2008

Consolidated Financial Statements of Bank Zachodni WBK Group for 3Q 2008

Bank Zachodni WBK S.A.

In thousands of PLN

	FINANCIAL HIGHLIGHTS	PLN		EUR	
		01-01-2008 - 30-09-2008	01-01-2007 - 30-09-2007	01-01-2008 - 30-09-2008	01-01-2007 - 30-09-2007
	Consolidated financial statements				
I	Interest and similar income	2 302 395	1 489 204	672 291	388 684
II	Fee and commission income	1 232 941	1 318 183	360 014	344 047
III	Operating profit	1 131 315	1 121 302	330 340	292 661
IV	Profit before tax	1 130 184	1 122 253	330 010	292 909
V	Net profit attributable to the Company's equity holders	814 600	784 253	237 860	204 691
VI	Total net cash flow	(1 051 521)	(372 860)	(307 040)	(97 317)
VII	Total assets	48 639 090	38 452 354	14 270 777	10 179 313
VIII	Deposits from banks	4 889 887	5 448 407	1 434 700	1 442 331
IX	Deposits from customers	36 173 955	26 377 357	10 613 489	6 982 755
X	Total liabilities	43 430 281	34 041 847	12 742 505	9 011 740
XI	Total equity	5 208 809	4 410 507	1 528 272	1 167 573
XII	Minority interest	224 751	194 938	65 942	51 605
XIII	Net profit attributable to the Minority	82 620	115 526	24 125	30 152
XIV	Number of shares	72 960 284	72 960 284		
XV	Net book value per share in PLN/EUR	71,39	60,45	20,95	16,00
XVI	Solvency ratio	10,75%	12,69%		
XVII	Profit (loss) per share in PLN/ EUR	11,16	10,76	3,26	2,81
XVIII	Diluted earnings (loss) per share in PLN/EUR	11,14	10,73	3,25	2,80
XIX	Declared or paid dividend per share in PLN/EUR	3,00	6,00	0,88	1,59
	Stand alone financial statements				
XX	Interest and similar income	2 147 854	1 390 119	627 166	362 823
XXI	Fee and commission income	817 623	736 995	238 743	192 357
XXII	Operating profit	985 183	830 503	287 670	216 762
XXIII	Profit before tax	985 183	830 503	287 670	216 762
XXIV	Net profit (loss)	814 690	692 127	237 887	180 646
XXV	Total net cash flow	(1 053 203)	(375 060)	(307 531)	(97 891)
XXVI	Total assets	46 208 182	36 406 996	13 557 545	9 637 855
XXVII	Deposits from banks	3 054 153	4 207 524	896 093	1 113 838
XXVIII	Deposits from customers	36 684 241	26 871 476	10 763 208	7 113 561
XXIX	Total liabilities	41 710 847	32 629 464	12 238 021	8 637 846
XXX	Equity attributable to the Company's equity holders	4 497 335	3 777 532	1 319 524	1 000 008
XXXI	Number of shares	72 960 284	72 960 284		
XXXII	Net book value per share in PLN/EUR	61,64	51,78	18,09	13,71
XXXIII	Solvency ratio	9,73%	11,08%		
XXXIV	Profit (loss) per share in PLN/ EUR	11,17	9,49	3,26	2,48
XXXV	Diluted earnings (loss) per share in PLN/EUR	11,14	9,47	3,25	2,47
XXXVI	Declared or paid dividend per share in PLN/EUR	3,00	6,00	0,88	1,59

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In thousands of PLN

1. Consolidated income statement

for the reporting periods:	01-07-2008 30-09-2008	01-01-2008 30-09-2008	01-07-2007 30-09-2007	01-01-2007 30-09-2007
Interest and similar income	844 215	2 302 395	544 539	1 489 204
Interest expense and similar charges	(414 694)	(1 095 744)	(215 544)	(566 133)
Net interest income	**429 521**	**1 206 651**	**328 995**	**923 071**
Fee and commission income	401 181	1 232 941	449 276	1 318 183
Fee and commission expense	(57 403)	(176 545)	(61 410)	(174 643)
Net fee and commission income	**343 778**	**1 056 396**	**387 866**	**1 143 540**
Dividend income	652	70 286	285	64 731
Net trading income and revaluation	30 377	78 249	19 939	52 630
Gains (losses) from other financial securities	537	13 370	(1 308)	2 162
Gains from investment in subsidiaries and associates	-	(196)	-	-
Other operating income	13 709	46 989	11 307	32 556
Impairment losses on loans and advances	(43 819)	(63 656)	(21 539)	2 820
Operating expenses incl.:	(431 489)	(1 276 774)	(382 951)	(1 100 208)
Bank's staff, operating expenses and management costs	*(399 774)*	*(1 183 922)*	*(341 274)*	*(968 923)*
Depreciation/amortisation	*(28 052)*	*(78 610)*	*(37 328)*	*(105 426)*
Other operating expenses	*(3 663)*	*(14 242)*	*(4 349)*	*(25 859)*
Operating profit	**343 266**	**1 131 315**	**342 594**	**1 121 302**
Share in net profit (losses) of entities accounted for by the equity method	(1 087)	(1 131)	915	951
Profit before tax	**342 179**	**1 130 184**	**343 509**	**1 122 253**
Corporate income tax	(72 831)	(232 964)	(75 253)	(222 474)
Profit for the period	**269 348**	**897 220**	**268 256**	**899 779**
of which:				
attributable to the Company's equity holders	247 062	814 600	225 657	784 253
attributable to the Minority equity holders	22 286	82 620	42 599	115 526
Net earnings per share				
Basic earnings per share (PLN)		11,16		10,76
Diluted earnings per share (PLN)		11,14		10,73

In thousands of PLN

2. Consolidated balance sheet

as at:	30-09-2008	30-06-2008	31-12-2007	30-09-2007
ASSETS				
Cash and balances with central bank	1 160 028	2 469 407	2 206 265	1 013 925
Loans and advances to banks	2 177 036	2 760 567	2 576 878	3 853 460
Financial assets held for trading	1 624 056	1 514 527	1 251 653	557 490
Hedging derivatives	31 196	45 047	35 851	30 608
Loans and advances to customers	31 022 751	28 273 070	23 949 714	22 280 408
Investment securities	11 137 774	10 448 974	9 763 669	9 275 100
Investments in associates and joint ventures	46 866	43 353	13 378	35 651
Intangible assets	134 964	126 524	115 280	102 664
Property, plant & equipment	567 483	559 880	543 226	490 780
Deferred tax assets	394 944	385 720	368 449	399 682
Other assets	341 992	435 869	495 557	412 586
Total assets	**48 639 090**	**47 062 938**	**41 319 920**	**38 452 354**
LIABILITIES				
Deposits from banks	4 889 887	5 298 339	4 483 526	5 448 407
Hedging derivatives	16 268	1 196	2 054	5 652
Financial liabilities held for trading	853 819	1 294 135	990 274	490 350
Deposits from customers	36 173 955	33 863 770	29 765 687	26 377 357
Debt securities in issue	283 583	282 368	352 961	404 998
Current income tax liabilities	34 621	12 973	49 115	100 536
Deferred tax liabilities	244 256	239 639	202 777	256 615
Other liabilities	933 892	1 278 559	896 825	957 932
Total liabilities	43 430 281	42 270 979	36 743 219	34 041 847
Equity				
Parent company equity	4 984 058	4 588 665	4 341 527	4 215 569
Share capital	729 603	729 603	729 603	729 603
Other reserve funds	2 726 934	2 721 094	2 061 578	2 058 175
Revaluation reserve	397 844	255 353	362 963	412 049
Retained earnings	315 077	315 077	232 688	231 489
Profit of the current period	814 600	567 538	954 695	784 253
Minority interest	224 751	203 294	235 174	194 938
Total equity	5 208 809	4 791 959	4 576 701	4 410 507
Total equity and liabilities	**48 639 090**	**47 062 938**	**41 319 920**	**38 452 354**

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	-	-	66 976	-	-	66 976
Change in available for sale investments -decrease	-	-	(10 020)	-	(2 441)	(12 461)
Cash Flow Hedge activities	-	-	(5 316)	-	-	(5 316)
Share scheme charge	-	11 981	-	-	-	11 981
Net (gains)/losses recognised in income statement	-	-	(16 759)	-	-	(16 759)
Net profit	-	-	-	814 600	82 620	897 220
Total recognised increase in equity in 1-3Q 2008	**-**	**11 981**	**34 881**	**814 600**	**80 179**	**941 641**
Dividend relating to 2007	-	-	-	(218 881)	(90 155)	(309 036)
Transfer to other reserve funds	-	653 816	-	(653 816)	-	-
Other	-	(441)	-	391	(447)	(497)
As at 30.09.2008	**729 603**	**2 726 934**	**397 844**	**1 129 677**	**224 751**	**5 208 809**

As at the end of the period revaluation reserve in the amount of PLN 397 844 k comprises of debt securities and equity shares classified as available for sale of PLN (42 620) k and PLN 445 780 k respectively and additionally cash flow hedge activities PLN (5 316) 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	-	-	10 063	-	385	10 448
Change in available for sale investments -decrease	-	-	(112 064)		-	(112 064)
Share scheme charge	-	7 070	-	-	-	7 070
Net (gains)/losses recognised in income statement	-	-	5 502	-	-	5 502
Net profit	-	-	-	784 253	115 526	899 779
Total recognised increase in equity in 1-3Q 2007	**-**	**7 070**	**(96 499)**	**784 253**	**115 911**	**810 735**
Dividend relating to 2006	-	-	-	(437 762)	(37 723)	(475 485)
Transfer to other reserve funds	-	193 908	-	(193 908)	-	-
Other	-	50	-	(1 544)	9	(1 485)
As at 30.09.2007	**729 603**	**2 058 175**	**412 049**	**1 015 742**	**194 938**	**4 410 507**

As at the end of the period the revaluation reserve in the amount of PLN 412 049 k comprises of debt securities and equity shares classified as available for sale of PLN (31 333) k and PLN 443 382 k respectively.

In thousands of PLN

4. Consolidated cash flow statement

	01-07-2008 - 30-09-2008	01-01-2008 - 30-09-2008	01-07-2007 - 30-09-2007	01-01-2007 - 30-09-2007
Profit (loss) before tax	**342 179**	**1 130 184**	**343 509**	**1 122 253**
Total adjustments:	**(1 171 712)**	**(864 486)**	**303 336**	**(25 902)**
Share in net profits (losses) of entities accounted for by the equity method	1 087	1 131	(915)	(951)
Depreciation	28 052	78 610	37 329	105 427
Impairment losses	-	125	(350)	(350)
Gains (losses) on exchange differences	(1 418)	(3 838)	4 646	4 517
Interests and similar charges	(80 923)	6 344	(21 725)	(21 206)
Dividend income	(652)	(70 286)	(285)	(64 731)
(Profit) loss from investing activities	(1 062)	(16 507)	(444)	(4 569)
Change in provisions	19 082	(38 153)	42 547	50 143
Change in trading portfolio financial instruments	(520 922)	(489 989)	76 669	791 137
Change in loans and advances to banks	585 816	394 558	(987 816)	(551 219)
Change in loans and advances to customers	(2 748 263)	(7 069 199)	(1 632 999)	(4 660 950)
Change in deposits from banks	(291 447)	135 596	1 708 952	2 226 519
Change in deposits from customers	2 236 425	6 194 384	1 159 313	2 182 532
Change in liabilities arising from debt securities in issue	1 214	3 038	5 289	5 196
Change in assets and liabilities arising from deferred taxation	3 563	3 280	(1 221)	(362)
Change in other assets and liabilities	(365 506)	230 985	(50 407)	54 240
Paid income tax	(37 074)	(225 782)	(35 466)	(142 022)
Other adjustments	316	1 217	219	747
Net cash flow from operating activities - indirect method	**(829 533)**	**265 698**	**646 845**	**1 096 351**
Inflows	**58 077**	**1 806 128**	**200 690**	**1 925 077**
Sale of shares or interests in subsidiaries and associates	496	3 021	-	-
Sale of investment securities	53 911	1 722 502	197 528	1 855 674
Sale of intangible and tangible fixed assets	3 015	10 312	2 876	4 668
Dividends received	652	70 286	285	64 731
Proceeds from other investments	3	7	1	4
Outflows	**(458 945)**	**(3 139 189)**	**(440 746)**	**(3 209 512)**
Purchase of subsidiaries and associates	(4 600)	(38 131)	-	-
Purchase of investment securities	(412 573)	(2 986 858)	(415 500)	(3 156 719)
Purchase of intangible and tangible fixed assets	(41 760)	(114 131)	(24 702)	(51 074)
Other investments	(12)	(69)	(544)	(1 719)
Net cash flow from investing activities	**(400 868)**	**(1 333 061)**	**(240 056)**	**(1 284 435)**
Inflows	**235 385**	**1 108 923**	**209 321**	**1 020 667**
Drawing of long-term loans	235 385	1 108 923	209 321	978 158
Issue of debt securities	-	-	-	42 509
Outflows	**(312 078)**	**(1 093 081)**	**(236 339)**	**(1 205 443)**
Repayment of long-term loans	(278 632)	(624 276)	(26 927)	(395 782)
Debt securities buy out	-	(72 417)	(189 966)	(289 049)
Dividends and other payments to shareholders	-	(309 036)	-	(475 485)
Other financing outflows	(33 446)	(87 352)	(19 446)	(45 127)
Net cash flow from financing activities	**(76 693)**	**15 842**	**(27 018)**	**(184 776)**
Total net cash flow	**(1 307 094)**	**(1 051 521)**	**379 771**	**(372 860)**
Cash at the beginning of the accounting period	**2 494 112**	**2 238 539**	**794 973**	**1 547 604**
Cash at the end of the accounting period	**1 187 018**	**1 187 018**	**1 174 744**	**1 174 744**

In thousands of PLN

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

For reporting periods:	01-07-2008 - 30-09-2008	01-01-2008 - 30-09-2008	01-07-2007 - 30-09-2007	01-01-2007 -30-09-2007
Interest and similar income	787 305	2 147 854	507 801	1 390 119
Interest expense and similar charges	(393 605)	(1 046 574)	(206 374)	(539 644)
Net interest income	**393 700**	**1 101 280**	**301 427**	**850 475**
Fee and commission income	286 008	817 623	252 007	736 995
Fee and commission expense	(32 864)	(86 535)	(22 343)	(56 072)
Net fee and commission income	**253 144**	**731 088**	**229 664**	**680 923**
Dividend income	1	218 310	15	170 696
Net trading income and revaluation	29 444	75 707	17 078	38 366
Gains (losses) from other financial securities	185	12 226	(1 529)	1 772
Gains (losses) from investment in subsidiaries and associates	-	226	-	13 423
Other operating income	10 678	35 406	9 635	24 145
Impairment losses on loans and advances	(40 092)	(56 057)	(19 881)	7 679
Operating expenses incl.:	(384 591)	(1 133 003)	(335 840)	(956 976)
Bank's staff, operating expenses and management costs	*(357 350)*	*(1 054 075)*	*(297 609)*	*(839 539)*
Depreciation/amortisation	*(25 769)*	*(71 622)*	*(35 526)*	*(100 112)*
Other operating expenses	*(1 472)*	*(7 306)*	*(2 705)*	*(17 325)*
Operating profit	**262 469**	**985 183**	**200 569**	**830 503**
Profit before tax	**262 469**	**985 183**	**200 569**	**830 503**
Corporate income tax	(54 369)	(170 493)	(45 922)	(138 376)
Profit for the period	**208 100**	**814 690**	**154 647**	**692 127**
Basic earnings per share (PLN)		11,17		9,49
Diluted earnings per share (PLN)		11,14		9,47

In thousands of PLN

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

as at:	30-09-2008	30-06-2008	31-12-2007	30-09-2007
ASSETS				
Cash and balances with central bank	1 160 020	2 469 396	2 206 259	1 013 915
Loans and advances to banks	2 155 137	2 538 361	2 563 755	3 847 040
Financial assets held for trading	1 624 352	1 531 319	1 142 060	555 798
Hedging derivatives	31 196	45 047	35 850	30 759
Loans and advances to customers	28 741 643	26 012 079	22 150 633	20 462 190
Investment securities	11 113 188	10 429 406	9 698 307	9 256 320
Investments in subsidiaries, associates and joint ventures	224 689	190 442	155 967	173 771
Intangible assets	121 037	112 953	102 906	92 445
Property, plant & equipment	548 954	542 373	528 027	478 511
Current income tax due	-	-	37 950	-
Deferred tax assets	337 203	327 228	312 700	342 602
Other assets	150 763	270 379	248 674	153 645
Total assets	**46 208 182**	**44 468 983**	**39 183 088**	**36 406 996**
LIABILITIES				
Deposits from banks	3 054 153	3 465 570	3 145 395	4 207 524
Hedging derivatives	16 264	1 196	2 054	5 651
Financial liabilities held for trading	858 547	1 296 394	994 187	497 858
Deposits from customers	36 684 241	34 388 826	30 264 734	26 871 476
Debt securities in issue	104 132	102 312	99 348	98 629
Current income tax liabilities	23 688	380	-	24 556
Deferred tax liabilities	230 557	225 078	188 620	246 650
Other liabilities	739 265	849 646	637 981	677 120
Total liabilities	41 710 847	40 329 402	35 332 319	32 629 464
Equity				
Share capital	729 603	729 603	729 603	729 603
Other reserve funds	2 553 825	2 547 985	1 951 251	1 947 847
Revaluation reserve	399 217	255 403	360 441	407 955
Profit of the current period	814 690	606 590	809 474	692 127
Total equity	4 497 335	4 139 581	3 850 769	3 777 532
Total equity and liabilities	**46 208 182**	**44 468 983**	**39 183 088**	**36 406 996**

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	-	-	66 977	-	66 977
Net change in available for sale investments - decrease	-	-	(7 580)	-	(7 580)
Cash Flow Hedge activities	-	-	(5 316)	-	(5 316)
Share scheme charge	-	11 981	-	-	11 981
Net (gains)/losses recognised in income statement	-	-	(15 305)	-	(15 305)
Net profit	-	-	-	814 690	814 690
Total recognised increase in equity in 1-3Q 2008	**-**	**11 981**	**38 776**	**814 690**	**865 447**
Dividend relating to 2007	-	-	-	(218 881)	(218 881)
Transfer from supplementary capital	-	590 593	-	(590 593)	-
As at 30.09.2008	**729 603**	**2 553 825**	**399 217**	**814 690**	**4 497 335**

As at the end of the period revaluation reserve in the amount of PLN 399 217 k comprises of debt securities and equity shares classified as available for sale of PLN (42 621) k and PLN 447 154 k respectively and additionally cash flow hedge activities PLN (5 316) 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	-	-	7 256	-	7 256
Net change in available for sale investments - decrease	-	-	(111 757)	-	(111 757)
Share scheme charge		7 070	-	-	7 070
Net (gains)/losses recognised in income statement	-	-	7 354	-	7 354
Net profit	-	-	-	692 127	692 127
Total recognised increase in equity in1-3Q 2007	**-**	**7 070**	**(97 147)**	**692 127**	**602 050**
Dividend relating to 2006	-	-	-	(437 762)	(437 762)
Transfer to other reserve funds	-	155 033	-	(155 033)	-
As at 30.09.2007	**729 603**	**1 947 847**	**407 955**	**692 127**	**3 777 532**

As at the end of the period revaluation the reserve in the amount of PLN 407 955 k comprises of debt securities and equity shares classified as available for sale of PLN (31 302) k and PLN 439 257 k respectively.

In thousands of PLN

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

	01-07-2008 - 30-09-2008	01-01-2008 - 30-09-2008	01-07-2007 - 30-09-2007	01-01-2007 - 30-09-2007
Profit (loss) before tax	**262 469**	**985 183**	**200 569**	**830 503**
Total adjustments:	**(1 156 039)**	**(567 214)**	**413 069**	**408 747**
Depreciation	25 769	71 623	35 526	100 112
Impairment losses	(47)	(36)	(150)	(853)
Interests and similar charges	(110 623)	(70 367)	48 215	25 252
Dividend income	(1)	(218 310)	(15)	(170 696)
(Profit) loss from investing activities	(1 127)	(15 804)	(943)	(17 378)
Change in provisions	9 237	(5 082)	17 116	23 673
Change in trading portfolio financial instruments	(501 961)	(599 068)	63 599	725 131
Change in loans and advances to banks	375 108	401 654	(989 288)	(552 279)
Change in loans and advances to customers	(2 729 564)	(6 591 010)	(1 613 567)	(4 289 836)
Change in deposits from banks	(411 417)	(91 242)	1 441 148	1 976 928
Change in deposits from customers	2 295 415	6 419 507	1 590 899	2 679 087
Change in liabilities arising from debt securities in issue	1 820	4 784	1 253	2 732
Change in assets and liabilities arising from deferred taxation		-		2 023
Change in other assets and liabilities	(90 587)	212 475	(155 917)	15 787
Paid income tax	(18 378)	(87 555)	(27 049)	(111 681)
Other adjustments	317	1 217	219	745
Net cash flow from operating activities - indirect method	**(893 570)**	**417 969**	**613 638**	**1 239 250**
Inflows	**57 425**	**1 912 729**	**203 292**	**2 046 950**
Sale of shares or interests in subsidiaries and associates	496	3 021	-	29 665
Sale of investment securities	54 000	1 681 488	200 423	1 842 072
Sale of intangible and tangible fixed assets	2 925	9 903	2 853	4 513
Dividends received	1	218 310	15	170 696
Proceeds from other investments	3	7	1	4
Outflows	**(477 707)**	**(3 154 469)**	**(437 127)**	**(3 200 994)**
Purchase of subsidiaries and associates	(34 200)	(72 331)	-	
Purchase of investment securities	(404 836)	(2 979 106)	(415 532)	(3 156 719)
Purchase of intangible and tangible fixed assets	(38 671)	(102 991)	(21 068)	(42 605)
Other investments	-	(41)	(527)	(1 670)
Net cash flow from investing activities	**(420 282)**	**(1 241 740)**	**(233 835)**	**(1 154 044)**
Inflows	**-**	**-**	**-**	**-**
Outflows	**(3 640)**	**(229 432)**	**(1 116)**	**(460 266)**
Repayment of long-term loans	-	-	-	(19 156)
Dividends paid	-	(218 881)	-	(437 762)
Other financing outflows	(3 640)	(10 551)	(1 116)	(3 348)
Net cash flow from financing activities	**(3 640)**	**(229 432)**	**(1 116)**	**(460 266)**
Total net cash flow	**(1 317 492)**	**(1 053 203)**	**378 687**	**(375 060)**
Cash at the beginning of the accounting period	**2 489 763**	**2 225 474**	**788 969**	**1 542 716**
Cash at the end of the accounting period	**1 172 271**	**1 172 271**	**1 167 656**	**1 167 656**

9. Activities of Bank Zachodni WBK Group

General Review of the Group's performance over the three quarters ended 30 Sept. 2008

After the first three quarters of 2008, total income of Bank Zachodni WBK Group increased by 11.4% y-o-y to PLN 2,471.7 m. This performance was achieved against the background of highly volatile market sentiment and was due to the dynamic development of the key business lines as part of the Group's core activity. With significant forward-looking investments, the consolidated profit-before-tax of PLN 1,130.2 m exceeded the record-high level of the previous year by PLN 7.9 m.

Key drivers of the consolidated profit for the three quarters ended 30 Sept. 2008:

- Strong increase y-o-y in net interest income resulting from the dynamic growth in business and higher interest rate environment.
- Balanced growth of loan and deposit volumes ensuring adequate liquidity and favourable product mix.
- Wide diversification of business and rapid increase in the up-and-coming business lines (e.g. bancassurance, payment cards, services for third party institutions).
- Lower revenues from equity markets due to depressed stock prices.
- Increase in staff and other administrative expenses driven by expansion of distribution channels, continued investments in future-oriented development programmes and intensive marketing campaigns.
- Higher cost of credit risk connected with the rapid growth in lending business.

Financial highlights:

- Profit-before-tax was PLN 1,130.2 m, up 0.7% y-o-y.
- Profit-after-tax was PLN 814.6 m, up 3.9% y-o-y.
- High return on equity maintained (23.63% at the end of September 2008 vs. 27.66% at the end of September 2007).
- Total income increased by 11.4% y-o-y, including a rise in net interest income by 30.7% y-o-y.
- Total costs increased by 16.1% y-o-y, of which staff and administrative expenses increased by 22.2% y-o-y while combined depreciation and other operating expenses decreased by 29.3% y-o-y.
- Cost to income ratio (C/I) for the three quarters of 2008 amounted to 51.7% compared with 49.6% for the corresponding period of 2007.

- Continued reduction of the NPL ratio (from 3.3% at the end of September 2007 to 2.3% 12 months later).
- Loan impairment charge was PLN 63.7 m versus the positive balance of PLN 2.8 m in the same period last year.

Key business developments:

- Rapid growth of credit volumes: cash loans (+77% y-o-y), mortgage loans (+43% y-o-y), business loans (+37% y-o-y), lease receivables (+25% y-o-y).
- Significant growth in deposits (+37% y-o-y) driven by savings account balances (+PLN 11.2 bn y-o-y).
- Loans to deposits ratio maintained close to the last year's figure (85.8% at the end of September 2008 versus 84.5% 12 months before), ensuring adequate liquidity and access to the sources of finance.
- Introduction of new structured products.
- Increase in the number of BZWBK24 electronic banking users by 29% y-o-y, credit cards by 35% and debit cards by 23%.
- Decrease in the value of mutual funds and private portfolios by 44% y-o-y due to substantial share price declines and redemptions.

Factors affecting the external environment of Bank Zachodni WBK Group:

- Gradual economic slowdown (GDP growth in Q3 2008 is estimated at c. 4.5% versus 5.9% in the first half of 2008 and 6.6% in 2007).
- Increase in the household income driving up private consumption.
- Strong demand for personal and business loans.
- Persistently high demand for FX housing loans.
- Slowdown in the housing market due to the rising supply of new developments and expectations of further price decreases.
- Faster increase in household deposits and decelerated growth of business deposits.
- Continued stock market downturn and its impact on mutual funds.
- Further inflation growth above the inflation target.
- Central bank's base rate stable at 6%.
- Much stronger zloty vis-à-vis the main currencies, with some rate correction towards the end of the third quarter.

Financial performance for the three quarters ended 30 Sept. 2008

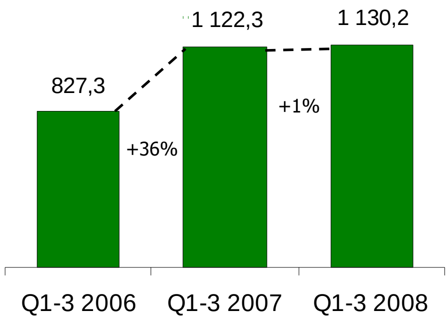
Profit and Loss Account

PLN m

Profit and Loss Account	Q1-3 2008	Q1-3 2007	Change
Total income	2,471.7	2,218.7	+11.4%
Total costs	(1,276.8)	(1,100.2)	+16.1%
Impairment charge	(63.7)	2.8	-
Profit-before-tax	**1,130.2**	**1,122.3**	**+0.7%**
Profit-after-tax attributable to BZWBK shareholders	**814.6**	**784.3**	**+3.9%**
Profit-after-tax attributable to minority interests	82.6	115.5	-28.5%

After the first three quarters of 2008, Bank Zachodni WBK Group generated a profit-before-tax of PLN 1,130.2 m, i.e. PLN 7.9 m more than in the corresponding period of the previous year. The profit-after-tax attributable to shareholders of Bank Zachodni WBK was PLN 814.6 m and higher by PLN 30.3 m y-o-y.

Profit-before-tax of BZWBK Group for the first three quarters in the years 2006-2008 (PLN m)



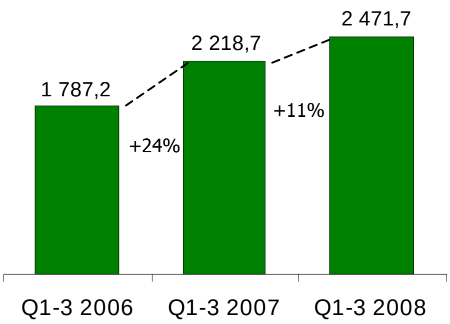
The net profit shown in the profit and loss account for the first three quarters of 2008 is an effect of diversification of the Group's business, dynamic development of many important business lines and investments undertaken in pursuit of the corporate strategy. Concurrently with higher income from the core business activities, the Group witnessed lower revenues from the capital markets (suffering from prolonged price declines) and higher costs connected with the organic growth and intensive marketing campaigns.

Income

PLN m

Total income	Q1-3 2008	Q1-3 2007	Change
Net interest income	1,206.7	923.1	+30.7%
Net commission income	1,056.4	1 143.5	-7.6%
Dividend income	70.3	64.7	+8.7%
Net trading income and revaluation	78.2	52.6	+48.7%
Other income	60.1	34.8	+72.7%
Total	**2,471.7**	**2,218.7**	**+11.4%**

Total income after the first three quarters in the years 2006-2008 (PLN m)



During the first three quarters of 2008, Bank Zachodni WBK Group posted a **total income** of PLN 2,471.7 m, an increase of 11.4% on the same period last year.

Net interest income amounted to PLN 1,206.7 m and was higher by 30.7% y-o-y. During 2008, this item showed steady growth quarter-on-quarter, reflecting the fast and balanced growth in loan volumes such as business loans, cash loans and home mortgages.

Taking into account other interest-related income from FX Swaps and Basis Swaps (PLN 54.5 m for the first three quarters of 2008 and PLN 14.4 m for the same period of 2007), which are disclosed under "Net trading income and revaluation", the underlying net interest income increased by 34.5% y-o-y.

Net commission income amounted to PLN 1,056.4 m and decreased by 7.6% y-o-y. This is primarily due to the downturn in the Polish equity market, which resulted in lower fees for distribution of mutual funds, asset management and brokerage services. The other business lines reported growth, particularly bancassurance, e-business, credit and FX fees.

PLN m

Net Commission Income	Q1-3 2008	Q1-3 2007	Change
Mutual fund distribution and asset management services	310.8	475.1	-34.6%
Account maintenance and cash transactions	171.9	164.2	+4.7%
FX fees	177.0	156.9	+12.8%
E-business *	173.9	139.5	+24.7%
Brokerage fees	75.3	113.7	-33.8%
Credit fees **	77.2	62.3	+23.9%
Insurance fees	52.4	29.9	+75.3%
Other ***	17.9	1.9	+842.1%
Total	**1,056.4**	**1,143.5**	**-7.6%**

* *includes fees for foreign and mass payments, Western Union transfers, trade finance-related payments, debit cards, third party services and other electronic services;*
** *includes fees for loans, leasing, factoring, credit intermediation and guarantees (excluding interest and equivalent income)*
*** *other net commission income for Q1-3 2008 includes fees for distribution of investment certificates.*

The main components of the **net commission income** were as follows:

- **The Group's net income from fund distribution and asset management** was PLN 310.8 m and 34.6% lower y-o-y due to the continued downturn in the global stock markets. The market turmoil adversely affected the value of mutual funds, leading to significant redemptions and making investors more averse to high risk-bearing instruments (such as equity-linked or mixed funds).

- **The fees on customer FX transactions** increased by 12.8% y-o-y to PLN 177 m, reflecting improved margins and higher FX transaction volumes**.**

- **The net commission income from e-business** increased by 24.7% y-o-y to PLN 173.9 m driven by two key product lines: "services to third-party financial institutions" and "debit cards". The former line showed a higher net fee income (+39% y-o-y) reflecting the bank's co-operation with new financial institutions and the consequent increase in the number of cards processed and ATMs managed on their behalf. The latter line showed a strong performance (+29% y-o-y) attributed to the growth in the number of debit cards held by the bank's customers (+23% y-o-y) and the higher number and value of the non-cash transactions made with these cards.

- **The bancassurance line** generated an income of PLN 52.4 m, exceeding the last year's figure by 75.3% owing to the growing sale of insurance for the Bank's credit facilities.

- **Net commission income of the BZWBK Brokerage House** decreased by 33.8% y-o-y to PLN 75.3 m due to the strong deceleration of the stock market and the consequent decline in stock trading in the market place.

- **Credit fees** amounted to PLN 77.2 m and were higher by 23.9% y-o-y as a result of the growing number of credit cards in use (+35% y-o-y).

Dividend income of PLN 70.3 m increased by 8.7% y-o-y as a result of a higher dividend paid out by the Commercial Union Group members included in the bank' s equity investment portfolio (i.e. Commercial Union Powszechne Towarzystwo Emerytalne BPH CU WBK S.A. and Commercial Union Polska Towarzystwo Ubezpieczeń na Życie S.A.). In 2008, the bank received PLN 64.7 m in dividend from the above-mentioned companies compared with PLN 60.3 m last year.

Net trading income and revaluation went up by 48.7% to PLN 78.2 m due to higher income earned by the bank from wholesale FX Swaps and derivatives transacted both by the bank and the Brokerage House (as part of its market-making activity).

Other income of Bank Zachodni WBK Group increased by 72.7% y-o-y to PLN 60.1 m, mainly on account of a profit of PLN 22.4 m from the sale of MasterCard Int. shares from the bank's investment portfolio.

Loan Impairment Charge

The loan impairment charge to the profit and loss account was PLN 63.7 m while in the corresponding period of the previous year the balance of loan impairment was positive and amounted to PLN 2.8 m. The bank successfully continues the restructure and collection of debts, but the scale of recoveries has been gradually decelerating as a considerable number of historical cases have been closed. With substantial y-o-y growth in gross lending volumes (+38.1%), retail loans in particular (+49.5%), the net impairment figure adequately reflects the increase in credit risk in line with the Group' s principles of the credit risk management. As part of the process, the Group regularly reviews both individually significant cases and parameters applicable in the collective impairment measurement.

Despite the sizable expansion in loan-books, NPL ratio kept declining, which reflects the strengthening of asset quality of the Group. At the end of September 2008, the non-performing loans accounted for 2.3% of the gross portfolio and the provision coverage for impaired loans was 64.6%. The corresponding ratios as at end-September 2007 were 3.3% and 66.8%, respectively.

Costs

Total operating costs of Bank Zachodni WBK Group amounted to PLN 1,276.8 m and were higher by 16.1% y-o-y. Their main components were as follows:

PLN m

Total costs	Q1-3 2008	Q1-3 2007	Change
Staff and other administrative expenses, including:	(1,183.9)	(968.9)	+22.2%
- staff expenses	*(718.7)*	*(606.8)*	*+18.4%*
- other administrative expenses	*(465.2)*	*(362.1)*	*+28.5%*
Depreciation/Amortisation	(78.6)	(105.4)	-25.4%
Other operating expenses	(14.3)	(25.9)	-44.8%
Total	**(1,276.8)**	**(1,100.2)**	**+16.1%**

Staff and other administrative expenses of the Group amounted to PLN 1,183.9 m and were 22.2% higher y-o-y as a result of development of the bank's delivery channels, work on the strategic programmes and intensive marketing campaigns.

- **Staff costs** increased by 18.4% y-o-y to PLN 718.7 m. The growth was driven by a few factors, including 15% higher staff number due to expanding business and growing distribution network (1,304 new FTEs over 12 months), pay increases linked to the annual performance review (April 2008), rising competition in the labour market of banking experts, higher performance-related bonuses and increased training cost due to the growing business demands and higher number of trainees.

- With significant investment and development of the infrastructure of the business, the Group's **other administrative expenses** increased by 28.5% y-o-y to PLN 465.2 m. The principal contributory factor was the growing cost of leasing and maintaining premises as a result of expansion of the bank's distribution channels, including the Branch Network, specialist business centres (Business Banking Centres and Private Banking Offices) and their support functions in the Business Support Centre. The growth in expenses has also been triggered by the Group's intensive promotional activity designed to support the sale of its strategic products, e.g. cash loans, Moneyback account, savings accounts, investment-linked policy, Account<30 and FX accounts. The Group's savings initiatives coupled with planning and control of operating cost budget, continued to keep administrative expenses at a lower level.

Depreciation/Amortisation totalled PLN 78.6 m and decreased by 25.4% y-o-y due to the full amortisation of ICBS, the branch banking system.

Balance-Sheet Items

PLN m

Balance-Sheet Items	30-09-2008	Balance Sheet Structure 30-09-2008	30-09-2007	Balance Sheet Structure 30-09-2007	Change
Balance sheet total	48,639.1	*100.0%*	38,452.4	*100.0%*	+26.5%
Assets					
Loans and advances to customers*	31,022.8	*63.8%*	22,280.4	*57.9%*	+39.2%
Investment securities	11,137.8	*22.9%*	9,275.1	*24.1%*	+20.1%
Loans and advances to banks	2,177.0	*4.5%*	3,853.5	*10.0%*	-43.5%
Financial assets held for trading	1,624.1	*3.3%*	557.5	*1.5%*	+191.3%
Cash and operations with Central Bank	1,160.0	*2.4%*	1,013.9	*2.6%*	+14.4%
Other assets	1,517.4	*3.1%*	1,472.0	*3.9%*	+3.1%
Liabilities					
Deposits from customers	36,174.0	*74.4%*	26,377.4	*68.6%*	+37.1%
Deposits from banks	4,889.9	*10.0%*	5,448.4	*14.2%*	-10.3%
Financial liabilities held for trading	853.8	*1.8%*	490.4	*1.3%*	+74.1%
Debt securities in issue	283.6	*0.6%*	405.0	*1.0%*	-30.0%
Other liabilities	1,229.0	*2.5%*	1,320.7	*3.4%*	-6.9%
Total equity	5,208.8	*10.7%*	4,410.5	*11.5%*	+18.1%

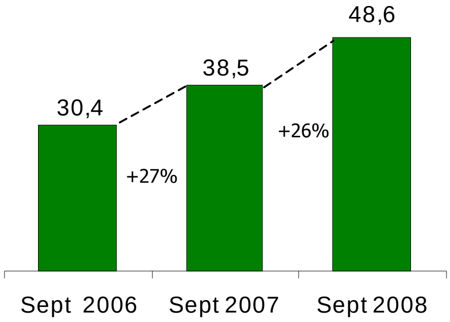
** less loan impairment charge*

As at 30 September 2008, total assets of Bank Zachodni WBK Group amounted to PLN 48,639.1 m and were 26.5% up on last year. The value and structure of the Group's balance sheet is determined by the bank's balance sheet which accounts for 95% of the consolidated total assets.

The main asset growth driver during past 12 months was loans and advances to customers (+39.2% y-o-y). A substantial increase was also noted in financial assets held for trading (+191.3% y-o-y), reflecting the higher business transacted in the derivative market due to, among others, an increase in FX property and mortgage loans. Investment securities continued to grow (+20.1% y-o-y) based on the decisions made as part of the Group's structural balance sheet risk management. Cash and operations with Central Bank increased by 14.4% y-o-y as part of the Group's on-going liquidity management process, while loans and advances to banks decreased by 43.5% y-o-y due to deterioration in sentiment in the interbank market.

On the liabilities side, the Group reported a substantial increase in deposits from customers (+37.1% y-o-y), mainly in the form of balances in savings accounts. Strong growth was also observed in the financial liabilities held for trading (+74.1% y-o-y) driven by derivatives. Deposits from banks decreased by 10.3% y-o-y due to the low activity in the interbank money market. At the same time, debt securities in issue decreased by 30% y-o-y as a result of the redemption of the matured bonds issued by the BZWBK leasing subsidiaries.

Assets as at 30 Sept. in the years 2006-2008 (PLN bn)



Credit Portfolio

PLN m

Gross Loans and Advances to Customers	30-09-2008	30-09-2007	Change
Loans and advances to business customers	20,526.4	15,031.5	+36.6%
Loans and advances to personal customers	8,254.9	5,522.9	+49.5%
Finance lease receivables	2,700.6	2,164.6	+24.8%
Loans and advances to public sector and other	161.8	200.6	-19.3%
Total	**31,643.7**	**22,919.6**	**+38.1%**

At the end of September 2008, gross loans and advances to customers were PLN 31,643.7 m and 38.1% up y-o-y due to increasing volumes of the Group's key portfolios: business loans, retail loans and lease rentals.

Loans and advances to businesses amounted to PLN 20,526.4 m and were 36.6% higher y-o-y. This growth reflects continually high demand for loans to finance investments, inventory and working capital.

The value of retail loans increased by 49.5% y-o-y to PLN 8,254.9 m due to strong growth in cash and mortgage loans. Cash loans increased by 77% to PLN 2,462.7 m driven by the quality of the bank's offer and the effectiveness of its pro-active promotion and sales methods. Mortgages went up by 43.1% y-o-y to PLN 4,720.3 m due to the merits of the bank's offering, smooth service and improved financial standing of retail customers.

The leasing portfolio increased by 24.8% y-o-y to PLN 2,700.6 m owing to a strong sales performance by the Group's leasing companies (BZ WBK Leasing S.A. and BZ WBK Finanse & Leasing S.A.) in the area of machinery & equipment, and cars.

The quality of the Group's loan-book continued to improve, which is evidenced by the declining NPL ratio. At the end of September 2008, the non-performing loans accounted for 2.3% of the gross portfolio versus 3.3% recorded 12 months before. The provision cover ratio for the impaired loans was 64.6% compared with 66.8% as at 30 September 2007.

Deposit Base

PLN m

Deposits from Customers	30-09-2008	30-09-2007	Change
Deposits from retail customer	21,841.4	13,382.9	+63.2%
Deposits from business customers	11,857.8	10,857.1	+9.2%
Deposits from public sector	2,474.8	2,137.4	+15.8%
Total	**36,174.0**	**26,377.4**	**+37.1%**

Deposits from customers, which represent 74.4% of the Group's balance sheet total, remain the primary source of funding of the Group's lending business. At the end of September 2008, customer deposits totalled PLN 36,174 m and were higher by 37.1% y-o-y. This value is comprised of the funds deposited in current accounts (PLN 21,479.4 m, including PLN 11,996 m as balances in the savings accounts), term deposits (PLN 14,213.8 m) and other liabilities. Over the last three quarters particularly fast growth was noted in current account balances, which exceeded last year's figure by 105.8% as at September-end. This growth is attributable to the bank's attractive savings account offer and the successful promotional campaign. Another contributing factor was the continued improvement of the financial standing of households and customers' reluctance to invest in risk-bearing financial instruments as a consequence of the sharp downturn in the stock market.

Basic Financial Ratios

Key Financial Ratios	Q1-3 2008	Q1-3 2007
Total costs /Total income	51.7%	49.6%
Net interest income / Total income	48.8%	41.6%
Net commission income / Total income	42.7%	51.5%
Customer deposits / Total assets	74.4%	68.6%
Customer loans / Total assets	63.8%	57.9%
Customer loans / Customer deposits	85.8%	84.5%
NPLs ratio	2.3%	3.3%
NPL coverage ratio	64.6%	66.8%
ROE*	23.63%	27.66%
ROA**	2.3%	2.8%
Solvency Ratio	10.75%	12.69%
Earnings per share (PLN)	11.16	10.76

The following were used in computations:

* *profit-after-tax attributable to BZWBK shareholders for the 12-month period commencing on 1 October 2007 and total 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 October 2007 and average assets derived from the two comparative periods.*

Achievements of Bank Zachodni WBK Group

Bank Zachodni WBK S.A.

Structured products

- In response to the customer's demand for attractive and safe deposit and investment products, in the third quarter of 2008 the bank expanded its range of structured products:

    - As part of the private placement addressed to 99 customers, in the period from 26 August to 5 September 2008, Platinum certificates were issued. This is a 2-year investment whose yield is correlated with the index BNP Paribas Platinum PLN ER.

    - From 5 till 16 September 2008, Bank Zachodni WBK S.A. completed subscription of two new products: structured deposit Euro Plus March 2009 and structured deposit Złoty Plus March 2009. Both products combine the elements of a traditional 6-month term deposit and an investment in the FX market. With two options of the deposit available, customers can either choose to benefit from a rise (Euro Plus March 2009) or decline in the EUR/PLN rate (Złoty Plus March 2009) depending on their expectations about the future market development. The structured deposits ensure full protection of the invested capital while creating a good opportunity for returns.

    - The end of the third quarter (22 September 2008) saw commencement of the sale of the BZ WBK Przyjazna Planeta (Friendly Planet) Certificate, which continued until 20 October 2008. The certificate represents an investment into promising ecological sectors (renewable energy, power saving technologies, waste management and water treatment), 100% capital protection and 90% interest in the generated profit. This is a 3.5 year investment which will gain liquidity upon introduction to the stock exchange trading.

Loans

- On 25 August 2008, Bank Zachodni WBK S.A. implemented an Individual Pricing mechanism for cash loans. This solution adjusts the loan price to the borrower's risk profile determined by means of individual scoring. The new approach has increased the attractiveness of the bank's offer, with the bank being better positioned to expand its market share and achieve appropriate return.

- In order to adjust the existing credit procedures to the changing market conditions, on 21 July 2008 Bank Zachodni WBK S.A. reduced documentary requirements for the customers applying for a retail loan. At the same time, with long-term safety of borrowers in mind, the bank revised its requirements regarding FX mortgages.

- In the third quarter of 2008, Bank Zachodni WBK S.A. continued efforts to increase loyalty of its business customers, offering eligible companies business funding on simplified terms. The proposal includes Biznes Ekspres loan, overdraft and leasing.

Cards

- Since 10 September 2008, all holders of the VISA and Maestro debit cards (issued to retail customers) can avail of the cash back service whereby up to PLN 200 can be withdrawn in cash while making a card payment in POSs located across Poland and marked with VISA Cash Back or MaestroCard/Maestro Cash Back logo.

- The bank's product proposition was enhanced with two new cards coming with Account<30 addressed to young customers. These are MasterCard<30 credit card and Visa Electron<30 debit card utilising contactless technology and offered in selected academic centres in Poland (Warsaw, Wrocław and Poznań) as part of the autumn sales campaign.

Electronic services

- In August 2008, a new web service tutajdoladuj.pl was launched combining all the options available in the bank for topping up prepay mobiles via Internet. Additionally, it enables customers to request an invoice whenever payment for mobile top-ups is made via Przelew24 transfer.

Investment Banking

- In the third quarter of 2008, Bank Zachodni WBK S.A. arranged the issue of debt securities for 7 entities with a total value of PLN 67.2 m as well as a bonds issue for one entity with a value of PLN 7 m as part of the PLN 15 m worth of issue programme.

- As a follow up on the preliminary agreement of March 2008 between Bank Zachodni WBK S.A. and BBI Capital NFI S.A. concerning a two-phase sale of 1,718,105 shares of NFI Magna Polonia S.A., in July 2008 a final agreement was signed transferring title to the second tranche of 468,105 shares to BBI Capital NFI S.A. As a result of this transaction, the bank holds 650 k shares of NFI Magna Polonia S.A., giving it 5.06% stake in the company's share capital and 7.56% of voting power.

- On 28 July 2008, the court registered the increase in the share capital of BZ WBK Finanse & Leasing S.A. and BZ WBK Leasing S.A. by PLN 13.5 m in each. The newly issued shares were acquired by Bank Zachodni WBK S.A., giving it 99.99% shareholding and voting power in the two companies.

- Arka BZ WBK Fundusz Rynku Nieruchomości 2 FIZ (Property Fund) was registered with the National Depository for Securities. The bank acquired 140,205 certificates in the new fund for PLN 13.6 m.

Distribution Channels

- In the third quarter of 2008, six Business Banking Centres were opened: in Poznań, Wrocław, Kraków, Łódź, Szczecin and Chorzów. They are currently focused on acquisition of new customers from the segment of medium enterprises. Preparations are also under way to take over from branches the provision of services to the existing customers from the target segment (effective from 2009).

- Over the past three months intensive efforts were continued under the "Branch Network Development Strategy until 2011". By the end of September 2008, 15 new branches were opened (60 during 9 months), mainly in Warsaw, Upper Silesia and cities in the Małopolskie and Zachodniopomorskie provinces. The bank's branch network has consequently increased to 466 branches.

- In order to improve management effectiveness and optimise operational processes amid the rapid expansion of the branch network, a new BZWBK Branch Network management model was defined and will be rolled out in the fourth quarter of 2008. The model envisages liquidation of Macroregional offices and appointment of a Director in charge of the regions and the Branch Network (Branch Banking Management Director). The number of the regions will be reduced to 12 by merging the Zachodniopomorski and Lubuski regions and the Kujawsko-Pomorski and Pomorsko-Mazurski regions. In addition, new units – Central Branches – will be put in place whose key role will be to supervise the smaller branches reporting to them and to support their business and operational activity.

- At the end of September 2008, the bank's *Minibank* agency network consisted of 60 outlets offering simple banking products. In the third quarter of 2008, 9 new Minibank outlets were opened (34 in 9 months of 2008). In order to make the agency outlets more competitive and strengthen their position in the market with the power of the Bank Zachodni WBK brand, the bank's Management Board took a decision to change the name of *Minibank* to Bank Zachodni WBK Partner.

- As part of the ATM network development programme, in the third quarter of 2008 the bank installed 85 ATMs in new locations, bringing their total number to 920. At the same time, the progress of upgrading and replacing the older machines was continued.

Awards

- Bank Zachodni WBK S.A. was awarded fourth position in the Poland-wide Newsweek ranking "Friendly Bank" of 22 September 2008 and topped the ranking in the category "customer acquisition and retention capability" (one of the four components of the overall assessment).

Selected subsidiaries

BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A.

- The value of assets under management of Polish mutual funds have been decreasing for months as a result of bearish stock markets. In September another sharp depletion was noted in response to the strong stock market fluctuations caused by the adverse developments in the global financial sector. In such conditions, the assets managed by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych (BZ WBK AIB TFI) decreased by 44% y-o-y (-14% q-o-q) to PLN 12,833.6 m at the end of September 2008. Such a performance secured the company the second position in the Polish mutual funds market with a 14.7% share (16.2% at the end of September 2007).

- Due to the continued downward trend in the stock market, customers were primarily interested in debt securities funds, e.g. Arka BZ WBK Obligacji FIO (Bonds Fund, +56% y-o-y), Arka BZ WBK Ochrona Kapitału FIO (Capital Protection Fund, +7% y-o-y), and property funds.

- On 14 July 2008, Arka BZ WBK Fundusz Rynku Nieruchomości 2 FIZ (Property Fund) was registered. The first valuation of its net assets per certificate was made on 31 July 2008. The investment certificates of the Property Fund were admitted to public trading on Warsaw Stock Exchange on 25 August.

- The Arka funds received the Grand Prix in the "Laur Klienta 2008" competition organised by the Media Partner Group based on customer opinions (supplement "Rzecz o biznesie" to Rzeczpospolita daily of 29 August 2008). The surveys conducted among customers have shown that Arka mutual funds are the best and most recognisable brand in Poland.

- In the third quarter of 2008, BZ WBK AIB TFI S.A. was high in the rankings of Forbes monthly:

    - Arka BZ WBK Akcji FIO (Equity Fund) received one of the highest scores in Forbes Investor-SEENDICATOR (Forbes, 09/2008 of 01.09.2008), a comprehensive ranking of mutual funds prepared by experts from the Warsaw School of Economics. The fund claimed the second position out of the group of more than 20 Polish mutual funds included in the assessment.

    - Arka BZ WBK Obligacji FIO earned the highest score in Forbes Investor-SEENDICATOR and came top in the group of the Polish debt securities funds (Forbes no. 10/2008 of 01.10.2008).

BZ WBK AIB Asset Management S.A.

- At the end of 30 September 2008, the value of assets accumulated in private portfolios managed by BZ WBK AIB Asset Management S.A. amounted to PLN 1,960 m, which represents a decrease by 46% y-o-y and 20% q-o-q.

Dom Maklerski BZ WBK S.A.

- Due to the unfavourable stock exchange climate, Dom Maklerski BZ WBK S.A. (brokerage house) noted a decrease in the equity turnover by 31% y-o-y, which reflected the rate of the entire stock market slowdown during the three quarters of 2008. The respective ytd volume amounted to PLN 27 bn and allowed the brokerage house to maintain last year's market share of 11% while ensuring 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 1,949 k transactions, which is 43% higher y-o-y. With such performance, the company's market share increased from 10.4% to 11%, giving it third position in Poland.

- More than 96% of the 9 month turnover in the two above-mentioned markets (94% in 2007) were initiated via customer orders placed through electronic channels, mainly internet and call centre.

- In the third quarter of 2008, Dom Maklerski BZ WBK S.A. continued distribution of structured products in collaboration with Bank Zachodni WBK S.A. and BNP Paribas. From the second quarter of 2008 (when the first such sale in the company’s history was launched) till the end of September 2008, six different issues were placed, both public and private, for a total value of c. PLN 260m.

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

- The net assets leased during the three quarters of 2008 by the two leasing companies amounted to PLN 1,349.3 m and were 7% higher than in the corresponding period of 2007. The fastest growth was noted in the lease of machinery and equipment (+21% y-o-y) whose value was PLN 505.9 m.

- In the third quarter of 2008, the leasing companies continued development of their sales network, placing particular emphasis on external sales, i.e. the network of leasing advisors responsible for co-operation with fixed asset suppliers.

BZ WBK Inwestycje Sp. z o.o.

- In July 2008, BZWBK Inwestycje Sp. z o.o. acquired 2.3 m shares of Metrohouse S.A. (a network-based real estate agency), representing 35.38% stake in the entity's share capital. The purchase price was PLN 4.6 m.

- On 26 September 2008, BZWBK Inwestycje Sp. z o.o. acquired 547 k shares of Centrum Klima S.A. (company producing and distributing ventilation and air conditioning systems) for PLN 7.7 m, representing 9.91% of the entity's share capital.

- On 1 September 2008, the General Meeting of BZWBK Inwestycje Sp. z o.o. adopted a resolution setting the contribution of Bank Zachodni WBK S.A. (as the shareholder) to the company's share capital at PLN 7.2 m. The monies were transferred on 2 September 2008.

BZWBK-CU Towarzystwo Ubezpieczeń na Życie S.A. and BZWBK-CU Towarzystwo Ubezpieczeń Ogólnych S.A.

- On 30 July 2008, the registration procedure was completed for the two newly established joint-ventures of Bank Zachodni WBK and Aviva International Ltd. Both entities, i.e. BZWBK-CU Towarzystwo Ubezpieczeń Ogólnych S.A. and BZWBK-CU Towarzystwo Ubezpieczeń na Życie S.A., began their operational activity on 1 August 2008 and by the end of September, among other things, took over the insurance protection for the cards of Bank Zachodni WBK S.A., a service which had been previously provided by different insurers.

10. Significant accounting policies applied in BZ WBK Group

Statement of compliance

Condensed interim consolidated financial statements of Bank Zachodni WBK S.A. for the period from 1 January 2008 to 30 September 2008 were prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union and other applicable regulations.

New standards and interpretations or changes to existing standards or interpretations that are not yet effective and have not been early implemented

Standard or interpretation	Character of changes	Effective from	Impact on the Group
Amendments to IFRS 2 *Share based payments*	The amendments introduce guidance on accounting for non-vesting conditions.	1 January 2009	The Group has not yet completed its analysis of the impact of the amendments.
IFRS 3 (Revised) *Business Combinations*	The scope of the revised standard has been broadened (some business combinations excluded from the previous version of the standard have not been excluded from the scope of the revised IFRS 3). A definition of a business has been altered in order to be more precise. The definition of contingent liabilities capable of being recognised in the business combination has been narrowed. Transaction costs are no longer included in the cost of the combination. Rules of recognition of contingent consideration have been modified (to fair value measurement). Non-controlling (minority) interest may be measured at fair value.	1 July 2009	The Group has not yet completed its analysis of the impact of the amendments.

IFRS 8 *Operating Segments*	The Standard requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.	1 January 2009	The Group has not yet completed its analysis of the impact of the amendments.
Revised IAS 1 Presentation of Financial Statements	The revised Standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. Items of income and expense and components of other comprehensive income may be presented either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income).	1 January 2009	The Group has not yet completed its analysis of the impact of the amendments.
Revised IAS 23 *Borrowing Costs*	The revised Standard will require the capitalization of borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.	1 January 2009	The Group has not yet completed its analysis of the impact of the amendments.
Amendments to IAS 27 *Consolidated and Separate Financial Statements*	In relation with the revised IFRS 3 (above), the changes introduced to IAS 27 include the following: • changed definition of non-controlling (minority) interest; • regulation of recognition and measurement of transactions with non-controlling interest while retaining control; • changed recognition and measurement of loss of control; • new disclosure requirements.	1 July 2009	The Group has not yet completed its analysis of the impact of the amendments.

Amendments to IAS 32: *Financial Instruments - Presentation* and IAS 1: *Presentation of Financial Statements* – Puttable Financial Instruments and Obligations Arising on Liquidation	The amendments provide an exemption to the principle otherwise applied in IAS 32 for the classification of some puttable financial instruments as equity. The amendments require certain financial instruments that represent a residual interest in the net assets of an entity, which would otherwise be classified as financial liabilities, to be classified as equity, if both the financial instrument and the capital structure of the issuing entity meet certain conditions.	1 January 2009	The Group has not yet completed its analysis of the impact of the amendments.

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 Group measures fixed assets held for sale at the lower of the carrying amount and fair value less cost to sell.

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.

Accounting estimates and judgments

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.

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

Values attaching to assets in the balance sheet 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 the case of 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

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 is presumed to exist when the Bank, directly or indirectly through subsidiaries, more than half of the voting power of an entity. 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.

Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement.
The consolidated financial statements include the Group's share of the total recognised gains and losses of joint ventures on an equity accounted basis.

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.

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) a legally enforceable right to set off the recognised amounts
(b) and when there is an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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.

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 an 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:

(a) 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) or a highly probable forecast transaction and
(b) could affect profit or loss.

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 and the ineffective portion of the gain or loss on the hedging instrument shall be recognised in profit or loss.

Interest income and expenses from cash flow hedge instruments are recognised in profit & loss statement as net interest income.

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 (those covered by commercial, property or local government rating classifications),
- 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 particular intangible assets. The estimated useful lives are from 3 to 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 financial 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 Statute. 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.
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 at least once a year.
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 recognised in the profit and loss account on a straight-line basis.
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 commission income includes also foreign currency exchange profits/losses.

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, associates and joint ventures

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

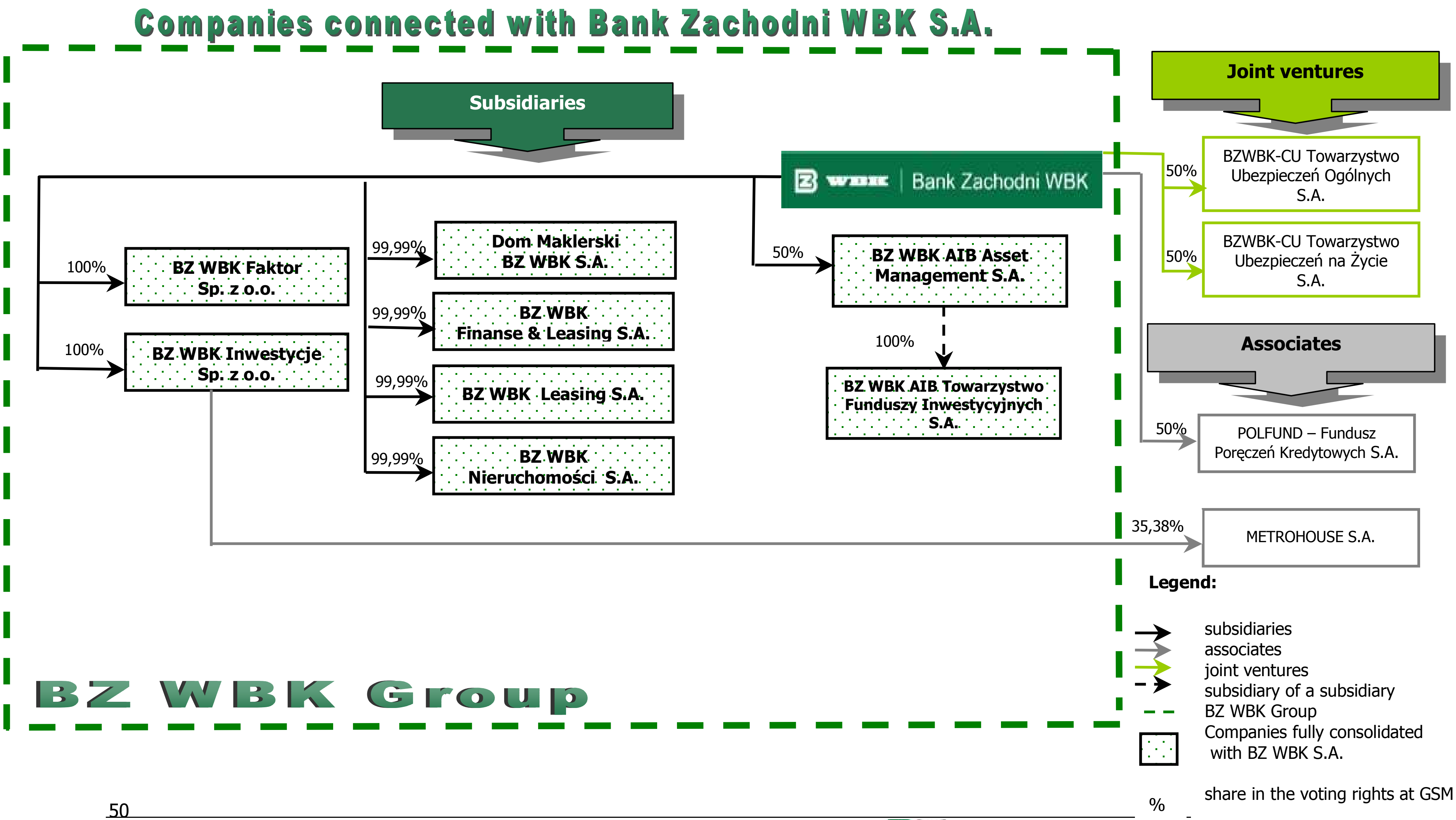
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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



Pursuant to IAS 27, the following subsidiary undertakings were fully consolidated in the financial statements of Bank Zachodni WBK for 3Q 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

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 30 September 2008, associated undertaking POLFUND – Fundusz Poręczeń Kredytowych S.A. and two jointly controlled entities: BZ WBK - CU Towarzystwo Ubezpieczeń Ogólnych S.A. and BZ WBK - CU Towarzystwo Ubezpieczeń na Życie S.A. were accounted for using the equity method.

In July 2008, BZWBK subsidiary - BZ WBK Inwestycje Sp. z o.o. purchased shares of Metrohouse S.A. The purchase price was 4 600 000.00 PLN, number of shares- 2 300 000 i.e. 35.38 % of Metrohouse share capital.
The company was classified as an associate therefore is accounted for using the equity method.
It is involved in selling and purchasing real estate, mediating in the real property trade as well as serving financial consultancy.

Bank Zachodni WBK S.A. made a transaction of partial disposal of NFI Magna Polonia shares. Shares representing 19.97% of votes at the AGM of NFI Magna Polonia were sold, whereas the rest (7.56%) is recognized as investment securities.

On 12.06.2008, an agreement was made between Bank Zachodni WBK S.A. and Commercial Union Polska sp. z o.o. with its registered seat in Warsaw regarding the sale of shareholding in Brytyjsko-Polskie Towarzystwo Finansowe WBK CU sp. z o.o. seated in Poznań. Under the agreement, Bank Zachodni WBK SA sold all its 420 shares of Brytyjsko-Polskie Towarzystwo Finansowe WBK-CU Sp. z o.o. of total nominal value at PLN 210 000, which represented 60% of the share capital.

In thousands of PLN

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.

Receivables and liabilities relating to transactions with connected entities

30.09.2008

Receivables	of which from subsidiaries	of which from associates and joint ventures	of which from the parent company (AIB Group)	Total
Loans and advances to banks	1 253 147	-	404 219	1 657 366
Financial assets held for trading	17 671	-	64 191	81 862
Hedging derivatives	2 275	-	1 105	3 380
Loans and advances to customers	821 777	-	-	821 777
Investment securities	19	-	201 799	201 818
Other assets	22 830	-	-	22 830
Total	**2 117 719**	**-**	**671 314**	**2 789 033**

Liabilities	of which from subsidiaries	of which from associates and joint ventures	of which from the parent company (AIB Group)	Total
Deposits from banks	817 572	-	670 650	1 488 222
Hedging derivatives	15 018	-	-	15 018
Financial liabilities held for trading	4 728	-	107 923	112 651
Deposits from clients	1 228 648	118 807	-	1 347 455
Debt securities in issue	200	-	-	200
Other liabilities	51 534	-	10 843	62 377
Total	**2 117 700**	**118 807**	**789 416**	**3 025 923**

The difference on transaction with subsidiaries in the amount of PLN 19 k results from prepaid expenses which are recognized in profit and loss account.

31.12.2007

Receivables	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Loans and advances to banks	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**

In thousands of PLN

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 transactions with subsidiaries in the amount of PLN 102 k results from prepaid expenses which are recognised in profit and loss account.

30.09.2007

Receivables	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Loans and advances to banks	1 449 866	-	68 149	1 518 015
Financial assets held for trading	474	-	36 177	36 651
Hedging derivatives	7 357	-	1 565	8 922
Loans and advances to customers	574 397	-	-	574 397
Investment securities	-	-	282 062	282 062
Other assets	40 134	-	-	40 134
Total	**2 072 228**	**-**	**387 953**	**2 460 181**

Liabilities	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Deposits from banks	571 167	-	986 245	1 557 412
Hedging derivatives	1	-	-	1
Financial liabilities held for trading	7 507	-	61 463	68 970
Deposits from clients	1 433 858	102 786	-	1 536 644
Debt securities in issue	323	-	-	323
Other liabilities	59 372	-	18 724	78 096
Total	**2 072 228**	**102 786**	**1 066 432**	**3 241 446**

Revenues and expenses relating to transactions with connected entities

01.01.2008 - 30.09.2008

Income	of which from subsidiaries	of which from associates and joint ventures	of which from the parent company (AIB Group)	Total
Interest and similar income	92 708	-	15 640	108 348
Fee and commission income	123 492	2	11	123 505
Other operating income	5 552	-	12 252	17 804
Net trading income and revaluation	5 285	-	-	5 285
Gains (losses) from other financial securities	-	-	235	235
Total	**227 037**	**2**	**28 138**	**255 177**

In thousands of PLN

Expenses	of which from subsidiaries	of which from associates and joint ventures	of which from the parent company (AIB Group)	Total
Interest expense and similar charges	96 084	3 538	47 708	147 330
Fee and commission expense	123 346	-	94	123 440
Net trading income and revaluation	-	-	8 887	8 887
Other operating expenses incl.:	7 588	-	22 089	29 677
Bank's operating expenses and management costs	7 540	-	22 089	29 629
other	48	-	-	48
Total	**227 018**	**3 538**	**78 778**	**309 334**

01.01.2007 - 30.09.2007

Income	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Interest and similar income	61 819	-	17 730	79 549
Fee and commission income	190 033	3		190 036
Other operating income	3 727	-	-	3 727
Net trading income and revaluation	(4 905)	-	19 434	14 529
Total	**250 674**	**3**	**37 164**	**287 841**

Expenses	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Interest expense and similar charges	55 999	2 791	1 034	59 824
Fee and commission expense	189 908	-	-	189 908
Other operating expenses incl.:	4 767	-	31 696	36 463
Bank's operating expenses and management costs	4 721	-	31 696	36 417
other	46	-	-	46
Total	**250 674**	**2 791**	**32 730**	**286 195**

Off balance sheet positions relating to transactions with connected entities

30.09.2008

Intragroup transactions - off-balance sheet liabilities	of which from subsidiaries
1. Sanctioned contingent liabilities	**809 992**
- financing-related	700 743
- guarantees	109 249
2. Received contingent liabilities	**809 992**
- financing-related	700 743
- guarantees	109 249
Total	**1 619 984**

In thousands of PLN

Intragroup transactions- derivatives' nominal values	of which from subsidiaries
3. Derivatives' nominal values, including:	**2 218 440**
-FX forward- purchased	2 157
-FX forward- sold	2 157
-FX swap	2 212 988
-Financial instruments operations-single-currency interest rate hedging swaps	569
-Financial instruments operations-single-currency interest rate swaps	569

30.09.2007

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

Intragroup transactions- derivatives' nominal values	of which from subsidiaries
3. Derivatives' nominal values, including:	**1 339 423**
-FX forward- purchased	6 415
-FX forward- sold	6 428
-FX swap	726 050
-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. Issue, redemption or repayments of debt or equity instruments

In 3Q 2008, Bank Zachodni and any of its subsidiary did not issue bonds or other own debt securities and didn't made any repayment.

At the end of 3Q 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 256 022 k (nominal value).

In the corresponding period of 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 – 2Z0809 of PLN 14 329 k (nominal value) with the final redemption date of 02.08.2009.
BZWBK Finanse & Leasing S.A. made a repayment of 3-year bonds - 3S0707 of PLN 49 858 k (nominal value) with the final redemption date of 05.07.2007.
BZWBK Leasing S.A. made a repayment of 3-year bonds - 3S0807, 3-year bonds – 3S0907 and 3-year bonds - 3Z0807 of total nominal value PLN 140 108 k with the final redemption date of 02.08.2007, 02.09.2007 and 02.08.2007, respectively.

At the end of 3Q 2007, the total value of obligations with respect to the issue of own bonds by Bank Zachodni WBK S.A., BZWBK Leasing and BZWBK Finanse & Leasing amounted to PLN 378 566 k (nominal value).

16. Dividend information

Bank Zachodni WBK S.A. allocated to dividends 27.04% of net profit of 2007 (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.

17. 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 transactions 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 basis.
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

Consolidated income statement (by business segments)

30.09.2008	Branch and corporate operations	Treasury operations	Investment banking	Leasing operations	Eliminations	Total
1. Total segments income	**3 301 422**	**582 841**	**563 941**	**182 852**	**(957 308)**	**3 673 748**
Segments income (external)	2 765 220	222 052	505 593	180 883		**3 673 748**
Segments income (internal)	536 202	360 789	58 348	1 969	(957 308)	**-**
2. Total segments costs	**(2 502 394)**	**(458 903)**	**(303 297)**	**(143 314)**	**957 308**	**(2 450 600)**
Segments costs (external)	(2 083 090)	(34 767)	(216 933)	(115 810)		**(2 450 600)**
Segments costs (internal)	(419 304)	(424 136)	(86 364)	(27 504)	957 308	**-**
3. Dividend income	**-**	**-**	**70 285**	**-**	**-**	**70 285**
4. Movements in provisions	**(56 666)**	**-**	**-**	**(6 990)**	**-**	**(63 656)**
Write off	(371 382)			(40 897)		**(412 279)**
Write back	314 716			33 907		**348 623**
5. Segments income on investment in associates and joint ventures	**-**	**-**	**(1 131)**	**-**	**-**	**(1 131)**
6. Segments gross profit	**742 362**	**123 938**	**329 798**	**32 548**	**-**	**1 228 646**
7. Unallocated income						
8. Unallocated costs						(98 462)
9. EBT						**1 130 184**
10. Income tax						(232 964)
11. Minority interest						(82 620)
12. Profit for the period						**814 600**

In thousands of PLN

Consolidated income statement (by business segments)

30.09.2007	Branch and corporate operations	Treasury operations	Investment banking	Leasing operations	Eliminations	Total
1. Total segments income	**2 359 734**	**471 971**	**771 466**	**118 142**	**(826 578)**	**2 894 735**
Segments income (external)	1 872 993	186 008	718 803	116 931		**2 894 735**
Segments income (internal)	486 741	285 963	52 663	1 211	(826 578)	**-**
2. Total segments costs	**(1 752 561)**	**(374 573)**	**(376 450)**	**(87 486)**	**826 578**	**(1 764 492)**
Segments costs (external)	(1 414 618)	(32 296)	(243 997)	(73 581)		**(1 764 492)**
Segments costs (internal)	(337 943)	(342 277)	(132 453)	(13 905)	826 578	**-**
3. Dividend income	**-**	**-**	**64 731**	**-**	**-**	**64 731**
4. Movements in provisions	**7 732**	-	-	**(4 912)**	**-**	**2 820**
Write off	(204 892)	-	-	(14 352)	-	**(219 244)**
Write back	212 624	-	-	9 440	-	**222 064**
5. Segments income on investment in associates	**-**	**-**	**951**	**-**	**-**	**951**
6. Segments gross profit	**614 905**	**97 398**	**460 698**	**25 744**	**-**	**1 198 745**
7. Unallocated income						-
8. Unallocated costs						**(76 492)**
9. EBT						**1 122 253**
10. Income tax						(222 474)
11. Minority interest						(115 526)
12. Profit for the period						**784 253**

In thousands of PLN

18. Acquisitions and disposals of investments in 3Q 2008

On 30 July 2008, two companies: BZ WBK-CU Towarzystwo Ubezpieczeń Ogólnych Spółka Akcyjna and BZ WBK-CU Towarzystwo Ubezpieczeń na Życie Spółka Akcyjna were registrerd:

The Bank invested in:

- BZ WBK – CU Towarzystwo Ubezpieczeń Ogólnych S.A. - 13 500 ordinary registered shares of A series with nominal value of PLN 1 000 each and issue price per share of PLN 1 334 which accounts for 50% of the share capital and 50% of votes at a general meeting. The carrying value of the shares taken up by the Bank totals PLN 18 516 145.54,
- BZ WBK – CU Towarzystwo Ubezpieczeń na Życie S.A. – 10 875 ordinary registered shares of A series with value of PLN 1000 each and issue price per share of PLN 1 334 which accounts for 50% of the share capital and 50% of votes at a general meeting. The carrying value of the shares taken up by the Bank totals PLN 15 014 395.54.

The purchase of the shares in the above mentioned companies by the Bank is a long-term investment and was financed with the Bank's own funds.

In July 2008, BZWBK subsidiary - BZ WBK Inwestycje Sp. z o.o. purchased shares of Metrohouse S.A. The purchase price was 4 600 000.00 PLN, number of shares- 2 300 000 i.e. 35.38 % of Metrohouse share capital.

19. 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	30.09.2008	30.06.2008	Movement
Liabilities sanctioned	**10 558 181**	**10 531 105**	**27 076**
- financial	**9 507 359**	**9 654 169**	**(146 810)**
- including: import letters of credit	60 314	76 304	(15 990)
- including: credit lines	8 599 186	8 323 856	275 330
- including: credit cards debits	833 234	786 455	46 779
- including: term deposits with future commencement term	14 625	467 554	(452 929)
- guarantees	**1 050 822**	**876 936**	**173 886**
- including: confirmed export letters of credit	315	503	(188)
Received liabilities	**2 908 059**	**2 497 441**	**410 618**
Total	**13 466 240**	**13 028 546**	**437 694**

In thousands of PLN

As at 30.09.2008 the Bank received/sanctioned guarantees of PLN 218 498 k (as at 30.06.2008 – PLN 215 026 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).
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	30.09.2008	30.06.2008	Movement
1.	**Derivatives (hedging)**	**4 516 608**	**3 086 250**	**1 430 358**
a)	Single-currency interest rate swaps – purchased amounts	1 958 304	1 393 125	565 179
b)	Single-currency interest rate swaps – sold amounts	1 958 304	1 393 125	565 179
c)	Macro cash flow hedge - purchased amounts	300 000	150 000	150 000
d)	Macro cash flow hedge - sold amounts	300 000	150 000	150 000
2.	**Term derivatives (trading)**	**268 475 357**	**271 307 187**	**(2 831 830)**
a)	Interest rate operations	229 836 380	233 346 132	(3 509 752)
-	Single-currency interest rate swaps – purchased amounts	59 181 110	66 036 126	(6 855 016)
-	Single-currency interest rate swaps – sold amounts	59 181 110	66 036 126	(6 855 016)
-	FRA-purchased amounts	55 937 080	52 161 940	3 775 140
-	FRA-sold amounts	55 537 080	49 111 940	6 425 140
b)	FX operations	38 638 977	37 961 055	677 922
-	FX swap – purchased amounts	13 319 833	13 574 331	(254 498)
-	FX swap – sold amounts	13 296 126	13 543 400	(247 274)
-	Forward purchased	3 289 635	2 871 998	417 637
-	Forward sold	3 311 399	2 899 836	411 563
-	Double-currency interest rate swaps – purchased amounts	2 793 007	2 640 705	152 302
-	Double-currency interest rate swaps – sold amounts	2 628 977	2 430 785	198 192
3.	**Currency transactions- spot**	**1 426 614**	**1 497 070**	**(70 456)**
-	Spot-purchased	713 119	748 680	(35 561)
-	Spot-sold	713 495	748 390	(34 895)
4.	**Derivatives – OTC options**	**7 802 185**	**5 821 272**	**1 980 913**
-	Options purchased	3 900 721	2 910 636	990 085
-	Options sold	3 901 464	2 910 636	990 828
5.	**Equity derivatives**	**13 128**	**3 510**	**9 618**
-	Futures contracts	13 128	3 510	9 618
	Total	**282 233 892**	**281 715 289**	**518 603**

In thousands of PLN

20. Principles PLN conversion into EUR

Selected financial figures for 3Q 2008 and 3Q 2007 were converted according to the following principles:

- balance sheet data –3.4083 as at 30.09.2008 and 3.7775 as at 30.09.2007; 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 – as at 30.09.2008 – 3.4247, as at 30.09.2007 – 3.8314.

21. 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 3Q 2008 /06.11.2008/ 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 06.11.2008				
AIB European Investments Limited	51 413 790	70,5 %	51 413 790	70,5 %
As at 30.07.2008				
AIB European Investments Limited	51 413 790	70.5 %	51 413 790	70.5 %

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

	No. of Bank Zachodni WBK shares held		
	As at 06.11.2008	As at 30.07.2008	Movement
Members of the Supervisory Board	278	278	-

Table below presents personal shareholding of Supervisory and Management Board Members as at 6th November 2008:

Owner	No. of shares
Supervisory Board	
Waldemar Frąckowiak	278

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

23. Information about the commenced court proceedings

As at 30 September 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 304 080 k, which was ca. 5.84% of Group's equity. This amount includes PLN 73 287 k claimed by the Bank, PLN 62 273 k in claims against the Bank and PLN 168 520 k are Bank's receivables due to bankruptcy or arrangement cases.

As at 30 September 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 297 641 k, which was ca. 6.75% of Group's equity. This amount includes PLN 59 719 k claimed by the Bank, PLN 56 114 k in claims against the Bank and PLN 181 808 k are Bank's receivables due to bankruptcy or arrangement cases.

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

As at 30 September 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.

25. Events which might affect financial performance over the next quarter and beyond

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

- lengthening crisis in financial markets and credit markets, which effects in, among others, significant strain in liquidity in interbank markets and surge in money market rates (both in foreign currencies and the zloty) and FX exchange rates; those factors may result in a change in credit policy by domestic banks and consequent slowdown in lending in the coming quarters;
- significant deterioration in forecasts of economic growth abroad, in particular in highly developed EU countries, which may adversely affect Polish exports and production (with negative impact also on investment growth); further slowdown in economic growth in Poland, below 4% y-o-y, amid lower investment growth;
- lack of further interest rate hikes by the Monetary Policy Council due to worsening of forecasts of economic growth, both in Poland and abroad, improved inflationary expectations and decisive interest rate cuts made by the world's main central banks; at the beginning of 2009 the Monetary Policy Council is likely to cut interest rates as part of a declining rate cycle with the monetary policy remaining quite

restrictive relative to other countries due to the commitment of meeting Maastricht convergence criteria required before the euro zone entry;

- relatively high interest rates maintained amid persistently high risk aversion and lack of optimism in capital markets should strengthen customer willingness to hold deposits in the banking system at the expense of other financial instruments; deposit growth may also be driven by higher consumers' saving propensity amid increased uncertainty about economic prospects; prolonged bearish stock market may result in continued outflow of private capital from mutual funds.
- considerably higher volatility of FX market rates due to uncertainty of investors about further development of economic environment in Poland and abroad; higher country risk assessment compared with other emerging markets as well as worsening economic forecasts (GDP growth and macroeconomic stability) are likely to result in the weaker zloty; still, good progress on the way to integration with the euro zone may have a stabilising effect on volatile FX markets and increase the confidence of foreign investors in the domestic currency.

26. Events which occurred after the balance sheet date

Reclassification of securities

In October 2008 the bank has changed classification of State Treasury bonds from Available For Sale category into Held To Maturity category. Carrying value of reclassified financial instruments amounted to PLN 6 406 573 k. The change of classification results in the adoption of valuation principles impacting net profit and equity, which are more consistent with the purpose of the instruments. The primary purpose of the portfolio of financial instruments is to manage the structure of the balance sheet, in particular equity and non-interest bearing current accounts. The bank's intention is to hold these instruments until maturity.

Information about the purchase by BZ WBK Inwestycje Sp. z o.o. of Bank Zachodni WBK bonds (2nd Program of Investment Bonds Issue)

On 2 October 2008, BZ WBK Inwestycje Sp. z o.o. purchased on the MTS-CeTO market 59 299 (say fifty nine thousand two hundred ninety nine) ordinary bearer bonds of 5S1008 series (ISIN code PLBZ00000101), issued by Bank Zachodni WBK S.A. under the 2nd Investments Bonds Issue Programme.

The nominal value per bond is PLN 100. The average purchase price per bond was PLN 98.56 (say: ninety eight zloty 56/100).

The above-mentioned bonds were purchased pursuant to BZ WBK Inwestycje Sp. z o.o. Articles of Association, i.e. with the consent of its Supervisory Board.

BZ WBK Inwestycje Sp. z o.o. intends to maintain the purchased bonds until their redemption.

SIGNATURES OF THE PERSONS REPRESENTING THE ENTITY			
Date	**Name**	**Function**	**Signature**
06-11-2008	Paul Barry	Member of the Management Board	
06-11-2008	Wojciech Skalski	Financial Accounting Area Director	