecting higher business transacted in the derivative market. The above-mentioned changes were accompanied by a decline in the loans and advances to banks (-16.2% y-o-y).

On the liabilities side, the Group posted a substantial increase in deposits from customers (+29.8% y-o-y) and banks (+39.8% y-o-y), higher financial liabilities held for trading (+303.9% y-o-y), driven mainly by derivatives, and a parallel fall in the liabilities from the issue of debt securities (-49.1% y-o-y).

Credit Portfolio

PLN m

Gross loans and advances to customers	31-03-2008	31-03-2007	Change
Loans and advances to enterprises	17,561.9	12,803.6	+37.2%
Loans and advances to individuals	6,592.1	4,526.0	+45.6%
Finance lease receivables	2,443.9	1,797.0	+36.0%
Loans and advances to public sector and other	154,4	216,3	-28.6%
Total	**26,752.3**	**19,342.9**	**+38.3%**

At the end of March 2008, **net loans and advances to customers** were PLN 26,168 m, up 39.8% y-o-y (+9.3% q-o-q) due to the increasing volumes of the Group's key portfolios: business loans, retail loans and lease rentals. **Gross loans and advances to customers** amounted to PLN 26,752.3 m vs. PLN 19,342.9 m at the end of March 2007.

Loans and advances to businesses amounted to PLN 17,561.9 m and were 37.2% up y-o-y. This growth reflects the higher demand for loans to finance investments, inventory and working capital in the expanding economic environment. The credit delivery accelerated driven by long-term corporate lending, particularly in property finance. The portfolio of loans from income producing real estates grew by 67.9% y-o-y to PLN 7,630.4 m.

The value of **retail loans** increased by 45.6% y-o-y to PLN 6,592.1 m due to the strong growth in cash and mortgage loans. Cash loans increased by 68.8% to PLN 1,786.7 m driven by the bank's attractive offer and the effectiveness of its pro-active promotion and sales methods. Mortgages went up by 45.9% y-o-y (PLN mortgages increased by 48% y-o-y) to PLN 4,038.1 m due to the very good parameters of the bank's offering and improved financial standing of retail customers and trends prevailing in the market.

The leasing portfolio increased by 36% y-o-y to PLN 2,443.9 m owing to stronger performance of the Group's leasing companies (BZ WBK Leasing S.A. and BZ WBK Finanse & Leasing S.A.) in the two key assets categories: vehicles and plant & equipment.

The quality of the Group's loan-book continued to improve during the year, which is reflected in the declining NPL ratio. At the end of March 2008, impaired loans accounted for 2.7% of the gross portfolio (vs. 4.1% 12 months previously) with a provision cover of 62.2%, comparable to the level reported at the end of March 2007 (64.0%).

Deposit Base

PLN m

Deposits from customers	31-03-2008	31-03-2007	Change
Deposits from individuals	19,037.3	12,935.0	+47.2%
Deposits from enterprises	10,790.8	9,927.6	+8.7%
Deposits from public sector	2,343.6	1,915.4	+22.4%
Total	**32,171.7**	**24,778.0**	**+29.8%**

Deposits from customers, which represent 71.7% of the Group's balance sheet total, are the primary source of funding of the Group's lending business. At the end of March 2008, customer deposits totalled PLN 32,171.7 m and were higher by 29.8% y-o-y (+8.1% q-o-q). This value is comprised of the funds deposited in current accounts (PLN 18,174.4 m, of which PLN 8,740.8 m represents savings accounts), term deposits (PLN 13,580.3 m) and other liabilities. During the first quarter of 2008, particularly fast growth was noted in current accounts balances, which exceeded last year's figure by 113.9%. This result is primarily owed to the bank's attractive offer of savings account and its increasing popularity supported by the successful promotional campaign. The increase is also attributable to the further improvement of the financial standing of households, their continually strong optimism and growing reluctance to invest in risk-bearing financial instruments in consequence of the strong downturn in the stock market.

Basic Financial Ratios

Key Financial Ratios	Q1 2008	Q1 2007
Total costs /Total income	53.4%	49.8%
Net interest income / Total income	49.4%	42.1%
Net commission income / Total income	45.9%	53.3%
Customer deposits / Total balance sheet	71.7%	70.3%
Customer loans / Total balance sheet	58.3%	53.1%
Customer loans / Customer deposits	81.3%	75.6%
NPL ratio	2.7%	4.1%
NPL coverage ratio	62.2%	64.0%
ROE*	21.6%	21.3%
ROA**	2.3%	2.6%

The following were used in computations:

* *profit-after-tax attributable to BZWBK shareholders for the 12-month period commencing on 1 April and equity as at the end of the reporting period, net of current year's profit and minority interests;*

** *profit-after-tax attributable to BZWBK shareholders for the 12-month period commencing on 1 April and average assets derived from the balances as at the end of the reporting and comparable period.*

Achievements of Bank Zachodni WBK Group

Bank Zachodni WBK S.A.

Sales-Oriented Initiatives

- At the beginning of 2008, the Sales Activation Programme was launched in the BZWBK Branch Network. The Programme introduced a uniform methodology for sales targets planning, more effective control of sales performance of individual staff members and a new incentive system. The new bonus system rewards individual branch staff for their monthly achievement of sales targets, thus improving the bank's overall efficiency.

- After the successful pilot, in March 2008 the process of mortgage credit approvals based on the Front Score tool was rolled out across the Branch Network. The tool will automatically process applications and allow a binding, provisional written decision to be communicated to the customer within 15 minutes of inputting the data in the system. This is a record-breaking time in the market for advising the customer of a preliminary result of their repayment capacity assessment.

- In the first quarter of 2008, the functionality of the BZWBK24 electronic banking solution continued to expand. New features were added to improve communication with the customer about the bank's offering:
  - Messages presenting available products and promotions;
  - Presentation of credit facilities and the proposed credit limit for individuals under the cash loan and credit card.

Development of the Product Offer

- From 25 February to 17 March 2008, a subscription of the new investment-linked policy was held. The policy is a joint proposal of Bank Zachodni WBK S.A. and Commercial Union Polska Towarzystwo Ubezpieczeń na Życie S.A. The new product combines the benefits of an investment based on the BZ WBK Nowa Era ER index (index based on a broad range of financial instruments, i.e. world property, commodity, equity and currency indices), protection of 100% of the invested capital, exemption from the capital gains tax and a group insurance cover.

- On 10 March 2008, Bank Zachodni WBK S.A. implemented a number of new solutions in its mortgage offering to make it more transparent and attractive for potential customers. The key changes include:
  - Fixed margin for individual products in PLN and FX;
  - Changing the term of the base rate – from 6M to 3M;
  - Raising the maximum value of the equity release (PLN 1 m for salaried customers and PLN 0.5 m for self-employed);
  - Expansion of the investor loan offering to include: refinancing of residential loans with other banks and the equity release.

- Bank Zachodni WBK S.A. launched an offer dedicated to start-up companies. The offer includes free account maintenance for the first 12 months and the possibility to use a credit limit up to PLN 50 k for 5 years or to purchase a new car through leasing. The offer will soon be enhanced with new product propositions and services, including those provided in co-operation with external partners.

- In March 2008, the scope of the insurance products distributed by the bank was expanded to include the motor insurance offered in co-operation with Commercial Union Towarzystwo Ubezpieczeń Ogólnych S.A. The insurance is available only through direct sales, i.e. via phone and the Internet.

Issue Arrangement and Advisory Services

- In the first quarter of 2008, Bank Zachodni WBK S.A. arranged the issue of bonds for 7 entities with a total value of PLN 31.5 m. The bonds were offered to and acquired by the entities indicated by the issuers. Also, by order of a corporate client, PLN 4 m worth of bonds were issued as part of the issue programme to be arranged by the bank with a maximum value of PLN 15 m.

- The Capital Markets Area was actively involved in research and consulting connected with the planned public offerings (pre-issue analyses, valuations, prospectuses).

Equity Portfolio Management

- Bank Zachodni WBK S.A. acquired 800 of the newly issued shares of CU Polska - Towarzystwo Ubezpieczeń Ogólnych S.A. with a nominal value of PLN 2 k per share. Due to the pro-rata allocation of the new issue among the existing shareholders, the bank's stake in the share capital and the voting power of the company remains unchanged at 10%.

- In March 2008, articles of incorporation and corporate by-laws were signed for the new insurance companies established by Bank Zachodni WBK S.A. in co-operation with Aviva International Insurance Limited: BZ WBK - CU Towarzystwo Ubezpieczeń Ogólnych S.A. and BZ WBK - CU Towarzystwo Ubezpieczeń na Życie S.A. Both shareholders partially paid up the share capitals of the two companies, acquiring a 50% stake in each. Bank Zachodni WBK S.A. contributed PLN 2,001 k to both companies. The newly founded companies are now waiting for court registration and a licence authorizing them to conduct insurance business.

- In March 2008, Bank Zachodni WBK S.A. signed a preliminary agreement with BBI Capital NFI to sell 1,718,105 of NFI Magna Polonia S.A. shares. The parties agreed that the title to the shares will be transferred to BBI Capital NFI outside of the regulated market in two stages: 1) transfer of title to 1,250,000 shares representing 9.73% of the share capital to be effected not later than 14 May 2008; 2) transfer of title to 468,105 shares representing 3.65% of the share capital to be effected not later than 14 July 2008. The agreement will come into force subject to the bank's Supervisory Board approval to the sale of the shares. The agreed transaction price is PLN 1.06 per share. As a result of this transaction, the bank will hold 650 k shares of NFI Magna Polonia, giving it 5.06% stake in the share capital and voting power.

Distribution Channels

- In the first quarter of 2008, Bank Zachodni WBK S.A. opened 22 new branches and continued intensive efforts to open subsequent outlets under the Branch Network Development Programme. At the end of March 2008, the bank’s branch network consisted of 428 branches.

- The "Minibank" network, consisting of 33 agency outlets as at 31 March 2008, provided customers with fast and easy access to inexpensive basic banking products. Work is under way to open more outlets and expand the network's offering and functionality.

- As part of the BZWBK Mobile Sales (a network of self-employed financial advisors who sell selected credit facilities) the bank co-operated with 350 Financial Advisors and 50 Co-ordinators.

- In February, a Business Banking Centre was established in Gdańsk. This is the second unit of the bank (after the Business Banking Centre in Warsaw) specialising in SME services.

- As at 31 March 2008, the ATM network of Bank Zachodni WBK S.A. comprised 732 machines, i.e. 58 more than at the end of 2007.

- During the first quarter of 2008, work was continued to launch Private Banking, i.e. a new sales channel focusing on individuals with liquid assets of at least PLN 1 m. In addition to the standard products, Private Banking will offer advice, customised investment solutions and mobile services (provided in the locations convenient for customers). A dedicated IT platform has been developed for the Private Banking customers to give them access to their investment portfolios.

Human Resources Management

- In February 2008, the bank implemented the policy called "BZWBK – Mother Friendly Bank", which envisages a number of solutions supporting expectant and nursing mothers. The scope of the support exceeds the existing legal requirements and includes such benefits as extension of the maternity leave and flexible worktime management.

Key Awards

- On 27 February 2008, Bank Zachodni WBK S.A. received the prestigious CEE Real Estate Quality Award for the best financial institution active in the real estate sector. The bank was awarded for its Corporate Banking offering in the area of property finance. The competition is held to recognise projects, companies and people involved in the real estate sector in 11 countries of the Central and Eastern Europe.

- Bank Zachodni WBK S.A. won the award Alicja 2007 from the "Twój Styl" magazine for promotion of the 3D-Secure system, which allows customers to make secure card payments on the web with additional authorisation.

Selected subsidiaries

BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A.

- In January 2008, most of the world's stock exchange markets saw the biggest downfall of share prices in many years. As a result, mutual fund units began losing value, new sales decreased and some investors sought to exit the market. Consequently, the value of mutual funds market was steadily declining. The assets managed by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych (BZ WBK AIB TFI) decreased in the first quarter of 2008 by 25% (19% y-o-y) to PLN 16,888 m as at 31 March 2008. With these assets, TFI held a market share of 15.4% (16.8% at the end of December 2007) and kept its position as Poland’s second biggest mutual funds company.

- Due to the continued stock market downturn, in the first quarter of 2008 customers were primarily interested in the safe funds, i.e. Arka BZ WBK Obligacji FIO (Bonds Fund, +44% q-o-q) and Arka BZ WBK Ochrony Kapitału FIO (Capital Protection Fund, +41% q-o-q).

- On 25 February 2008, a broad distribution of Arka BZ WBK Energii FIO (Energy Fund) commenced. This fund's investment strategy is focused on the shares of companies operating in the energy sector. In addition to the branch network of Bank Zachodni WBK S.A. and Dom Maklerski BZ WBK S.A., the fund units are sold via Dom Inwestycyjny (Investment House) and the branch network of BRE Bank S.A.

- 31 March 2008 saw the commencement of the public subscription of the certificates of Arka BZ WBK Akcji Środkowej i Wschodniej Europy FIZ (CEE Equity Fund). With its closed-ended formula and the adopted investment strategy, the new fund resembles the Individual Fundamental Share Portfolios offered by BZ WBK AIB Asset Management S.A. and likewise is addressed to High Net Worth investors. The fund may invest up to 20% of its assets in a single company (including the shares of non-public entities or limited liability companies) and acquire any voting power in it.

- As planned, Arka GLOBAL Indeks 2007 FIZ fund was liquidated and the fund's assets were paid to investors on 5 March 2008.

- In the first quarter of 2008, BZ WBK AIB TFI received a number of awards for its outstanding results in asset management:

  - In the international ranking of the mutual funds investing in the Central and Eastern Europe, prepared by Lipper, member of the Reuters Group (publication of 21 January 2008), Arka BZ WBK Obligacji FIO (Bonds Fund) ranked first among bond funds and Arka BZ WBK Akcji FIO (Equity Fund) ranked second in its respective category in terms of the rate of return over a 5-year horizon (from December 2002 to December 2007);

  - On 5 February 2008, the stock exchange newspaper "Parkiet" for the third time in a row awarded the "Bull and Bear" statuette to the company for the best mutual funds company in 2007, based on the analysis of the investment results of the Arka funds.

  - On 7 March 2008, the US agency Morningstar awarded the highest rating (five stars) to Arka BZ WBK Akcji FIO (Equity Fund) and Arka BZ WBK Obligacji FIO (Bonds Fund) for their 3 and 5-year performance. Arka BZ WBK Akcji FIO was assessed in the category of equity funds investing in the Central and Eastern Europe except Russia while Arka BZ WBK Obligacji FIO was assessed in the category of bond funds investing in Central and Eastern Europe. Assessment criteria included the rates of return in the analysed period and the risk appetite of the asset manager.

BZ WBK AIB Asset Management S.A.

- As at 31 March 2008, the value of the assets managed by BZ WBK AIB Asset Management S.A. (together with the mutual funds of BZ WBK AIB TFI S.A.) was PLN 19,791.8 m, down 17% y-o-y and 21% q-o-q. With this asset base, the Group posted the management fee income that was similar to the level reported in the first quarter of 2007.

Dom Maklerski BZ WBK S.A.

- In the first quarter of 2008, Dom Maklerski BZ WBK (Brokerage House) recorded a turnover of PLN 10,986.7 m in the equity market. This represents a decrease of 17% y-o-y (-3% q-o-q), as a result of the strong decline in the price of shares listed on the Warsaw Stock Exchange and the reduced trading in the reporting period as investors were very nervous and concerned about the future developments in the market. Such performance gives the company 10.9% share in the equity market (11.2% in the first quarter of 2007) and the third position in Poland.

- In the futures market, which is the second most important stock market in Poland, Dom Maklerski BZ WBK S.A. acted as an agent for concluding 767.5 k transactions, which is 74% higher y-o-y (16% q-o-q). The brokerage house held the third position in Poland with a market share of 11% (11.1% in 2007).

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

- The net assets leased during the first quarter of 2008 by the two leasing companies amounted to PLN 454.9 m and were 30% higher than in the corresponding period last year driven both by the lease of cars and plant & equipment. The company increased its share in the leasing market from 5% as at the end of March 2007 to 5.6% 12 months later.

BZ WBK Inwestycje Sp. z o.o.

- BZ WBK Inwestycje Sp. z o.o., which in December 2007 acquired from BZWBK AIB TFI S.A. 264,013 certificates of Arka Global Indeks 2007 FIZ fund (repurchase transaction) for PLN 40.8 m, received PLN 41.8 m after the fund was liquidated on 5 March 2008.

10. Significant accounting policies applied in BZ WBK Group

Statement of compliance

The interim consolidated financial statements of the BZWBK Group ended 31 March 2008 have been prepared in accordance with the International Financial Reporting Standard as adopted by the European Union and with respect to matters not regulated by the above Standard, in accordance with the Accounting Act dated 29 September 1994 (Official Journal from 2002, No 76, item 694 with amendments) and the respective bylaws and in accordance with the requirements for issuers of securities admitted or sought to be admitted to trading on an official stock-exchange listing market.

Early adoption of standards

IFRS 8 *Operating Segments* introduced on the strength of the Commission Regulation (EC) no. 1358/2007 of 21 November 2007 adopting reporting requirements in respect of operating segments and replacing IAS 14 *Segment Reporting* has not become effective yet and will apply from 1 January 2009. The Group did not decide on early adoption of IFRS 8.

Other standards and changes to the existing standards and interpretations as issued by the International Financial Reporting Interpretation Committee (IFRIC), both approved and not effective in the current financial year or pending approval from the European Council either do not apply to the Group's financial statements or have no material impact on the financial statements.

Basis of preparation

The financial statements are presented in PLN, rounded to the nearest thousand.

The financial statements are prepared on a fair value basis for derivative financial instruments, financial instruments at fair value through profit and loss account, and available-for-sale financial assets, except those for which a reliable measure of fair value is not available. Other financial assets and financial liabilities (including loans and advances) are recognized at amortised cost using the effective interest rate less impairment or purchase price less impairment.

The preparation of financial statements in conformity with IFRSs requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

The accounting policies have been applied consistently by Group entities.

Comparability with results of previous periods

To ensure comparability, the following substantial changes were made to the presentation of financial data compared with 1 Q 2007:

a) in the consolidated income statement:

- accrued interest on hedging IRS of PLN 1 404 k currently disclosed in net interest income, was previously classified as "Gains (losses) on financial instruments measured at fair value through profit and loss",
- presentation of realised f/x margins (previously "F/X profit") of PLN 47 190 k currently classified as "Commission income",
- other trading f/x transactions of PLN 2 224 k previously disclosed as "F/X profit", currently classified to "Net trading income and revaluation"
- change of presentation of "Gains and losses on hedging transactions" of (6) PLN k, currently in "Gains (losses) from other financial securities", previously as at separate item of profit and loss account
- change in classification of gains on execution of Euroindex options related to indexed customer deposits, currently being a part of "Fee and commission expenses" while previously amount of PLN 1 461 k was classified as "Gains (losses) on financial instruments measured at fair value through profit and loss"

b) in the consolidated balance sheet:

- reclassification of interest from IRS valuation to "Hedging derivatives" totaling PLN 18 516 k in assets and PLN 3 469 k in liabilities,
- change of presenting derivatives totalling PLN 12 432 k, presented now as net amounts under "Financial assets held for trading" and "Financial liabilities held for trading"
- reclassification of trading derivatives to "Financial assets held for trading" totalling PLN 334 400 k that were previously presented under "Derivative financial instruments",
- reclassification of trading derivatives to "Financial liabilities held for trading" totalling PLN 222 470 k that were previously presented under "Derivative financial instruments",
- change of presenting IRS transactions, presented now as net amounts under "Financial assets held for trading" and "Financial liabilities held for trading" in the amount of PLN 77 k, and under "Hedging derivatives" in the amount of PLN 211 k

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

Basis of consolidation

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.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Purchase method of accounting

The Group 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 in which the Group has significant influence, but not control, over the financial and operating policies.

The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in the preparation of consolidated financial statements.

Foreign currency

Foreign currency transactions

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

Financial assets and financial liabilities

Classification

The Group classifies its financial instruments into the following categories:

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

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

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

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

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

Loans and receivables

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

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

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

Available-for-sale financial assets

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

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

Other financial liabilities

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

Recognition

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

Derecognition

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

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

Repo and Reverse Repo

The Group also generates/invests funds by selling/purchasing financial instruments under repurchase/reverse repurchase agreements whereby the instruments must be repurchased/resold at the same price plus initially agreed interest.

Securities sold subject to repurchase agreements ("repos") are not derecognised at the balance sheet date. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements.

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

Measurement

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

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

(a) loans and receivables which shall be measured at amortised cost using the effective interest method;
(b) investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

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

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

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

Gains and losses on subsequent measurement

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

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

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

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

Offsetting financial instruments

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

Hedge accounting

Hedge accounting recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item.
At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged. The Group also documents, at inception and on going basis, an assessment of the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value.
The Group uses derivative financial instruments among others to hedge its exposure to interest rate risks arising from operational, financing and investment activities.
The Group discontinues hedge accounting when:

(a) it is determined that a derivative is not, or has ceased to be, highly effective as a hedge;
(b) the derivative expires, or is sold, terminated, or exercised;
(c) the hedged item matures or is sold or repaid.

Fair value hedge

This is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.
A fair value hedge is accounted for as follows: the gain or loss from remeasuring the hedging instrument at fair value (for a derivative hedging instrument) shall be recognised in profit or loss; and the gain or loss on the hedged item attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognised in profit or loss. This applies if the hedged item is otherwise measured at amortised cost or is an available-for-sale financial asset.

Cash flow hedge

This is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability such as all or some future interest payments on variable rate debt.
A cash flow hedge is accounted for as follows: the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognised directly in equity through the statement of changes in equity and the ineffective portion of the gain or loss on the hedging instrument shall be recognised in profit or loss.

Impairment of financial assets

Assets carried at amortised cost

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

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

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

The Group periodically reviews its loan portfolio to check whether there is any objective evidence that a financial asset or group of financial assets are impaired.
The analysis of impairment is carried out:

- with reference to individual credit exposures representing significant reporting items (in excess of PLN 2 m),

- with reference to the portfolio of credit exposures which individually are not significant.

With regard to impairment, the review of individual loan exposures is carried out once a quarter or more often, if needed. Impairment for the portfolio, which is assessed jointly, is verified monthly.
If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised by the Group are not included in a collective assessment of impairment.

For the purpose of the collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms (for example, on the basis of the Group's credit risk evaluation or the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). The characteristics chosen are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.
Future cash flows 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 Group reviews regularly the methodology and assumptions used for estimating future cash flows in order to reduce any differences between loss estimates and actual loss experience.
In the case of credit exposures for which no indications of impairment were identified, the Group (Bank) carries out the impairment analysis based on the concept of losses already incurred but not yet reported and connected with loan impairment (IBNR), which is estimated on the basis of the historical loss experience for loans with a similar risk profile, on the basis of estimated period between the occurrence of impairment and the identification as well as evidencing loss, and on the basis of historical data corrections, as described above.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting the provision. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.
When a loan has been subject to a specific provision and the prospects of recovery do not improve, a time will come when it may be concluded that there is no real prospect of recovery. When this point is reached, the amount of the loan which is considered to be beyond the prospect of recovery is written off against the related

provision for loan impairment. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

Available-for-sale financial assets

For financial assets classified as available-for-sale for which there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in profit or loss. The amount of the cumulative loss that is removed from equity and recognised in profit or loss shall be the difference between the acquisition cost (net of any principal repayments and amortisation) and current fair value. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.
If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Off balance sheet liabilities

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

Finance lease receivables

Leases where the Group transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable at an amount equal to the net investment in the lease is recognised.
The recognition of finance lease income is based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.
Finance lease receivables are included in loans and advances to customers.

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

Subsequent expenditure

The Group 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 Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Depreciation

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

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

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

Fixed assets held for sale

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

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

Intangible assets

Computer software

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

Other intangible assets

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

Subsequent expenditure

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

Amortisation

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

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

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

Other items

Other trade and other receivables

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

Borrowings

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

Liabilities

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

Impairment of assets other than financial assets

The carrying amounts of the Group's assets, other than deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.
An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Calculation of recoverable amount

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

Equity

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

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

Dividends

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

Employee benefits

Short-term service benefits

The Group'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 Group'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.

Profit Sharing Scheme

BZWBK Group has recognized in the consolidated financial statements a liability resulting from a profit sharing scheme granted to employees of selected subsidiaries in accordance with other long term employee benefits as described in IAS 19. The scheme, formally based on issue of shares that are purchased by entitled employees of subsidiaries, has characteristics of a long term profit sharing scheme (not share based payments), as all shares issued under the scheme are subjected to conditional obligation to dispose shares at a price different from the fair value of shares. Resulting from the classification of the scheme BZWBK Group recognized a liability in its financial statements in an amount of estimated present value of expected future pay-outs considering a relevant service period in correspondence with employee related expenses. Pay-outs under the scheme are not recognized as net profit appropriation.

Share based payments

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

Provisions

A provision is recognised in the balance sheet when the 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.
In case impairment is recognized for a financial asset, interest income is accrued based on the carrying amount of receivable (this is the value reduced by revaluation charge) with the use of the interest rate according to which future cash flows were discounted for impairment valuation.

Net commission income

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

Net trading income and revaluation

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

Dividend income

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

Profit on disposal of subsidiaries and associates

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

Other operating income and costs

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

Operating lease payments

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

Finance lease payments

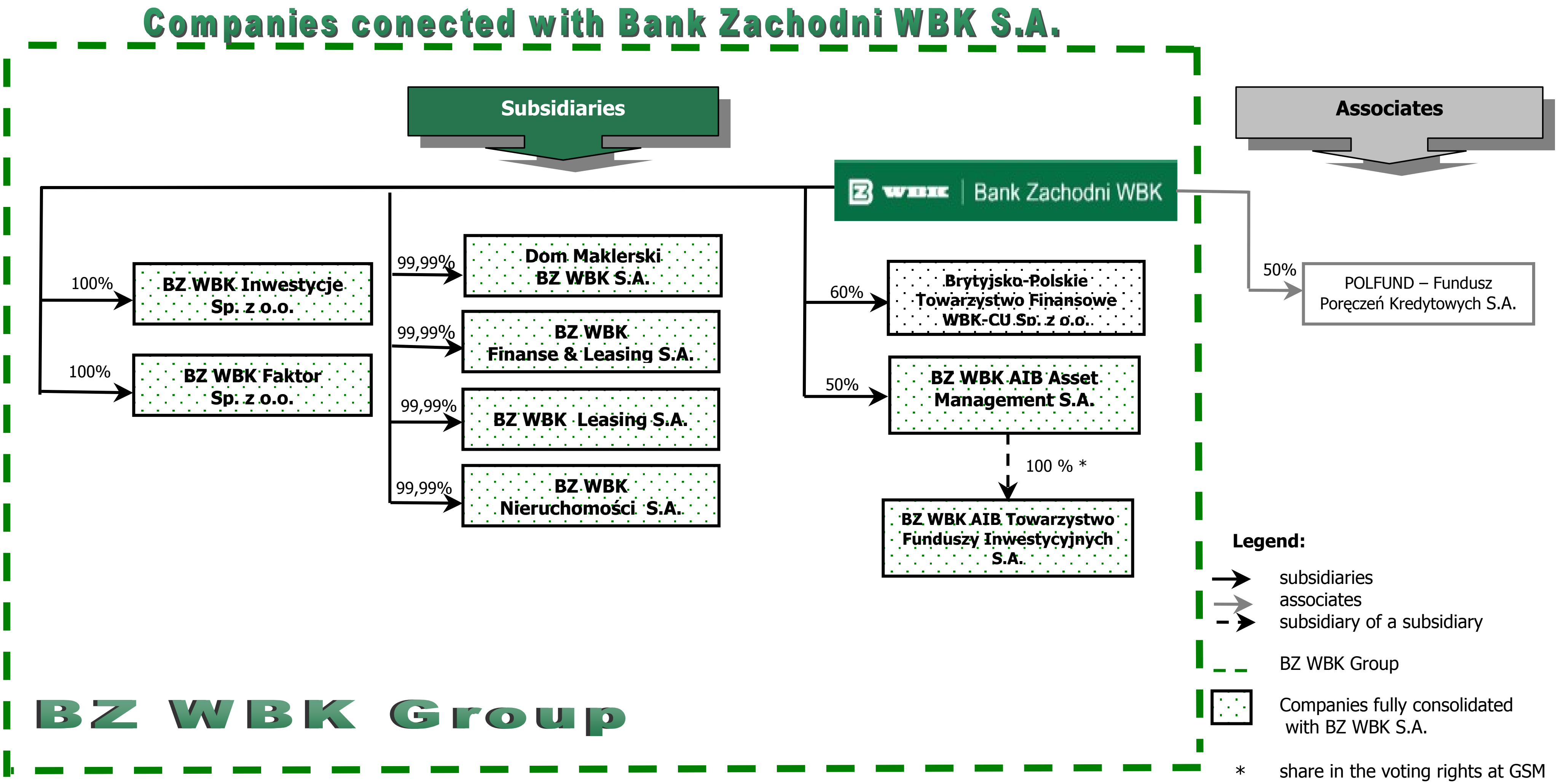
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Corporate income tax

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

11. Description of organization of BZ WBK Group

Graphical representation of the Group's organization structure and information about types of connection within the Group.



Pursuant to IAS 27, the following subsidiary undertakings were fully consolidated in the financial statements of Bank Zachodni WBK for 1Q 2008:

- BZ WBK Inwestycje Sp. z o.o.
- BZ WBK Faktor Sp. z o.o.
- Dom Maklerski BZ WBK S.A.
- BZ WBK Finanse & Leasing S.A.
- BZ WBK Leasing S.A.
- BZ WBK AIB Asset Management S.A.
- BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. – subsidiary of BZ WBK Asset Management S.A.
- BZ WBK Nieruchomości S.A
- Brytyjsko-Polskie Towarzystwo Finansowe WBK – CU Sp. z o.o.

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

Pursuant to IAS 28, as at 31 March 2008, associated undertaking POLFUND – Fundusz Poręczeń Kredytowych S.A. was accounted for using the equity method.

Due to the fact, that the transaction of partial disposal of NFI Magna Polonia shares was initialized, shares representing 19.97% of votes at the AGM of NFI Magna Polonia were classified as assets held for sale, whereas the rest (7.56%) is recognized as investment assets.
NFI Magna Polonia shares are measured at fair value through profit and loss. It is the current market price for the investment portfolio part and the transaction price that would have been on the measurement date for the part which is held for sale.

12. Related party disclosures

The Group companies enter into intercompany transactions. The transactions are effected between subsidiaries, associates and parent entity. Most of the transactions are banking transactions made as part of ordinary business activities and mainly include loans, deposits and guarantees.
Intercompany transactions effected by the bank and its subsidiaries have been eliminated during the consolidation process.
The table below contains information about transactions effected by the bank and its subsidiaries with related entities at the end of the reporting period.

In thousands of PLN

Receivables and liabilities relating to transactions with connected entities

31.03.2008

Receivables	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Loans and advances to banks	1 386 954	-	364 551	1 751 505
Financial assets held for trading	8 376	-	36 583	44 959
Hedging derivatives	3 168	-	668	3 836
Loans and advances to customers	841 132	-	-	841 132
Investment securities	-	-	202 068	202 068
Other assets	103 857	-	-	103 857
Total	**2 343 487**	**-**	**603 870**	**2 947 357**

Liabilities	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Deposits from banks	837 600	-	1 518 290	2 355 890
Hedging derivatives	7 486	-	-	7 486
Financial liabilities held for trading	3 830	-	71 948	75 778
Deposits from clients	1 364 216	54 707	1 317	1 420 240
Debt securities in issue	228	-	-	228
Other liabilities	130 127	-	18 607	148 734
Total	**2 343 487**	**54 707**	**1 610 162**	**4 008 356**

31.12.3007

Receivables	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Loans and advances to banks	1 555 104	-	174 250	1 729 354
Financial assets held for trading	5 648	-	40 771	46 419
Hedging derivatives	95 636	-	1 380	97 016
Loans and advances to customers	804 004	-	-	804 004
Investment securities	102	-	208 575	208 677
Other assets	18 728	-	-	18 728
Total	**2 479 222**	**-**	**424 976**	**2 904 198**

Liabilities	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Deposits from banks	801 155	-	1 130 077	1 931 232
Hedging derivatives	97 079	-	-	97 079
Financial liabilities held for trading	3 914	-	55 044	58 958
Deposits from clients	1 537 448	58 568	1	1 596 017
Debt securities in issue	290	-	-	290
Other liabilities	39 234	-	14 787	54 021
Total	**2 479 120**	**58 568**	**1 199 909**	**3 737 597**

The difference on transaction with subsidiary in the amount of PLN 102 k results from prepaid expenses which are recognized in profit and loss account.

In thousands of PLN

31.03.2007

Receivables	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Loans and advances to banks	1 503 444	-	606 213	2 109 657
Financial assets held for trading	446	-	34 355	34 801
Hedging derivatives	17 129	-	1 234	18 363
Loans and advances to customers	353 126	-	-	353 126
Investment securities	-	-	252 777	252 777
Other assets	30 196	-	-	30 196
Total	**1 904 341**	**-**	**894 579**	**2 798 920**

Liabilities	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Deposits from banks	350 259	-	272 041	622 300
Hedging derivatives	74	-	-	74
Financial liabilities held for trading	17 136	-	30 356	47 492
Deposits from clients	1 489 815	77 260	161	1 567 236
Debt securities in issue	365	-	-	365
Other liabilities	46 692	-	18 450	65 142
Total	**1 904 341**	**77 260**	**321 008**	**2 302 609**

Revenues and expenses relating to transactions with connected entities

01.01.2008-31.03.2008

Income	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Interest and similar income	31 410	-	3 639	35 049
Fee and commission income	41 436	-		41 436
Other operating income	1 722	-	-	1 722
Net trading income and revaluation	965	-	2 946	3 911
Total	**75 533**	**-**	**6 585**	**82 118**

Expenses	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Interest expense and similar charges	31 783	710	13 254	45 747
Fee and commission expense	41 280	-	42	41 322
Net trading income and revaluation	-	-	14 161	14 161
Gains (losses) from other financial securities	-		702	702
Other operating expenses incl.:	2 470	-	7 332	9 802
Bank's operating expenses and management costs	2 453		7 332	9 785
other	17			17
Total	**75 533**	**710**	**35 491**	**111 734**

In thousands of PLN

01.01.2007-31.03.2007

Income	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Interest and similar income	17 003	-	7 795	24 798
Fee and commission income	66 999	1	-	67 000
Other operating income	1 066	-	-	1 066
Net trading income and revaluation	-	-	6 342	6 342
Gains (losses) from other financial securities	-	-	211	211
Total	**85 068**	**1**	**14 348**	**99 417**

Expenses	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Interest expense and similar charges	16 740	803	963	18 506
Fee and commission expense	66 939	-	-	66 939
Other operating expenses incl.:	1 389	-	7 759	9 148
Bank's operating expenses and management costs	1 383	-	7 759	9 142
other	6	-	-	6
Total	**85 068**	**803**	**8 722**	**94 593**

Off balance sheet positions relating to transactions with connected entities

31.03.2008

Intragroup transactions - off-balance sheet liabilities	of which from subsidiaries
1. Sanctioned contingent liabilities	**(793 939)**
- financing-related	(680 930)
- guarantees	(113 009)
2. Received contingent liabilities	**(793 939)**
- financing-related	(680 930)
- guarantees	(113 009)
Total	**(1 587 878)**

Intragroup transactions- derivatives' nominal values	of which from subsidiaries
3. Derivatives' nominal values, including:	**504 476**
-FX forward- purchased	1 636
-FX forward- sold	1 632
-FX swap	501 111
-Financial instruments operations-single-currency interest rate hedging swaps	97
-Financial instruments operations-single-currency interest rate swaps	97

31.03.2007

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

In thousands of PLN

Transakcje wzajemne - nominały instrumentów pochodnych	of which from subsidiaries
3. Derivatives' nominal values, including:	**969 970**
-FX forward- purchased	3 201
-FX forward- sold	3 214
-FX swap	363 025
-Financial instruments operations-single-currency interest rate hedging swaps	300 265
-Financial instruments operations-single-currency interest rate swaps	300 265

13. Comments concerning the seasonal or cyclical character of the annual activities

The business activity of Bank Zachodni WBK S.A. and its subsidiary undertakings has no seasonal character.

14. Character and amounts of items which are extraordinary due to their nature, volume or occurrence

No extraordinary events influencing the balance sheet structure and financial performance occurred in Bank Zachodni WBK Group.

15. Accounting estimates and judgments

Loan impairment

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

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

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

Write-down due to impairment of non-financial assets

Balance sheet values assets other than deferred tax assets are reviewed as at a balance sheet day to specify whether there are reasons for write-down due to impairment. If there are such reasons, recoverable value of assets should be determined.
In case intangible assets not yet available for use, recoverable value is determined as at every balance sheet day.
Write-down due to impairment is recognized if book value of an asset exceeds its recoverable value and is presented in the profit and loss account.
For other receivables impairment amount has been recognised considering the expected recoverable amounts, and for long term other receivables discounting has been applied.
Asset held for sale at the lower of its carrying amount and estimated fair value less estimated costs to sell.

Fair value of financial instruments

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

Other accounting estimates and judgements

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

16. Issue, redemption or repayments of debt or equity instruments

In 1Q 2008, Bank Zachodni and any of its subsidiary did not issue bonds or other own debt securities.
BZWBK Leasing S.A. made a repayment of 3-year bonds - 3S0108 and 3-year bonds - 3S0308 of total PLN 39 997.5 k (nominal value) with the final redemption date of 10.01.2008 and 03.03.2008 respectively.

At the end of 1Q 2008, the total value of obligations with respect to the issue of own bonds by Bank Zachodni WBK S.A., BZWBK Leasing S.A. and BZWBK Finanse & Leasing S.A. amounted to PLN 288 414 k (nominal value).

In 1Q 2007, Bank Zachodni did not issue bonds or other own debt securities, however bonds were issued in BZWBK Finanse & Leasing S.A. subsidiary undertaking - 2-year bonds – S00209 of PLN 32 320 k (nominal value) with the final redemption date of 05.02.2009.
BZWBK Leasing S.A. made a repayment of 3-year bonds - 3S0207 and 3-year bonds – 3S0307 -of total PLN 63 834 k (nominal value) with the final redemption date of 03.02.2007 and 02.03.2007 respectively.

At the end of 1Q 2007, the total value of obligations with respect to the issue of own bonds by Bank Zachodni WBK S.A., BZWBK Leasing S.A. and BZWBK Finanse & Leasing S.A. amounted to PLN 579 226 k (nominal value).

17. Dividend information

Bank Zachodni WBK has proposed an allocation to dividends 27.04% of net profit (i.e. 22.93% of net profit attributable to the Company's equity holders) of PLN 218 880 852 i.e. PLN 3.00 per one share (PLN 6.00 in 2006). Outstanding profit of PLN 590 593 185.45 will be allocated to other reserve capital. Number of shares totaled 72 960 284.

18. Income and profits by business segments

BZ WBK Group's operating activities have been divided into four business segments: Treasury operations, Investment Banking, Branch and Corporate operations and Leasing operations.

- Activity of the Treasury Operations Segment comprises foreign exchange and interbank transactions as well as transaction in derivative instruments and debt securities
- Activity of the Investment Banking Segment includes investment activities of Bank Zachodni WBK S.A., asset management and brokerage operations
- Activity of the Branch and Corporate Operations Segment comprises branch network operations, Corporate Banking and the related internet distribution of services and products.
- Leasing Operations Segment centralises the Group's leasing activity.

Income and costs of the individual segment mean income and costs earned/incurred on sales to external clients or on transactions with other segments of the Group. They are disclosed in the P&L account and can be allocated to a particular business segment on a rational bases.

The segment's assets and liabilities are operational assets and liabilities used by that segment in its operating activities. They can be, based on rational premises, allocated to a particular business segment.

Allocations of internal income and expenses were taken into account in determining the profitability of individual segments. Sale prices between the segments are close to market prices. Operating costs and income are appropriately allocated to a relevant segment. Costs and income, which cannot be rationally assigned, are stated in "unallocated costs" and "unallocated income".

BZ WBK Group operates exclusively in the territory of Poland and no significant differences in risk were identified as regards the geographical location of its outlets. Therefore, the issuer did not present financial statements with a breakdown into geographical segments.

In thousands of PLN

31.03.2008	Branch and corporate operations	Treasury operations	Investment banking	Leasing operations	Eliminations	Total
1. Total segments income	**991 760**	**189 853**	**207 903**	**54 311**	**(308 628)**	**1 135 199**
Segments income (external)	820 828	72 371	188 330	53 670	-	**1 135 199**
Segments income (internal)	170 932	117 482	19 573	641	(308 628)	**-**
2. Total segments costs	**(763 899)**	**(145 115)**	**(105 890)**	**(42 882)**	**308 628**	**(749 158)**
Segments costs (external)	(626 357)	(11 828)	(77 171)	(33 802)	-	**(749 158)**
Segments costs (internal)	(137 542)	(133 287)	(28 719)	(9 080)	308 628	**-**
3. Dividend income	**-**	**-**	**13**	**-**	**-**	**13**
4. Movements in provisions	**(1 632)**	**-**	**-**	**(4 334)**	**-**	**(5 966)**
Write off	(122 723)	-	-	(16 434)	-	**(139 157)**
Write back	121 091	-	-	12 100	-	**133 191**
5. Segments income on investment in associates	**-**	**-**	**(59)**	**-**	**-**	**(59)**
6. Segments gross profit	**226 229**	**44 738**	**101 967**	**7 095**	**-**	**380 029**
7. Unallocated income						-
8. Unallocated costs						**(31 504)**
9. EBT						**348 525**
10. Income tax						**(72 004)**
11. Minority interest						**(33 420)**
12. Profit for the period						**243 101**

In thousands of PLN

31.03.2007	Branch and corporate operations	Treasury operations	Investment banking	Leasing operations	Eliminations	Total
1. Total segments income	**788 154**	**161 131**	**258 105**	**37 175**	**(282 049)**	**962 516**
Segments income (external)	621 138	60 379	244 266	36 733	-	**962 516**
Segments income (internal)	167 016	100 752	13 839	442	(282 049)	**-**
2. Total segments costs	**(591 874)**	**(127 886)**	**(125 316)**	**(27 662)**	**282 049**	**(590 689)**
Segments costs (external)	(477 506)	(10 449)	(78 913)	(23 821)		**(590 689)**
Segments costs (internal)	(114 368)	(117 437)	(46 403)	(3 841)	282 049	**-**
3. Dividend income	**-**	**-**	**10**	**-**	**-**	**10**
4. Movements in provisions	**21 957**	**-**	**-**	**(1 312)**	**-**	**20 645**
Write off	(53 913)	-	-	(4 448)	-	**(58 361)**
Write back	75 870	-	-	3 136	-	**79 006**
5. Segments income on investment in associates	**-**	**-**	**(77)**	**-**	**-**	**(77)**
6. Segments gross profit	**218 237**	**33 245**	**132 722**	**8 201**	**-**	**392 405**
7. Unallocated income						-
8. Unallocated costs						**(25 992)**
9. EBT						**366 413**
10. Income tax						**(73 179)**
11. Minority interest						**(32 622)**
12. Profit for the period						**260 612**

In thousands of PLN

19. Acquisitions and disposals of investments in 1Q 2008

Bank Zachodni WBK S.A. concluded a preliminary contract on sale of 1 718 105 shares of NFI Magna Polonia representing 19.97% of votes at the AGM. Transfer of shares for BBI Capital NFI S.A. will be done in two parts.

20. Changes to the contingent liabilities or assets

Off balance sheet liabilities

The Group has commitments to deliver loans. These commitments include loans sanctioned, credit card limits and overdrafts. The Group 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	31.03.2008	31.12.2007	Movement
Liabilities sanctioned	**9 172 306**	**8 512 897**	**659 409**
- financial	**8 402 154**	**7 832 652**	**569 502**
- including: import letters of credit	49 829	61 209	(11 380)
- including: credit lines	7 476 307	6 572 568	903 739
- including: credit cards debits	755 834	651 041	104 793
- including: term deposits with future commencement term	120 184	547 834	(427 650)
- guarantees	**770 152**	**680 245**	**89 907**
- including: confirmed export letters of credit	757	814	(57)
Received liabilities	**2 848 889**	**2 549 435**	**299 454**
Total	**12 021 195**	**11 062 332**	**958 863**

As at 31.03.2008 the Bank received/sanctioned guarantees of PLN 226 018 k (as at 31.12.2007 – PLN 229 621 k) to following subsidiary undertakings: BZ WBK Finanse & Leasing S.A. , BZ WBK Leasing S.A., Dom Maklerski BZWBK S.A., BZWBK TFI S.A. and BZWBK Nieruchomości S.A. They were eliminated as intragroup transactions.

The most common forms of guarantee are: payment guarantee, performance bond, bid bond, advance payment guarantee, loan repayment guarantee, customs guarantee. In accordance with the "Non-consumer lending regulations", the bank issues civil law guarantees (mainly: loan or advance repayment guarantee, service or goods repayment guarantee, advance payment guarantee, performance bond, bid bonds and other) and B/E guarantees (mainly: loan or advance repayment guarantee, service or goods repayment guarantee and other).

In thousands of PLN

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	31.03.2008	31.12.2007	Movement
1.	**Derivatives (hedging)**	**2 444 580**	**1 990 754**	**453 826**
a)	Single-currency interest rate swaps – purchased amounts	1 222 290	995 377	226 913
b)	Single-currency interest rate swaps – sold amounts	1 222 290	995 377	226 913
2.	**Term derivatives (trading)**	**248 063 078**	**225 420 539**	**22 642 539**
a)	Interest rate operations	213 377 820	184 923 594	28 454 226
-	Single-currency interest rate swaps – purchased amounts	62 440 860	63 161 797	(720 937)
-	Single-currency interest rate swaps – sold amounts	62 440 860	63 161 797	(720 937)
-	FRA-purchased amounts	46 773 050	29 800 000	16 973 050
-	FRA-sold amounts	41 723 050	28 800 000	12 923 050
b)	FX operations	34 685 258	40 496 945	(5 811 687)
-	FX swap – purchased amounts	12 467 643	15 612 274	(3 144 631)
-	FX swap – sold amounts	12 469 271	15 594 050	(3 124 779)
-	Forward purchased	2 641 616	2 505 026	136 590
-	Forward sold	2 671 933	2 556 651	115 282
-	Cross-currency interest rate swaps – purchased amounts	2 278 257	2 180 719	97 538
-	Cross-currency interest rate swaps – sold amounts	2 156 538	2 048 225	108 313
3.	**Currency transactions- spot**	**1 150 172**	**776 657**	**373 515**
	spot-purchased	575 041	388 293	186 748
	spot-sold	575 131	388 364	186 767
4.	**Derivatives – OTC options**	**4 227 446**	**3 064 616**	**1 162 830**
-	Options purchased	2 113 723	1 532 308	581 415
-	Options sold	2 113 723	1 532 308	581 415
5	**Euroindex Options**	**-**	**8 733**	**(8 733)**
	Options purchased	-	8 733	(8 733)
	Total	**255 885 276**	**231 261 299**	**24 623 977**

21. Principles PLN conversion into EUR

Selected financial figures for 1Q 2008 and 1Q 2007 were converted according to the following principles:

- balance sheet data – 3.5258 as at 31.03.2008 and 3.8695 as at 31.03.2007; EUR/PLN rate current at the balance sheet date and announced by the National Bank of Poland
- items of profit and loss account – according to the exchange rate EUR/PLN announced by the National Bank of Poland and calculated as an arithmetic mean of the rates from the last day of each month of particular quarter– as at 31.03.2008 – 3.5574, as at 31.03.2007 – 3.9063.

In thousands of PLN

22. Shareholders with min. voting power of 5%

According to the information held by the Bank's Management Board, the shareholder with a min. 5% of the total number of votes at the BZWBK Annual General Meeting as at the publication date of the quarterly consolidated report for 1Q 2008 /08.05.2008/ is AIB European Investments Ltd. based in Dublin.

Shareholder	No. of shares held	% shareholding	No. of votes at AGM	% share in total number of votes at AGM
As at 8.05.2008				
AIB European Investments Limited	51 413 790	70.5 %	51 413 790	70.5 %
As at 20.02.2008				
AIB European Investments Limited	51 413 790	70.5 %	51 413 790	70.5 %

23. Changes in shareholding of members of the Management and Supervisory Board

No. of Bank Zachodni WBK shares held			
	As at 08.05.2008	As at 20.02.2008	Movement
Members of the Management Board	-	-	-
Members of the Supervisory Board	278	278	-

Table below presents personal shareholding of Supervisory and Management Board Members as at 8th May 2008:

Owner	No. of shares
Supervisory Board	
Waldemar Frąckowiak	278

No other Supervisory or Management Board Member is in possession of BZWBK shares.

24. Information about the commenced court proceedings

As at 31 March 2008 no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the bank or its subsidiaries amounting to a minimum of 10% of the Group's equity.

The value of all litigations totalled PLN 262 313 k, which was ca. 5.50% of Group's equity. This amount includes PLN 56 820 k claimed by the Bank, PLN 46 228 k in claims against the Bank and PLN 159 265 k are Bank's receivables due to bankruptcy or arrangement cases.

As at 31 March 2007 no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the bank or its subsidiaries amounting to a minimum of 10% of the Group's equity.
The value of all litigations totalled PLN 261 665 k, which was ca. 6.05% of Group's equity. This amount includes PLN 47 938 k claimed by the Bank, PLN 32 014 k in claims against the Bank and PLN 181 713 k are Bank's receivables due to bankruptcy or arrangement cases.

25. Information concerning issuing loan and guarantees by an issuer or its subsidiary

As at 31 March 2008 Bank Zachodni WBK S.A. and its subsidiaries had not issued any guarantees to one business unit or a subsidiary totaling a minimum of 10% of issuer's equity.

26. Events which might affect financial performance over the next quarter

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

- gradual slowdown in economic growth, with weaker increase in investment activity, which will constrain growth in demand for loans from enterprises; households' demand for loans may weaken to a lesser extent amid continued favourable labour market conditions;
- strong exchange rate of the zloty against the euro which may result in the deterioration of international competitiveness of Polish firms and adversely affect export sector (and also investment activity through lower profitability of export); the negative impact of stronger zloty on the international competitiveness of domestic firms may be offset by the economy's modernisation due to the rising use of EU funds;
- expectations of further interest rate increases by the Monetary Policy Council which will constrain the demand for loans denominated in the local currency; a concurrent increase in demand for loans in CHF may be expected due to strong PLN rate and expectations of stable interest rates in Switzerland;
- increase in domestic interest rates which may increase customers' willingness to hold deposits in the banking system at the expense of other financial instruments, given poor sentiment in the stock markets as a result of high risk aversion amid concerns about the condition of the US economy.

In thousands of PLN

27. Events which occurred after the balance sheet date

General Meeting of Bank's Shareholders on 18th April 2008:

1. accepted the financial accounts and consolidated financial accounts of the Bank Zachodni WBK S.A. Group for the period between 1 January 2007 to 31 December 2007
2. divided the net profit generated by the Bank in the year between 1 January 2007 to 31 December 2007 in the following way:
   - the amount allocated to shareholders dividend totaled PLN 218 880 852.00
   - the amount allocated to the reserve capital totaled PLN 590 593 185.45

   The dividend per one share amounted to PLN 3.00 and will be paid on 19 May 2008 to the shareholders who owned shares of Bank Zachodni WBK S.A. on the day the right for a dividend was set, i.e. 5 May 2008.
3. granted the word of approval to the Members of the Management Board and the Supervisory Board
4. resolved to amend the Bank's Statutes and to adopt the uniform text of the Bank's Statutes
5. resolved to amend the Terms of Reference of the General Meeting of Shareholders of Bank Zachodni WBK S.A.
6. authorizes the Management Board of Bank Zachodni WBK to conclude with the National Depository for Securities an agreement, or if the need arises, agreements on the registration (in the depository) of ordinary bonds offered by Bank Zachodni WBK under a public offering in one or several series in 2008
7. accepted, that the next Incentive Scheme will be introduced into the Company.

Changes in the Management Board of BZWBK S.A.

Mr. Michał Gajewski – the Bank's Management Board Member in charge of the Customer Relationship and Sales Division – stepped down from his position as of April 30, 2008.

SIGNATURES OF THE PERSONS REPRESENTING THE ENTITY			
Date	**Name**	**Function**	**Signature**
08-05-2008	James Murphy	Member of the Management Board	
08-05-2008	Wanda Rogowska	Financial Accounting Area Director	