Consolidated Financial Statements of Bank Zachodni WBK Group for 2 Q 2008

Bank Zachodni WBK S.A.

In thousands of PLN

	FINANCIAL HIGHLIGHTS	PLN		EUR	
		01-01-2008 - 30-06-2008	01-01-2007 - 30-06-2007	01-01-2008 - 30-06-2008	01-01-2007 - 30-06-2007
	Consolidated financial statements				
I	Interest and similar income	1 458 180	944 665	419 306	245 457
II	Fee and commission income	831 760	868 907	239 176	225 772
III	Operating profit	788 049	778 708	226 607	202 335
IV	Profit before tax	788 005	778 744	226 594	202 345
V	Net profit attributable to the Company's equity holders	567 538	558 596	163 198	145 143
VI	Total net cash flow	255 573	(752 631)	73 491	(195 560)
VII	Total assets	47 062 938	35 227 004	14 031 047	9 354 454
VIII	Deposits from banks	5 438 463	3 555 187	1 621 389	944 072
IX	Deposits from customers	33 723 646	25 218 039	10 054 155	6 696 595
X	Total liabilities	42 270 979	31 078 403	12 602 403	8 252 802
XI	Total equity	4 791 959	4 148 601	1 428 644	1 101 652
XII	Minority interest	203 294	152 326	60 609	40 450
XIII	Net profit attributable to the Minority	60 334	72 927	17 349	18 949
XIV	Number of shares	72 960 284	72 960 284		
XV	Net book value per share in PLN/EUR	65,68	56,86	19,58	15,10
XVI	Solvency ratio	10,99%	13,34%		
XVII	Profit (loss) per share in PLN/ EUR	7,78	7,66	2,24	1,99
XVIII	Diluted earnings (loss) per share in PLN/EUR	7,77	7,65	2,23	1,99
XIX	Declared or paid dividend per share in PLN/EUR	3,00	6,00	0,89	1,59
	Stand alone financial statements				
XX	Interest and similar income	1 360 549	882 318	391 232	229 257
XXI	Fee and commission income	531 615	484 988	152 868	126 017
XXII	Operating profit	722 714	629 934	207 820	163 679
XXIII	Profit before tax	722 714	629 934	207 820	163 679
XXIV	Net profit (loss)	606 590	537 480	174 428	139 656
XXV	Total net cash flow	264 289	(753 747)	75 998	(195 850)
XXVI	Total assets	44 468 983	33 086 456	13 257 702	8 786 036
XXVII	Deposits from banks	3 605 694	2 495 924	1 074 979	662 787
XXVIII	Deposits from customers	34 248 702	25 551 023	10 210 692	6 785 019
XXIX	Total liabilities	40 329 402	29 460 380	12 023 553	7 823 140
XXX	Equity attributable to the Company's equity holders	4 139 581	3 626 076	1 234 149	962 897
XXXI	Number of shares	72 960 284	72 960 284		
XXXII	Net book value per share in PLN/EUR	56,74	49,70	16,92	13,20
XXXIII	Solvency ratio	10,07%	11,85%		
XXXIV	Profit (loss) per share in PLN/ EUR	8,31	7,37	2,39	1,91
XXXV	Diluted earnings (loss) per share in PLN/EUR	8,30	7,36	2,39	1,91
XXXVI	Declared or paid dividend per share in PLN/EUR	3,00	6,00	0,89	1,59

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In thousands of PLN

1. Consolidated income statement

for the reporting periods:	01-04-2008 30-06-2008	01-01-2008 30-06-2008	01-04-2007 30-06-2007	01-01-2007 30-06-2007
Interest and similar income	769 707	1 458 180	489 207	944 665
Interest expense and similar charges	(368 306)	(681 050)	(185 193)	(350 589)
Net interest income	**401 401**	**777 130**	**304 014**	**594 076**
Fee and commission income	420 446	831 760	447 214	868 907
Fee and commission expense	(57 124)	(119 142)	(58 519)	(113 233)
Net fee and commission income	**363 322**	**712 618**	**388 695**	**755 674**
Dividend income	69 621	69 634	64 436	64 446
Net trading income and revaluation	27 089	47 872	15 990	32 691
Gains (losses) from other financial securities	13 226	12 833	(1 222)	3 470
Gains from investment in subsidiaries and associates	520	(196)	-	-
Other operating income	18 258	33 280	11 043	21 249
Impairment losses on loans and advances	(13 871)	(19 837)	3 714	24 359
Operating expenses incl.:	(440 101)	(845 285)	(374 452)	(717 257)
Bank's staff, operating expenses and management costs	*(407 692)*	*(784 148)*	*(332 226)*	*(627 649)*
Depreciation/amortisation	*(26 579)*	*(50 558)*	*(34 488)*	*(68 098)*
Other operating expenses	*(5 830)*	*(10 579)*	*(7 738)*	*(21 510)*
Operating profit	**439 465**	**788 049**	**412 218**	**778 708**
Share in net profit (losses) of entities accounted for by the equity method	15	(44)	113	36
Profit before tax	**439 480**	**788 005**	**412 331**	**778 744**
Corporate income tax	(88 129)	(160 133)	(74 042)	(147 221)
Profit for the period	**351 351**	**627 872**	**338 289**	**631 523**
of which:				
attributable to the Company's equity holders	324 437	567 538	297 984	558 596
attributable to the Minority equity holders	26 914	60 334	40 305	72 927
Net earnings per share				
Basic earnings per share (PLN)		7,78		7,66
Diluted earnings per share (PLN)		7,77		7,65

In thousands of PLN

2. Consolidated balance sheet

as at:	30-06-2008	31-03-2008	31-12-2007	30-06-2007
ASSETS				
Cash and balances with central bank	2 469 407	1 428 511	2 206 265	762 897
Loans and advances to banks	2 760 567	3 707 899	2 576 878	2 736 901
Financial assets held for trading	1 514 527	1 282 605	1 251 653	423 353
Hedging derivatives	45 047	32 239	35 851	30 662
Loans and advances to customers	28 273 070	26 168 001	23 949 714	20 650 181
Investment securities	10 448 974	10 757 735	9 763 669	8 996 182
Investments in associates and joint ventures	43 353	9 807	13 378	35 936
Intangible assets	126 524	118 763	115 280	111 515
Property, plant & equipment	559 880	554 295	543 226	479 189
Deferred tax assets	385 720	354 448	368 449	464 758
Other assets	435 869	467 992	495 557	535 430
Total assets	**47 062 938**	**44 882 295**	**41 319 920**	**35 227 004**
LIABILITIES				
Deposits from banks	5 438 463	5 178 306	4 483 526	3 555 187
Hedging derivatives	1 196	3 596	2 054	5 588
Financial liabilities held for trading	1 294 135	1 078 843	990 274	279 667
Deposits from customers	33 723 646	32 171 721	29 765 687	25 218 039
Debt securities in issue	282 368	312 662	352 961	589 675
Current income tax liabilities	12 973	10 724	49 115	60 056
Deferred tax liabilities	239 639	199 214	202 777	334 677
Other liabilities	1 278 559	1 158 979	896 825	1 035 514
Total liabilities	42 270 979	40 114 045	36 743 219	31 078 403
Equity				
Parent company equity	4 588 665	4 591 185	4 341 527	3 996 275
Share capital	729 603	729 603	729 603	729 603
Other reserve funds	2 721 094	2 076 028	2 061 578	2 054 612
Revaluation reserve	255 353	366 114	362 963	420 775
Retained earnings	315 077	1 176 339	232 688	232 689
Profit of the current period	567 538	243 101	954 695	558 596
Minority interest	203 294	177 065	235 174	152 326
Total equity	4 791 959	4 768 250	4 576 701	4 148 601
Total equity and liabilities	**47 062 938**	**44 882 295**	**41 319 920**	**35 227 004**

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	-	-	22 486	-	-	22 486
Change in available for sale investments - decrease	-	-	(125 978)	-	(1 612)	(127 590)
Cash Flow Hedge activities	-	-	1 608	-	-	1 608
Share scheme charge	-	6 141	-	-	-	6 141
Net (gains)/losses recognised in income statement	-	-	(5 726)	-	-	(5 726)
Net profit	-	-	-	567 538	60 334	627 872
Total recognised increase in equity in 2Q 2008	**-**	**6 141**	**(107 610)**	**567 538**	**58 722**	**524 791**
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 30.06.2008	**729 603**	**2 721 094**	**255 353**	**882 615**	**203 294**	**4 791 959**

As at the end of the period revaluation reserve in the amount of PLN 255 353 k comprises of debt securities and equity shares classified as available for sale of PLN (194 773) k and PLN 448 518 k respectively and additionally cash flow hedge activities PLN 1 608 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	-	-	15 665	-	372	16 037
Change in available for sale investments - decrease	-	-	(108 456)	-	-	(108 456)
Share scheme charge	-	3 508	-	-	-	3 508
Net (gains)/losses recognised in income statement	-	-	5 018	-	-	5 018
Net profit	-	-	-	558 596	72 927	631 523
Total recognised increase in equity in 2Q 2007	**-**	**3 508**	**(87 773)**	**558 596**	**73 299**	**547 630**
Dividend relating to 2006	-	-	-	(437 762)	(37 723)	(475 485)
Transfer to other reserve funds	-	193 908	-	(193 908)	-	-
Other	-	49	-	(344)	9	(286)
As at 30.06.2007	**729 603**	**2 054 612**	**420 775**	**791 285**	**152 326**	**4 148 601**

As at the end of the period the revaluation reserve in the amount of PLN 420 775 k comprises of debt securities and equity shares classified as available for sale of PLN (28 084) k and PLN 448 859 k respectively.

In thousands of PLN

4. Consolidated cash flow statement

	01-04-2008 - 30-06-2008	01-01-2008 - 30-06-2008	01-04-2007 - 30-06-2007	01-01-2007 - 30-06-2007
Profit (loss) before tax	**439 480**	**788 005**	**412 331**	**778 744**
Total adjustments:	**388 822**	**237 878**	**28 500**	**(329 238)**
Share in net profits (losses) of entities accounted for by the equity method	(15)	44	(113)	(36)
Depreciation	26 579	50 558	34 488	68 098
Impairment losses	66	125	-	-
Gains (losses) on exchange differences	(4 049)	(2 420)	(884)	(129)
Interests and similar charges	133 109	87 267	36 754	519
Dividend income	(69 621)	(69 634)	(64 436)	(64 446)
(Profit) loss from investing activities	(12 302)	(15 445)	(632)	(4 125)
Change in provisions	(22 212)	(57 235)	10 286	7 596
Change in trading portfolio financial instruments	(31 838)	30 933	307 668	714 468
Change in loans and advances to banks	946 761	(191 258)	1 695 540	436 597
Change in loans and advances to customers	(2 101 801)	(4 320 936)	(1 923 009)	(3 027 951)
Change in deposits from banks	(141 965)	427 043	(412 878)	517 567
Change in deposits from customers	1 551 925	3 957 959	459 042	1 023 219
Change in liabilities arising from debt securities in issue	(67 223)	(67 524)	940	(93)
Change in assets and liabilities arising from deferred taxation	(1 346)	(283)	(812)	859
Change in other assets and liabilities	275 478	596 491	(51 238)	104 647
Paid income tax	(93 184)	(188 708)	(62 624)	(106 556)
Other adjustments	460	901	408	528
Net cash flow from operating activities - indirect method	**828 302**	**1 025 883**	**440 831**	**449 506**
Inflows	**1 441 687**	**1 748 051**	**1 182 390**	**1 724 387**
Sale of shares or interests in subsidiaries and associates	2 525	2 525	-	-
Sale of investment securities	1 367 714	1 668 591	1 116 560	1 658 146
Sale of intangible and tangible fixed assets	1 825	7 297	1 394	1 792
Dividends received	69 621	69 634	64 436	64 446
Proceeds from other investments	2	4	-	3
Outflows	**(1 407 042)**	**(2 680 244)**	**(1 706 993)**	**(2 768 766)**
Purchase of subsidiaries and associates	(33 531)	(33 531)	-	-
Purchase of investment securities	(1 334 297)	(2 574 285)	(1 690 907)	(2 741 219)
Purchase of intangible and tangible fixed assets	(39 195)	(72 371)	(15 382)	(26 372)
Other investments	(19)	(57)	(704)	(1 175)
Net cash flow from investing activities	**34 645**	**(932 193)**	**(524 603)**	**(1 044 379)**
Inflows	**679 008**	**873 538**	**567 881**	**811 346**
Drawing of long-term loans	679 008	873 538	557 692	768 837
Issue of debt securities	-	-	10 189	42 509
Outflows	**(501 630)**	**(711 655)**	**(806 114)**	**(969 104)**
Repayment of long-term loans	(276 105)	(345 644)	(315 350)	(368 855)
Debt securities buy out	36 929	(3 069)	(35 249)	(99 083)
Dividends and other payments to shareholders	(218 881)	(309 036)	(438 022)	(475 485)
Other financing outflows	(43 573)	(53 906)	(17 493)	(25 681)
Net cash flow from financing activities	**177 378**	**161 883**	**(238 233)**	**(157 758)**
Total net cash flow	**1 040 325**	**255 573**	**(322 005)**	**(752 631)**
Cash at the beginning of the accounting period	**1 453 787**	**2 238 539**	**1 116 978**	**1 547 604**
Cash at the end of the accounting period	**2 494 112**	**2 494 112**	**794 973**	**794 973**

In thousands of PLN

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

For reporting periods:	01-04-2008 - 30-06-2008	01-01-2008 - 30-06-2008	01-04-2007 - 30-06-2007	01-01-2007 -30-06-2007
Interest and similar income	716 547	1 360 549	456 710	882 318
Interest expense and similar charges	(351 656)	(652 969)	(176 610)	(333 270)
Net interest income	**364 891**	**707 580**	**280 100**	**549 048**
Fee and commission income	278 398	531 615	248 700	484 988
Fee and commission expense	(28 359)	(53 671)	(17 667)	(33 729)
Net fee and commission income	**250 039**	**477 944**	**231 033**	**451 259**
Dividend income	128 141	218 309	84 125	170 681
Net trading income and revaluation	26 122	46 263	11 454	21 288
Gains (losses) from other financial securities	13 658	12 041	2 284	3 301
Gains (losses) from investment in subsidiaries and associates	982	226	-	13 423
Other operating income	15 085	24 728	7 169	14 510
Impairment losses on loans and advances	(14 778)	(15 965)	5 619	27 560
Operating expenses incl.:	(389 336)	(748 412)	(325 492)	(621 136)
Bank's staff, operating expenses and management costs	*(362 251)*	*(696 725)*	*(288 452)*	*(541 930)*
Depreciation/amortisation	*(24 172)*	*(45 853)*	*(32 668)*	*(64 586)*
Other operating expenses	*(2 913)*	*(5 834)*	*(4 372)*	*(14 620)*
Operating profit	**394 804**	**722 714**	**296 292**	**629 934**
Profit before tax	**394 804**	**722 714**	**296 292**	**629 934**
Corporate income tax	(66 680)	(116 124)	(45 792)	(92 454)
Profit for the period	**328 124**	**606 590**	**250 500**	**537 480**
Basic earnings per share (PLN)		8,31		7,37
Diluted earnings per share (PLN)		8,30		7,36

In thousands of PLN

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

as at:	30-06-2008	31-03-2008	31-12-2007	30-06-2007
ASSETS				
Cash and balances with central bank	2 469 396	1 428 500	2 206 259	762 884
Loans and advances to banks	2 538 361	3 700 398	2 563 755	2 730 097
Financial assets held for trading	1 531 319	1 175 114	1 142 060	417 651
Hedging derivatives	45 047	32 239	35 850	30 662
Loans and advances to customers	26 012 079	24 251 786	22 150 633	18 848 623
Investment securities	10 429 406	10 736 650	9 698 307	8 974 851
Investments in associates and joint ventures	190 442	152 415	155 967	173 621
Intangible assets	112 953	105 474	102 906	102 021
Property, plant & equipment	542 373	537 762	528 027	468 270
Current income tax due	-	687	37 950	-
Deferred tax assets	327 228	296 702	312 700	410 238
Other assets	270 379	296 746	248 674	167 538
Total assets	**44 468 983**	**42 714 473**	**39 183 088**	**33 086 456**
LIABILITIES				
Deposits from banks	3 605 694	3 718 602	3 145 395	2 495 924
Hedging derivatives	1 196	3 596	2 054	5 588
Financial liabilities held for trading	1 296 394	1 082 673	994 187	296 081
Deposits from customers	34 248 702	32 619 756	30 264 734	25 551 023
Debt securities in issue	102 312	100 741	99 348	97 376
Current income tax liabilities	380	-	-	9 252
Deferred tax liabilities	225 078	185 897	188 620	323 292
Other liabilities	849 646	865 850	637 981	681 844
Total liabilities	40 329 402	38 577 115	35 332 319	29 460 380
Equity				
Share capital	729 603	729 603	729 603	729 603
Other reserve funds	2 547 985	1 954 702	1 951 251	1 944 285
Revaluation reserve	255 403	365 113	360 441	414 708
Retained earnings	-	809 474	-	-
Profit of the current period	606 590	278 466	809 474	537 480
Total equity	4 139 581	4 137 358	3 850 769	3 626 076
Total equity and liabilities	**44 468 983**	**42 714 473**	**39 183 088**	**33 086 456**

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	-	-	22 486	-	22 486
Net change in available for sale investments - decrease	-	-	(124 367)	-	(124 367)
Cash Flow Hedge activities	-	-	1 608	-	1 608
Share scheme charge	-	6 141	-	-	6 141
Net (gains)/losses recognised in income statement	-	-	(4 765)	-	(4 765)
Net profit	-	-	-	606 590	606 590
Total recognised increase in equity in 2Q 2008	**-**	**6 141**	**(105 038)**	**606 590**	**507 693**
Dividend relating to 2007	-	-	-	(218 881)	(218 881)
Transfer from supplementary capital	-	590 593	-	(590 593)	-
As at 30.06.2008	**729 603**	**2 547 985**	**255 403**	**606 590**	**4 139 581**

As at the end of the period revaluation reserve in the amount of PLN 255 403 k comprises of debt securities and equity shares classified as available for sale of PLN (194 742) k and PLN 448 537 k respectively and additionally cash flow hedge activities PLN 1 608 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	-	-	10 797	-	10 797
Net change in available for sale investments - decrease	-	-	(108 461)	-	(108 461)
Share scheme charge		3 508	-	-	3 508
Net (gains)/losses recognised in income statement	-	-	7 270	-	7 270
Net profit	-	-	-	537 480	537 480
Total recognised increase in equity in 2Q 2007	**-**	**3 508**	**(90 394)**	**537 480**	**450 594**
Dividend relating to 2006	-	-	-	(437 762)	(437 762)
Transfer to other reserve funds	-	155 033	-	(155 033)	-
As at 30.06.2007	**729 603**	**1 944 285**	**414 708**	**537 480**	**3 626 076**

As at the end of the period revaluation the reserve in the amount of PLN 414 708 k comprises of debt securities and equity shares classified as available for sale of PLN (28 090) k and PLN 442 798 k respectively.

In thousands of PLN

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

	01-04-2008 - 30-06-2008	01-01-2008 - 30-06-2008	01-04-2007 - 30-06-2007	01-01-2007 - 30-06-2007
Profit (loss) before tax	**394 804**	**722 714**	**296 292**	**629 934**
Total adjustments:	**778 081**	**588 825**	**323 216**	**(4 322)**
Depreciation	24 173	45 854	32 668	64 586
Impairment losses	(48)	11	(736)	(703)
Interests and similar charges	88 549	40 256	20 350	(22 963)
Dividend income	(128 141)	(218 309)	(84 125)	(170 681)
(Profit) loss from investing activities	(12 526)	(14 677)	(2 778)	(16 435)
Change in provisions	(4 640)	(14 319)	1 140	6 557
Change in trading portfolio financial instruments	(157 722)	(97 107)	228 310	661 532
Change in loans and advances to banks	1 164 552	26 546	1 697 216	437 009
Change in loans and advances to customers	(1 760 264)	(3 861 446)	(1 719 861)	(2 676 269)
Change in deposits from banks	(112 908)	460 299	(397 497)	535 780
Change in deposits from customers	1 628 946	3 983 968	466 305	1 088 188
Change in liabilities arising from debt securities in issue	1 571	2 964	480	1 479
Change in other assets and liabilities	115 244	303 062	127 665	171 704
Paid income tax	(69 177)	(69 177)	(46 328)	(84 632)
Other adjustments	472	900	407	526
Net cash flow from operating activities - indirect method	**1 172 885**	**1 311 539**	**619 508**	**625 612**
Inflows	**1 499 813**	**1 855 304**	**1 201 295**	**1 843 658**
Sale of shares or interests in subsidiaries and associates	2 525	2 525	2 591	29 665
Sale of investment securities	1 367 458	1 627 488	1 113 312	1 641 649
Sale of intangible and tangible fixed assets	1 687	6 978	1 267	1 660
Dividends received	128 141	218 309	84 125	170 681
Proceeds from other investments	2	4	-	3
Outflows	**(1 406 859)**	**(2 676 762)**	**(1 704 006)**	**(2 763 867)**
Purchase of subsidiaries and associates	(38 131)	(38 131)	-	-
Purchase of investment securities	(1 334 282)	(2 574 270)	(1 690 875)	(2 741 187)
Purchase of intangible and tangible fixed assets	(34 434)	(64 320)	(12 441)	(21 537)
Other investments	(12)	(41)	(690)	(1 143)
Net cash flow from investing activities	**92 954**	**(821 458)**	**(502 711)**	**(920 209)**
Inflows	**-**	**-**	**-**	**-**
Outflows	**(222 428)**	**(225 792)**	**(438 878)**	**(459 150)**
Repayment of long-term loans	-	-	-	(19 156)
Dividends paid	(218 881)	(218 881)	(437 762)	(437 762)
Other financing outflows	(3 547)	(6 911)	(1 116)	(2 232)
Net cash flow from financing activities	**(222 428)**	**(225 792)**	**(438 878)**	**(459 150)**
Total net cash flow	**1 043 411**	**264 289**	**(322 081)**	**(753 747)**
Cash at the beginning of the accounting period	**1 446 352**	**2 225 474**	**1 111 050**	**1 542 716**
Cash at the end of the accounting period	**2 489 763**	**2 489 763**	**788 969**	**788 969**

9. Bank Zachodni WBK Group performance in the first two quarters of 2008

Executive Summery

In the first half of 2008, the Bank Zachodni WBK Group achieved profit-before-tax of PLN 788 m, reflecting dynamic development of core business lines and continuing investment into the future

- **Key financial figures:**
  - Profit-before-tax was PLN 788 m, up 1.2% y-o-y;
  - Profit-after-tax was PLN 567.5 m, up 1.6% y-o-y;
  - High Return on Equity (23.96% versus 25.97% at the end of June 2007);
  - Increase in total income by 12.3% y-o-y, including a rise in net interest income by 30.8% y-o-y;
  - Total costs higher by 17.8% y-o-y due to dynamic development of distribution channels;
  - Cost to income ratio (C/I) for the first half of 2008 amounted to 51.1% compared with 48.7% for the first half of 2007;
  - Further reduction of the NPLs ratio (from 3.9% at 30 June 2007 to 2.4% 12 months later);
  - Loan impairment charge was at PLN 19.8 m versus the positive balance of PLN 24.4 m in the corresponding period of the previous year.

- **Diversified business growth:**
  - Rapid growth of credit volumes: cash loans (+71% y-o-y), mortgage loans (+44% y-o-y), business loans (+33% y-o-y), lease receivables (+31% y-o-y);
  - Significant growth in deposits (+34% y-o-y), particularly in savings account balances (by PLN 9.9 bn y-o-y);
  - Introduction of new investment products, including closed-end funds and structured solutions;
  - Fast development of promising business lines, e.g.bancassurance, services for financial institutions;
  - Expansion of the debit and credit cards base (+23% y-o-y and +39% y-o-y, respectively) thanks to the broad offer and linked services;
  - Growing activity in the area of advisory and securities services.

Financial performance in H1 2008

1. Profit and Loss Account

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

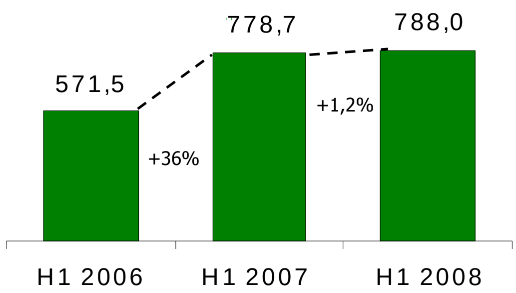
PLN m

Profit and Loss Account	H1 2008	H1 2007	Change
Total income	1,653.2	1,471.6	+12.3%
Total costs	(845.3)	(717.3)	+17.8%
Impairment losses on loans and advances	(19.8)	24.4	-
Profit-before-tax	**788.0**	**778.7**	**+1.2%**
Profit-after-tax attributable to BZWBK shareholders	**567.5**	**558.6**	**+1.6%**
Profit-after-tax attributable to minority interests	60.3	72.9	-17.3%

In the first half of 2008, the Bank Zachodni WBK Group generated a profit-before-tax of PLN 788 m, i.e. PLN 9.3 m more than in the same period last year. The profit-after-tax attributable to the shareholders of Bank Zachodni WBK was PLN 567.5 m and higher y-o-y by PLN 8.9 m.

The net profit shown in the profit and loss account for the first half of 2008 is an effect of diversification of the Group's business and the dynamic development of many promising business lines. The higher revenues generated in the growth areas offset the impact of lower returns in the capital markets as the downward trend continued and higher costs incurred in connection with the Group's organic development and intensive marketing campaigns dictated by the requirements of the competitive market.

BZWBK Group Profit-Before-Tax for the First Half-Year in the Years 2006-2008 (PLN m)



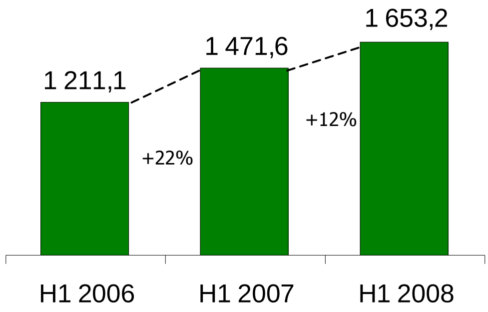
Income

In the first half of 2008, the Bank Zachodni WBK Group reported a total income of PLN 1,653.2 m, an increase of 12.3% on the same period last year. This growth was mainly driven by the rising core-business volumes, particularly in the area of loans, deposits and connected products.

PLN m

Total Income	H1 2008	H1 2007	Change
Net interest income	777.1	594.1	+30.8%
Net commission income	712.6	755.7	-5.7%
Dividend income	69.6	64.4	+8.1%
Net trading income and revaluation	47.9	32.7	+46.5%
Other income	46.0	24.7	+86.2%
Total	**1,653.2**	**1,471.6**	**+12.3%**

Total Income for the First Half-Year
In the Years 2006-2007 (PLN m)



Net interest income

Net interest income amounted to PLN 777.1 m compared with PLN 594.1 m posted in the first half of 2007. Taking into account other interest-related income from FX Swaps and Basis Swaps (PLN 30.1 m in the first half of 2008 and PLN 7 m in the first half of 2007) recognised in "Net trading income and revaluation", the underlying net interest income increased by 34.3% y-o-y. This change was favourably affected by the strong growth in loan volumes, including business loans, cash loans and home mortgages.

Net Commission Income

PLN m

Net Commission Income	H1 2008	H1 2007	Change
Mutual fund distribution and asset management services	224.0	307.3	-27.1%
Account maintenance and cash transactions	113.5	109.5	+3.7%
FX fees	112.5	102.5	+9.8%
E-business and payments	112.3	90.4	+24.2%
Brokerage fees	55.2	83.3	-33.7%
Credit-related fees*	49.9	41.3	+20.8%
Insurance fees	32.7	18.8	+73.9%
Other (incl. other distribution fees)	12.5	2.6	+380.8%
Total	**712.6**	**755.7**	**-5.7%**

* *includes fees relating to credits, leasing, factoring, credit intermediation, banking and civil law guarantees that are not treated as interest income*

Net commission income amounted to PLN 712.6 m and decreased by 5.7% y-o-y due to the downturn in the Polish stock market, which resulted in the lower level of fees for distribution of mutual funds, asset management and brokerage services. The other business lines reported a growth, particularly bancassurance, e-buisness & payments, and FX fees. Details of the key changes are presented below:

- The Group's net income from fund distribution and asset management was PLN 224 m and 27.1% lower y-o-y due to the prolonged downturn in the stock market, which prompted some investors to exit the mutual funds market and made the others more averse to risk-bearing instruments such as equity-linked or mixed funds.

- Net brokerage commission income decreased by 33.7% y-o-y to PLN 55.2 m due to the deceleration of the Warsaw Stock Exchange market, which negatively affected the equity turnover levels of the BZWBK Brokerage House.

- The bancassurance line generated an income of PLN 32.7 m, exceeding the comparable period by 73.9% on the back of the growing sale of credit insurance.

- The fees on customer FX transactions increased by 9.8% to PLN 112.5 m, reflecting the improved margins and stronger customer trading.

- The net commission income from e-buisness & payments increased by 24.2% to PLN 112.3 m. Two product lines from this area grew particularly strongly: "services to third-party financial institutions" and "debit cards" reporting an increase in the fee income by 38% and 29% respectively. This progress results from the bank's entering into co-operation with new financial institutions and the increase in the number of cards processed and ATMs managed on their behalf. It is also driven by the banks' growing base of debit card holders (+297 k cards y-o-y) and the higher number and value of card-related non-cash transactions.

Dividend Income

Dividend income of PLN 69.6 m increased by 8.1% mainly as a result of a higher dividend paid out by Commercial Union Powszechne Towarzystwo Emerytalne BPH CU WBK S.A. included in the bank' s equity investment portfolio. In 2008, the bank received PLN 20.7 m in dividend from this source compared with PLN 16.7 m posted last year.

Net Trading Income and Revaluation

Net trading income and revaluation increased by 46.5% up to PLN 47.9 m due to the higher income earned by the bank from the wholesale FX Swaps and derivatives business transacted both by the bank and the Brokerage House, the latter using such instruments as part of its market-making activity.

Other Income

Other income of the Bank Zachodni WBK Group increased by 86.2% to PLN 46 m. This figure includes a profit of PLN 22.4 m from the sale of MasterCard International shares from the bank's investment portfolio and a profit of PLN 0.5 m from the sale of the subsidiary company Brytyjsko-Polskie Towarzystwo Finansowe WBK CU Sp. z o.o.

Loan Impairment Charge

The loan impairment charge to the profit and loss account was PLN 19.8 m while in the corresponding period last year the balance of loan impairment was positive and amounted to PLN 24.4 m. The bank successfully continues the restructure and collection of debts, but the process has been gradually decelerating as a substantial portion of the historical cases have been closed and the new lendings are of high quality. With the substantial y-o-y growth in lending volumes (+36.9%), the net impairment figure confirms the soundness of the Group's credit risk management framework and its sharp focus on ensuring high quality of the portfolio.

Costs

Total operating costs of Bank Zachodni WBK Group amounted to PLN 845.3 m and were higher by 17.8% y-o-y. Their main components were as follows.

PLN m

Total Costs	**H1 2008**	**H1 2007**	**Zmiana**
Staff and other administrative expenses, including:	(784.1)	(627.7)	+24.9%
- Staff expenses	*(470.4)*	*(394.4)*	*+19.3%*
- Other administrative expenses	*(313.7)*	*(233.3)*	*+34.5%*
Depreciation/ Amortisation	(50.6)	(68.1)	-25.7%
Other operating costs	(10.6)	(21.5)	-50.7%
Total	**(845.3)**	**(717.3)**	**+17.8%**

Staff and Other Administrative Expenses

The staff and other administrative expenses of the Group amounted to PLN 784.1 m and were 24.9% up y-o-y, driven by dynamic business development and delivery of the strategic programmes.

- Staff costs increased by 19.3% y-o-y to PLN 470.4 m as a result of the higher employment driven by developing business and the growing distribution network (1,457 new FTEs over 12 months), pay increases linked to the annual performance review (April 2008), growing competition for banking experts in the labour market, bigger performance-related bonuses as well as the higher cost of training (growing business demands and higher number of trainees).

- With the strong growth of business and the distribution infrastructure, the Group's other administrative expenses increased by 34.5% y-o-y to PLN 313.7 m. This movement results from the Group's intensive promotional activity designed to support the sales of its strategic products, e.g. the Moneyback accounts, cash loans, savings accounts, investment-linked policy, Account<30 and FX accounts. The principal contributory factor was the growing cost of lease and maintenance of premises as a result of the bank's expanding distribution channels, including the Branch Network, specialist business centres (Business Banking Centres and Private Banking Offices) and their supporting functions in the Business Support Centre. As a consequence of the development and modernisation initiatives, there was also a significant growth in the cost of premises renovation and equipment supply for branches. Consultancy costs increased as well, due to the larger number of ongoing projects requiring unique skills. The Group's savings initiatives coupled with rigorous planning and control of operating cost budget, continued to keep administrative expenses at a lower level.

Depreciation/Amortisation

Depreciation/amortisation totalled PLN 50.6 m and decreased by 25.7% y-o-y due to the full amortisation of ICBS, the branch banking system.

2. Balance Sheet Items

The table below presents major developments in key categories of the balance sheet of the Bank Zachodni WBK Group at the end of June 2008 versus June 2007.

PLN m

Balance-Sheet Items	30-06-2008	Balance Sheet Structure 30-06-2008	30-06-2007	Balance Sheet Structure 30-06-2007	Change
Balance sheet total	47,062.9	*100.0%*	35,227.0	*100.0%*	+33.6%
Assets					
Loans and advances to customers*	28,273.1	*60.1%*	20,650.2	*58.6%*	+36.9%
Investment securities	10,449.0	*22.2%*	8,996.2	*25.5%*	+16.1%
Loans and advances to banks	2,760.6	*5.9%*	2,736.9	*7.8%*	+0.9%
Cash and operations with Central Bank	2,469.4	*5.2%*	762.9	*2.2%*	+223.7%
Financial assets held for trading	1,514.5	3.2%	423.4	1.2%	+257.7%
Other assets	1,596.3	*3.4%*	1,657.4	*4.7%*	-3.7%
Liabilities					
Deposits from customers	33,723.6	*71.7%*	25,218.0	*71.6%*	+33.7%
Deposits from banks	5,438.5	*11.6%*	3,555.2	*10.1%*	+53.0%
Financial liabilities held for trading	1,294.1	*2.7%*	279.7	*0.8%*	+362.7%
Debt securities in issue	282.4	*0.6%*	589.7	*1.7%*	-52.1%
Other liabilities	1,532.3	*3.2%*	1,435.8	*4.1%*	+6.7%
Total equity	4,792.0	*10.2%*	4,148.6	*11.7%*	+15.5%

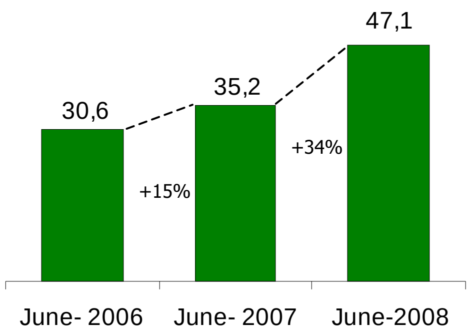
**** less loan impairment charge***

As at 30 June 2008, total assets of the Bank Zachodni WBK Group amounted to PLN 47,062.9 m and were 33.6% up y-o-y. The value and structure of the Group's balance sheet is determined by the bank's balance sheet which accounts for 94.5% of the consolidated total assets.

The main asset growth driver during the past 12 months was loans and advances to customers (+36.9% y-o-y), which increased as a result of the strong credit delivery. A substantial increase was also noted in cash and operations with Central Bank (+223.7% y-o-y) as part of the Group's on-going liquidity management process. A similar growth rate was achieved under financial assets held for trading (+257.7% y-o-y), reflecting the higher business transacted in the derivative market. Financial assets continued to grow (+16.1% y-o-y) based on the decisions made as part of the Group's structural balance sheet risk management. Loans and advances to banks remained at the level similar to the corresponding period last year.

On the liabilities side, the Group posted a substantial increase in deposits from customers (+33.7% y-o-y) and deposits from banks (+53% y-o-y), the latter on account of the higher repo business. A strong growth was also observed in the financial liabilities held for trading (+362.7% y-o-y) driven by derivatives. At the same time, the debt securities in issue line decreased (-52.1% y-o-y) due to the redemption of the matured bonds issued by the Bank Zachodni WBK leasing subsidiaries in the amount of PLN 312.4 m during 12 months ended on 30 June 2008.

Total Assets as at 30 June in the Years 2006-2008 (PLN bn)



Credit Portfolio

PLN m

Gross Loans and Advances to Customers	30-06-2008	30-06-2007	Change
Loans and advances to business customers	18,726.4	14,085.5	+32.9%
Loans and advances to personal customers	7,371.4	5,010.8	+47.1%
Finance lease receivables	2,581.6	1,978.9	+30.5%
Loans and advances to public sector and other	171.3	200.8	-14.7%
Total	**28,850.7**	**21,276.0**	**+35.6%**

At the end of June 2008, net loans and advances to customers were PLN 28,273.1 m and 36.9% up y-o-y due to increasing volumes of the Group's key portfolios: business loans, retail loans and lease rentals. Gross loans and advances to customers amounted to PLN 28,850.7 m versus PLN 21,276 m at the end of June 2007.

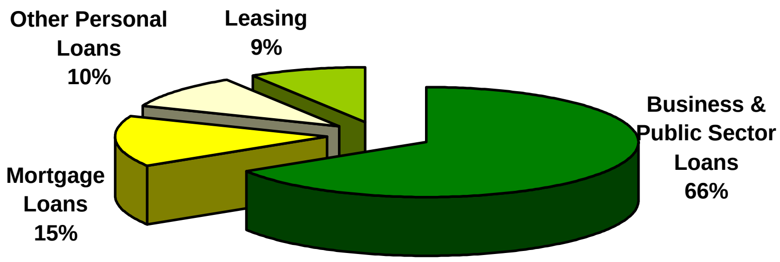
Loans and advances to businesses amounted to PLN 18,726.49 m and were 32.9% higher y-o-y. This growth reflects the higher demand for loans to finance investments, inventory and working capital amid the continued economic growth. The credit delivery accelerated driven by long-term corporate lending, particularly in property finance. The portfolio of loans for income producing real estates grew 62.1% y-o-y to PLN 8,434.3 m at the end of June 2008.

The value of retail loans increased by 47.1% y-o-y to PLN 7,371.4 m due to the strong growth in cash and mortgage loans. Cash loans increased by 71.4% to PLN 2,108.4 m driven by the bank's attractive offer and the effectiveness of its pro-active promotion and sales methods. Mortgages went up by 43.9% y-o-y to PLN 4,384.6 m in the rising interest rates environment due to the very good features of the bank's offering and improved financial standing of retail customers.

The leasing portfolio increased by 30.5% y-o-y to 2,581.6 m owing to stronger performance of the Group's leasing companies (BZ WBK Leasing S.A. and BZ WBK Finanse & Leasing S.A.) in the two key assets categories: machinery & equipment and vehicles.

The quality of the Group's loan-book continued to improve, which is reflected in the declining NPL ratio. At the end of June 2008, the impaired loans accounted for 2.4% of the gross portfolio versus 3.9% recorded 12 months before. The provision cover for the impaired loans was 64.2% compared with 61.2% as at 30 June 2007.

Exposure structure of the Bank Zachodni WBK Group as at 30-06-2008



The Bank Zachodni WBK Group complies with the Banking Law requirements with regard to the limits of exposures to a single entity or to a group of connected entities. The Group also maintains an adequate diversification of the credit portfolio in accordance with its policy of exposure to industries and financial groups. As at the end of June 2008, the highest concentration level of 17% was recorded in the property sector services.

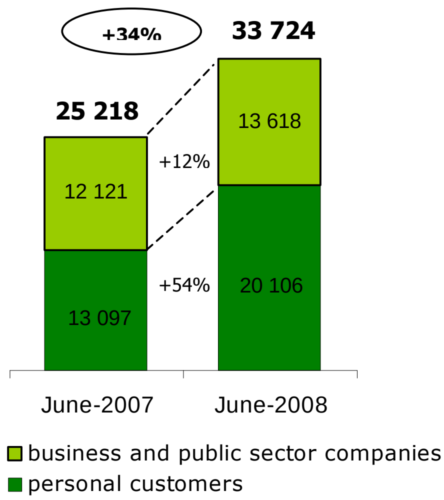
Deposit Base

PLN m

Deposits from Customers	30-06-2008	30-06-2007	Change
Deposits from retail customers	20,105.9	13,096.6	53.5%
Deposits from business customers	11,229.2	10,106.9	11.1%
Deposits from public sector customers	2,388.5	2,014.5	18.6%
Total	**33,723.6**	**25,218.0**	**33.7%**

Deposits from customers, which represent 71.7% of the Group's balance sheet total, are the primary source of funding of the Group's lending business. At the end of June 2008, customer deposits totalled PLN 33,723.6 m and were higher by 33.7% y-o-y. This value is comprised of the funds deposited in current accounts of PLN 19,988.2 m (including PLN 10,468.6 m as balances in the savings accounts), term deposits totalling PLN 13,266.6 m and other liabilities. In the first half of the year, particularly fast growth was noted in current account balances which exceeded the last year's figure by 104.7%. This growth is attributable to the bank's attractive savings account offering and the successful promotional campaign. Another contributing factor was the continued improvement of the financial standing of households and the customers' reluctance to invest in risk-bearing financial instruments as a follow up of the strong downturn in the stock market.

Amounts due to customers (PLNm) as at end-June 2007-2008



3. Basic Financial Ratios

Key Financial Ratios	H1 2008	H1 2007
Total costs /Total income	51.1%	48.7%
Net interest income / Total income	47.0%	40.4%
Net commission income / Total income	43.1%	51.4%
Customer deposits / Balance sheet total	71.7%	71.6%
Customer loans / Balance sheet total	60.1%	58.6%
Customer loans / Customer deposits	83.8%	81.9%
NPLs ratio	2.4%	3.9%
NPL coverage ratio	64.2%	61.2%
ROE*	23.96%	25.97%
ROA**	2.3%	2.7%
Solvency ratio	10.99%	13.34%
Earnings per share (PLN)	7.78	7.66

The following were used in computations:

* *profit-after-tax attributable to BZWBK shareholders for the 12-month period commencing on 1 July 2007 and equity as at the end of the reporting period, net of current year's profit and minority interests;*

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

Achievements of the Bank Zachodni WBK Group in the second quarter of 2008

Detailed information on achievements of the Bank Zachodni WBK Group during the first two quarters of 2008 has been provided in the „Report of the Management Board on Bank Zachodni WBK Group Performance in the first half of 2008". The Management Board report is part of the Group's interim report for the 6-month period ended on 30 June 2008 and is announced along with this document.

10. Significant accounting policies applied in BZ WBK Group

Statement of compliance

The interim consolidated financial statements of BZWBK Group for 2Q 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.
IFRIC 13 *Customer Loyalty Programmes*	The Interpretation explains how entities that grant loyalty award credits to customers who buy other goods or services should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem those award credits. Such entities are required to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when they have fulfilled their obligations.	1 July 2008	Implementation of this IFRIC will not have a material impact on the Group.

Basis of preparation

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

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.
The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The accounting policies have been applied consistently by Group entities.

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.

Repo and Reverse Repo

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

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

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

Measurement

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

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

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

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

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

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

Gains and losses on subsequent measurement

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

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

The fair values of quoted financial instruments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities) the Group establishes fair value by using valuation techniques which include recent arms length market transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.
Where a fair value cannot be reliably estimated, unquoted instruments that do not have a quoted market price in an active market are measured at cost and periodically tested for impairment.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when there is:

(a) 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.

Hedge accounting

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

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

Fair value hedge

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

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

Cash flow hedge

This is a hedge of the exposure to variability in cash flows that:

(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 brought in a straight-line method to the profit and loss account.
Other fees and charges, which are not settled according to effective interest rate, are taken to profit and loss account in accordance with accrual method. Net 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

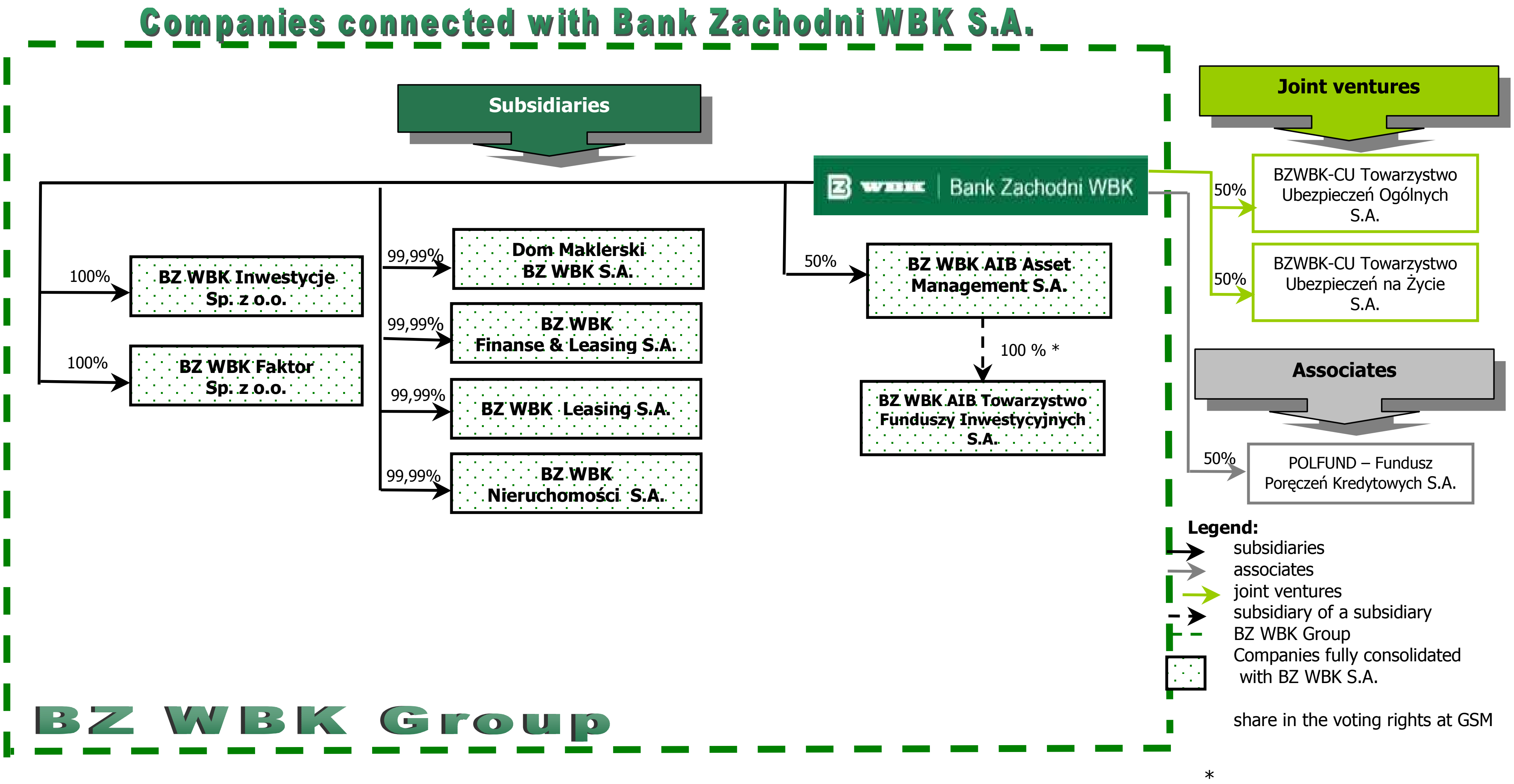
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

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



Pursuant to IAS 27, the following subsidiary undertakings were fully consolidated in the financial statements of Bank Zachodni WBK for 2Q 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 June 2008, associated undertaking POLFUND – Fundusz Poręczeń Kredytowych S.A. was accounted for using the equity method.

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 1H 2008 BZWBK S.A. in cooperation with Aviva International Insurance Ltd formed two jointly controlled entities: BZ WBK - CU Towarzystwo Ubezpieczeń Ogólnych S.A. and BZ WBK - CU Towarzystwo Ubezpieczeń na Życie S.A. The parent companies have 50% share in both joint ventures' share capital and agreed to share the controll. The main business of the new entities is providing insurance services for the clients of the Bank. On the 6th of June 2008, both of them got a permission from Financial Supervisory Commission to start particular actions.

12. Related party disclosures

All relevant information is disclosed in interim consolidated financial statements of Bank Zachodni WBK Group for the 6-month period ended on 30 June 2008.

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

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

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

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

15. Accounting estimates and judgments

Loan impairment

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

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

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

Write-down due to impairment of non-financial assets

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

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

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

For other receivables impairment amount has been recognised considering the expected recoverable amounts, and for long term other receivables discounting has been applied.

Asset held for sale at the lower of its carrying amount and estimated fair value less estimated costs to sell.

Fair value of financial instruments

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

Other accounting estimates and judgements

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

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

In 2Q 2008, Bank Zachodni and any of its subsidiary did not issue bonds or other own debt securities.
BZWBK Leasing S.A. made a repayment of 3-year bonds - 3S0508 and 3-year bonds - 3S0608 of total PLN 29 350 k (nominal value) with the final redemption date of 05.05.2008 and 06.06.2008 respectively. BZWBK Finanse & Leasing S.A. made a repayment of 3-year bonds - 3S0608 of nominal value PLN 3 069 k with the final redemption date of 30.06.2008.

At the end of 2Q 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 256 037 k (nominal value).

In 2Q 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 - 2S0409 of PLN 10 188 k (nominal value) with the final redemption date of 05.04.2009.
BZWBK Leasing S.A. made a repayment of:
a) 3-year bonds 3S0407 of PLN 9 433 k (nominal value), redemption date 05.04.2007
b) 3-year bonds 3S0507 of PLN 19 378 k (nominal value), redemption date 10.05.2007
c) 3-year bonds 3Z0507 of PLN 6 439 k (nominal value), redemption date 10.05.2007
At the end of 2Q 2007, the total value of obligations with respect to the issue of own bonds by Bank Zachodni WBK S.A., BZWBK Leasing S.A. and BZWBK Finanse & Leasing S.A. amounted to PLN 554 157 k (nominal value).

17. 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.

18. Income and profits by business segments

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

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

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

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

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

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

In thousands of PLN

30.06.2008	Branch and corporate operations	Treasury operations	Investment banking	Leasing operations	Eliminations	Total
1. Total segments income	**2 130 758**	**399 902**	**406 261**	**115 733**	**(668 964)**	**2 383 690**
Segments income (external)	1 759 149	145 174	364 861	114 506	-	**2 383 690**
Segments income (internal)	371 609	254 728	41 400	1 227	(668 964)	**-**
2. Total segments costs	**(1 628 001)**	**(317 329)**	**(211 488)**	**(91 338)**	**668 964**	**(1 579 192)**
Segments costs (external)	(1 331 782)	(22 105)	(151 711)	(73 594)	-	**(1 579 192)**
Segments costs (internal)	(296 219)	(295 224)	(59 777)	(17 744)	668 964	**-**
3. Dividend income	**-**	**-**	**69 634**	**-**	**-**	**69 634**
4. Movements in provisions	**(16 447)**	**-**	**-**	**(3 390)**	**-**	**(19 837)**
Write off	(260 252)	-	-	(29 116)	-	**(289 368)**
Write back	243 805	-	-	25 726	-	**269 531**
5. Segments income on investment in associates and joint ventures	**-**	**-**	**(44)**	**-**	**-**	**(44)**
6. Segments gross profit	**486 310**	**82 573**	**264 363**	**21 005**	**-**	**854 251**
7. Unallocated income						-
8. Unallocated costs						(66 246)
9. EBT						**788 005**
10. Income tax						(160 133)
11. Minority interest						(60 334)
12. Profit for the period						**567 538**

In thousands of PLN

30.06.2007	Branch and corporate operations	Treasury operations	Investment banking	Leasing operations	Eliminations	Total
1. Total segments income	**1 524 750**	**325 826**	**512 133**	**78 611**	**(570 340)**	**1 870 980**
Segments income (external)	1 189 224	123 349	480 551	77 856	**-**	**1 870 980**
Segments income (internal)	335 526	202 477	31 582	755	(570 340)	**-**
2. Total segments costs	**(1 127 035)**	**(260 642)**	**(252 272)**	**(58 205)**	**570 340**	**(1 127 814)**
Segments costs (external)	(893 458)	(21 332)	(162 818)	(50 206)	-	**(1 127 814)**
Segments costs (internal)	(233 577)	(239 310)	(89 454)	(7 999)	570 340	**-**
3. Dividend income	**-**	**-**	**64 446**	**-**	**-**	**64 446**
4. Movements in provisions	**27 630**	**-**	**-**	**(3 271)**	**-**	**24 359**
Write off	(126 500)	-	-	(9 339)	-	**(135 839)**
Write back	154 130	-	-	6 068	-	**160 198**
5. Segments income on investment in associates	**-**	**-**	**36**	**-**	**-**	**36**
6. Segments gross profit	**425 345**	**65 184**	**324 343**	**17 135**	**-**	**832 007**
7. Unallocated income						-
8. Unallocated costs						(53 263)
9. EBT						**778 744**
10. Income tax						(147 221)
11. Minority interest						(72 927)
12. Profit for the period						**558 596**

In thousands of PLN

19. Acquisitions and disposals of investments in 2Q 2008

Under the agreement, which was made on 12.06.2008 between Bank Zachodni WBK S.A. and Commercial Union Polska sp. z o.o., BZ 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.

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.

In 1H 2008 BZWBK S.A. in cooperation with Aviva International Insurance Ltd formed two jointly controlled entities: BZ WBK - CU Towarzystwo Ubezpieczeń Ogólnych S.A. and BZ WBK - CU Towarzystwo Ubezpieczeń na Życie S.A.
All relevant information about joint ventures is included in Interim Consolidated Financial Statements of Bank Zachodni WBK Group for the 6-month Period Ended 30 June 2008.

20. Changes to the contingent liabilities or assets

Off balance sheet liabilities

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

Contingent liabilities, sanctioned and received	30.06.2008	31.03.2008	Movement
Liabilities sanctioned	**10 531 105**	**9 172 306**	**1 358 799**
- financial	**9 654 169**	**8 402 154**	**1 252 015**
- including: import letters of credit	76 304	49 829	26 475
- including: credit lines	8 323 856	7 476 307	847 549
- including: credit cards debits	786 455	755 834	30 621
- including: term deposits with future commencement term	467 554	120 184	347 370
- guarantees	**876 936**	**770 152**	**106 784**
- including: confirmed export letters of credit	503	757	(254)
Received liabilities	**2 497 441**	**2 848 889**	**(351 448)**
Total	**13 028 546**	**12 021 195**	**1 007 351**

In thousands of PLN

As at 30.06.2008 the Bank received/sanctioned guarantees of PLN 215 026 k (as at 30.06.2007 – PLN 248 722 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	30.06.2008	31.03.2008	Movement
1.	**Derivatives (hedging)**	**3 086 250**	**2 444 580**	**641 670**
a)	Single-currency interest rate swaps – purchased amounts	1 393 125	1 222 290	170 835
b)	Single-currency interest rate swaps – sold amounts	1 393 125	1 222 290	170 835
c)	Macro cash flow hedge - purchased amounts	150 000	-	150 000
d)	Macro cash flow hedge - sold amounts	150 000	-	150 000
2.	**Term derivatives (trading)**	**271 307 187**	**248 063 078**	**23 244 109**
a)	Interest rate operations	233 346 132	213 377 820	19 968 312
-	Single-currency interest rate swaps – purchased amounts	66 036 126	62 440 860	3 595 266
-	Single-currency interest rate swaps – sold amounts	66 036 126	62 440 860	3 595 266
-	FRA-purchased amounts	52 161 940	46 773 050	5 388 890
-	FRA-sold amounts	49 111 940	41 723 050	7 388 890
b)	FX operations	37 961 055	34 685 258	3 275 797
-	FX swap – purchased amounts	13 574 331	12 467 643	1 106 688
-	FX swap – sold amounts	13 543 400	12 469 271	1 074 129
-	Forward purchased	2 871 998	2 641 616	230 382
-	Forward sold	2 899 836	2 671 933	227 903
-	Double-currency interest rate swaps – purchased amounts	2 640 705	2 278 257	362 448
-	Double-currency interest rate swaps – sold amounts	2 430 785	2 156 538	274 247
3.	**Currency transactions- spot**	**1 497 070**	**1 150 172**	**346 898**
	spot-purchased	748 680	575 041	173 639
	spot-sold	748 390	575 131	173 259
4.	**Derivatives – OTC options**	**5 821 272**	**4 227 446**	**1 593 826**
-	Options purchased	2 910 636	2 113 723	796 913
-	Options sold	2 910 636	2 113 723	796 913
	Total	**281 711 779**	**255 885 276**	**25 826 503**

In thousands of PLN

21. Principles PLN conversion into EUR

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

- balance sheet data –3.3542 as at 30.06.2008 and 3.7658 as at 30.06.2007; 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 30.06.2008 – 3.4776, as at 30.06.2007 – 3.8486.

22. Shareholders with min. voting power of 5%

According to the information held by the Bank's Management Board, the shareholder with a min. 5% of the total number of votes at the BZWBK Annual General Meeting as at the publication date of the quarterly consolidated report for 2Q 2008 /30.07.2008/ 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 30.07.2008				
AIB European Investments Limited	51 413 790	70,5 %	51 413 790	70,5 %
As at 08.05.2008				
AIB European Investments Limited	51 413 790	70.5 %	51 413 790	70.5 %

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

	No. of Bank Zachodni WBK shares held		
	As at 30.07.2008	As at 08.05.2008	Movement
Members of the Supervisory Board	278	278	-

Table below presents personal shareholding of Supervisory and Management Board Members as at 30th July 2008:

Owner	No. of shares
Supervisory Board	
Waldemar Frąckowiak	278

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

24. Information about the commenced court proceedings

As at 30 June 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 269569 k, which was ca. 5.63% of Group's equity. This amount includes PLN 54 822 k claimed by the Bank, PLN 44 895 k in claims against the Bank and PLN 169 852 k are Bank's receivables due to bankruptcy or arrangement cases.

As at 30 June 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 288 876 k, which was ca. 6.96% of Group's equity. This amount includes PLN 73 611 k claimed by the Bank, PLN 49 824 k in claims against the Bank and PLN 165 441 k are Bank's receivables due to bankruptcy or arrangement cases.

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

As at 30 June 2008 Bank Zachodni WBK S.A. and its subsidiaries had not issued any guarantees to one business unit or a subsidiary totaling a minimum of 10% of issuer's equity.

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

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

- gradual slowdown of economic growth, with weaker increase in investment demand, which will constrain growth in demand for loans from enterprises, households' demand for loans may weaken to a lesser extent amid continuation of firm labour market conditions,
- significant deterioration of economic climate abroad, which together with zloty appreciation may harm Polish exports and production (with negative impact also on investment growth);
- expected continuation of interest rate increases by the Monetary Policy Council, which will constrain increase in demand for loans denominated in the local currency; at the same time one should expect further increase in demand for loans denominated in the Swiss franc amid strong zloty and expectations that interest rates in the Switzerland will be kept on hold,
- increase in domestic interest rates, which may increase willingness to hold deposits in the banking system at the expense of other financial instruments, particularly in face of poor sentiment in stock markets related to higher risk aversion in the global markets amid concerns about condition of the US economy.

In thousands of PLN

27. Events which occurred after the balance sheet date

Change Fitch Rating

On 17 of July 2008 Fitch Ratings has changed Bank Zachodni WBK's outlook to Negative from Stable. Its ratings are affirmed at Long-term Issuer Default (IDR) 'A+', Short-term IDR 'F1', Individual 'C' and Support '1'. The rating action reflects the change of the outlook to Negative from Stable for BZ WBK's controlling shareholder, Allied Irish Banks (AIB, rated 'AA-' (AA minus)/Negative Outlook).

Appointment of the new Management Board Member

On 22.07.2008 the Supervisory Board appointed Mr. Mirosław Skiba to the position of Bank Zachodni WBK S.A. Management Board Member.

The third edition of Incentive Scheme

On 22.07.2008 the Supervisory Board approved the list of participants of Incentive Scheme III which was launched pursuant to the resolution of the Annual General Meeting of Shareholders of 18.04.2008.

Authorization for issue of financial statements

The interim financial statements were authorised for issue on 24th of July 2008 by the Management Board of Bank Zachodni WBK S.A.

SIGNATURES OF THE PERSONS REPRESENTING THE ENTITY			
Date	**Name**	**Function**	**Signature**
24-07-2008	James Murphy	Member of the Management Board	
24-07-2008	Wanda Rogowska	Financial Accounting Area Director	