

**REPORT OF
BANK ZACHODNI WBK GROUP
FOR QUARTER 1 2012**

2012



WBK

| Bank Zachodni WBK S.A.

FINANCIAL HIGHLIGHTS		PLN k		EUR k	
for reporting period ended:		31.03.2012	31.03.2011	31.03.2012	31.03.2011
Consolidated financial statements					
I	Net interest income	556 924	494 576	133 395	124 447
II	Net fee and commission income	330 119	338 711	79 070	85 227
III	Operating profit	407 549	350 294	97 617	88 142
IV	Profit before tax	410 710	353 465	98 374	88 940
V	Net profit attributable to owners of BZ WBK S.A.	314 150	270 216	75 246	67 993
VI	Total net cash flow	(735 158)	339 596	(176 086)	85 450
VII	Total assets	59 009 817	65 319 812	14 179 598	16 281 515
VIII	Deposits from banks	5 223 780	3 174 979	1 255 234	791 390
IX	Deposits from customers	43 485 794	41 135 239	10 449 297	10 253 306
X	Total liabilities	51 214 948	58 300 406	12 306 552	14 531 869
XI	Total equity	7 794 869	7 019 406	1 873 046	1 749 646
XII	Non-controlling interests in equity	72 512	165 197	17 424	41 177
XIII	Profit of the period attributable to non-controlling interests	7 753	14 713	1 857	3 702
XIV	Number of shares	73 076 013	73 076 013		
XV	Net book value per share in PLN/EUR	106,67	96,06	25,63	23,94
XVI	Solvency ratio	15,18%	14,66%		
XVII	Profit per share in PLN/EUR	4,30	3,70	1,03	0,93
XVIII	Diluted earnings per share in PLN/EUR	4,29	3,69	1,03	0,93
XIX	Declared or paid dividend per share in PLN/EUR	8,00	8,00	1,92	1,99
Stand alone financial statements					
I	Net interest income	520 475	460 469	124 665	115 865
II	Net fee and commission income	280 968	259 571	67 298	65 314
III	Operating profit	421 904	332 747	101 055	83 727
IV	Profit before tax	421 904	332 747	101 055	83 727
V	Profit for the period	344 118	277 255	82 423	69 764
VI	Total net cash flow	(732 247)	342 434	(175 389)	86 164
VII	Total assets	58 245 464	52 588 529	13 995 930	13 108 136
VIII	Deposits from banks	5 116 236	2 863 680	1 229 392	713 796
IX	Deposits from customers	43 639 585	41 336 682	10 486 252	10 303 518
X	Total liabilities	51 030 689	46 241 481	12 262 276	11 526 080
XI	Total equity	7 214 775	6 347 048	1 733 654	1 582 055
XII	Number of shares	73 076 013	73 076 013		
XIII	Net book value per share in PLN/EUR	98,73	86,86	23,72	21,65
XIV	Solvency ratio	14,65%	14,93%		
XV	Profit per share in PLN/EUR	4,71	3,79	1,13	0,95
XVI	Diluted earnings per share in PLN/EUR	4,70	3,79	1,13	0,95
XVII	Declared or paid dividend per share in PLN/EUR	8,00	8,00	1,92	1,99
FINANCIAL HIGHLIGHTS		Consolidated statement of		Statement of financial position	
for the period ended 31.12.2011		financial position			
		PLN k	EUR k	PLN k	EUR k
I	Total assets	59 796 643	13 538 454	59 016 847	13 361 902
II	Deposits from banks	2 505 070	567 169	2 361 433	534 648
III	Deposits from customers	46 829 482	10 602 582	46 992 079	10 639 395
IV	Total liabilities	52 313 683	11 844 250	52 192 791	11 816 879
V	Total equity	7 482 960	1 694 204	6 824 056	1 545 023
VI	Non-controlling interests in equity	127 385	28 841	-	-

The following rates were applied to determine the key EUR amounts for selected financials:

- for balance sheet items – 4.1616 PLN rate to EUR as at 30.03.2012 stated by National Bank of Poland (NBP), 4.4168 PLN rate to EUR as at 30.12.2011; 4.0119 PLN rate to EUR as at 31.03.2011
- for profit and loss items – as at 31.03.2012: 4.1750 (an average PLN mid-rate to EUR in NBP on the last day of each month in 2012), as at 31.03.2011: 3.9742 (an average PLN mid-rate to EUR in NBP on the last day of each month in 2011)

As at 31.03.2012, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 064/A/NBP/2012 dd. 30.03.2012.

**CONSOLIDATED FINANCIAL
STATEMENTS OF
BANK ZACHODNI WBK GROUP
FOR QUARTER 1 2012**

2012



WBK

| Bank Zachodni WBK S.A.

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Consolidated income statement

for reporting period:		01.01.2012- 31.03.2012	01.01.2011- 31.03.2011
Interest income		943 861	794 387
Interest expense		(386 937)	(299 811)
Net interest income	Note 4	556 924	494 576
Fee and commission income		381 059	386 330
Fee and commission expense		(50 940)	(47 619)
Net fee and commission income	Note 5	330 119	338 711
Dividend income		1	10
Net trading income and revaluation	Note 6	40 034	38 847
Gains (losses) from other financial securities	Note 7	2 652	(170)
Other operating income		16 367	17 487
Impairment losses on loans and advances	Note 8	(80 806)	(94 854)
Operating expenses incl.:		(457 742)	(444 313)
<i>Bank's staff, operating expenses and management costs</i>	Notes 9, 10	(417 104)	(403 677)
<i>Depreciation/amortisation</i>		(36 865)	(35 900)
<i>Other operating expenses</i>		(3 773)	(4 736)
Operating profit		407 549	350 294
Share in net profits (loss) of entities accounted for by the equity method		3 161	3 171
Profit before tax		410 710	353 465
Corporate income tax	Note 11	(88 807)	(68 536)
Profit for the period		321 903	284 929
of which:			
<i>attributable to owners of BZ WBK S.A.</i>		<i>314 150</i>	<i>270 216</i>
<i>attributable to non-controlling interests</i>		<i>7 753</i>	<i>14 713</i>
Net earnings per share (PLN/share)			
Basic earnings per share		4,30	3,70
Diluted earnings per share		4,29	3,69

Consolidated statement of comprehensive income

for reporting period:		01.01.2012- 31.03.2012	01.01.2011- 31.03.2011
Profit for the period		321 903	284 929
Other comprehensive income:			
Available-for sale financial assets valuation		68 903	(26 364)
Cash flow hedges valuation		(21 087)	(13 152)
Other comprehensive income for the period, net of income tax		47 816	(39 516)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		369 719	245 413
Attributable to:			
<i>owners of BZ WBK S.A.</i>		<i>361 759</i>	<i>230 735</i>
<i>non-controlling interests</i>		<i>7 960</i>	<i>14 678</i>



Consolidated statement of financial position

as at:		31.03.2012	31.12.2011	31.03.2011
ASSETS				
Cash and balances with central banks	Note 12	2 802 875	1 425 541	1 256 357
Loans and advances to banks	Note 13	1 405 496	1 204 172	1 537 053
Financial assets held for trading	Note 14	3 278 976	5 836 043	2 748 486
Hedging derivatives		134 487	141 636	4 639
Loans and advances to customers	Note 15	38 121 961	38 017 173	32 946 960
Investment securities	Notes 16, 17	11 760 175	11 652 195	13 607 384
Investments in associates and joint ventures	Note 18	107 673	104 512	91 065
Intangible assets		137 787	151 166	165 654
Property, plant and equipment		487 406	499 793	529 426
Current income tax assets		-	20 687	-
Net deferred tax assets		242 023	245 019	314 617
Assets classified as held for sale	Note 19	82 621	82 604	2 539
Other assets	Note 20	448 337	416 102	12 115 632
Total assets		59 009 817	59 796 643	65 319 812
LIABILITIES				
Deposits from banks	Note 21	5 223 780	2 505 070	3 174 979
Hedging derivatives		333 331	523 725	18 675
Financial liabilities held for trading	Note 14	659 912	931 717	975 957
Deposits from customers	Note 22	43 485 794	46 829 482	41 135 239
Subordinated liabilities	Note 23	415 857	441 234	400 339
Current income tax liabilities		44 339	-	14 162
Other liabilities	Note 24	1 051 935	1 082 455	12 581 055
Total liabilities		51 214 948	52 313 683	58 300 406
Equity				
Equity attributable to owners of BZ WBK S.A.		7 722 357	7 355 575	6 854 209
Share capital		730 760	730 760	730 760
Other reserve funds		4 789 488	4 698 884	4 348 692
Revaluation reserve		592 927	545 318	393 653
Retained earnings		1 295 032	196 266	1 110 888
Profit of the current period		314 150	1 184 347	270 216
Non-controlling interests in equity		72 512	127 385	165 197
Total equity		7 794 869	7 482 960	7 019 406
Total equity and liabilities		59 009 817	59 796 643	65 319 812

Movements on consolidated equity

Movements on consolidated equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Non-controlling interests in equity	Total
Opening balance as at 31.12.2011	730 760	4 698 884	545 318	1 380 613	127 385	7 482 960
Total comprehensive income	-	-	47 609	314 150	7 960	369 719
Transfer to other capital	-	85 581	-	(85 581)	-	-
Dividend relating to 2011	-	-	-	-	(62 833)	(62 833)
Share scheme charge	-	5 023	-	-	-	5 023
As at 31.03.2012	730 760	4 789 488	592 927	1 609 182	72 512	7 794 869

As at the end of the period revaluation reserve in the amount of PLN 592 927 k comprises of debt securities and equity shares classified as available for sale of PLN 151 820 k and PLN 410 257 k respectively and additionally cash flow hedge activities of PLN 30 850 k.

Movements on consolidated equity	Share capital	Other reserve funds	Revaluation reserve *	Retained earnings and profit for the period	Non-controlling interests in equity	Total
Opening balance as at 31.12.2010	730 760	4 344 640	433 134	1 114 522	150 519	6 773 575
Total comprehensive income	-	-	112 184	1 184 347	43 193	1 339 724
Transfer to other capital	-	333 648	-	(333 648)	-	-
Dividend relating to 2010	-	-	-	(584 608)	(66 327)	(650 935)
Share scheme charge	-	20 748	-	-	-	20 748
Other	-	(152)	-	-	-	(152)
As at 31.12.2011	730 760	4 698 884	545 318	1 380 613	127 385	7 482 960

As at the end of the period revaluation reserve in the amount of PLN 545 318 k comprises of debt securities and equity shares classified as available for sale of PLN 89 379 k and PLN 404 003 k respectively and additionally cash flow hedge activities of PLN 51 936 k.

* On the last business day of 2011, Bank Zachodni WBK changed its intention regarding a portfolio of government bonds, which so far had been classified as 'held-to-maturity,' and reclassified them into the 'investment financial assets available for sale' category as a result of adapting the Bank's investment policy to the strategy, investment rules and risk management rules of Santander Group. The change pertained to financial instruments of a total carrying value of PLN 4 696 542 k, of which PLN 69 132 k was a recognised fair value. The same amount of fair value less the deferred tax was referred to the equity of the Group.

Movements on consolidated equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Non-controlling interests in equity	Total
Opening balance as at 31.12.2010	730 760	4 344 640	433 134	1 114 522	150 519	6 773 575
Total comprehensive income	-	-	(39 481)	270 216	14 678	245 413
Transfer to other capital	-	3 634	-	(3 634)	-	-
Other	-	418	-	-	-	418
As at 31.03.2011	730 760	4 348 692	393 653	1 381 104	165 197	7 019 406

As at the end of the period revaluation reserve in the amount of PLN 393 653 k comprises of debt securities and equity shares classified as available for sale of PLN (6 029) k and PLN 410 820 k respectively and additionally cash flow hedge activities of PLN (11 138) k.



Consolidated statement of cash flows

	for reporting period:	01.01.2012- 31.03.2012	01.01.2011- 31.03.2011
Profit before tax		410 710	353 465
Total adjustments:		(1 472 153)	227 009
Share in net profits (losses) of entities accounted for by the equity method		(3 161)	(3 171)
Depreciation/amortisation		36 865	35 900
Impairment losses		2	(62)
Gains (losses) on exchange differences		18 754	(5 433)
Interests and similar charges		(2 888)	(88 079)
Dividend received		(1)	(10)
(Profit) loss from investing activities		(2 239)	339
Change in provisions		(77 925)	(66 985)
Change in trading portfolio financial instruments		(604 289)	603 041
Change in loans and advances to banks		20 062	(395)
Change in loans and advances to customers		(104 788)	(108 664)
Change in deposits from banks		2 743 263	724 310
Change in deposits from customers		(3 385 636)	(835 215)
Change in other assets and liabilities		(80 358)	104 784
Paid income tax		(32 001)	(133 415)
Other adjustments		2 187	64
Net cash flow from operating activities		(1 061 443)	580 474
Inflows		4 354 070	153 590
Sale/maturity of investment securities		4 353 243	153 181
Sale of intangible assets and property, plant and equipment		825	397
Dividend received		1	10
Proceeds from other investments		1	2
Outflows		(4 008 177)	(295 530)
Purchase of subsidiaries, associates and joint ventures		-	(18)
Purchase of investment securities		(4 004 113)	(286 432)
Purchase of intangible assets and property, plant and equipment		(4 063)	(9 064)
Other investments		(1)	(16)
Net cash flow from investing activities		345 893	(141 940)
Inflows		41 948	4 300
Drawing of long-term loans		41 948	4 300
Outflows		(61 556)	(103 238)
Repayment of long-term loans		(35 651)	(76 344)
Other financing outflows		(25 905)	(26 894)
Net cash flow from financing activities		(19 608)	(98 938)
Total net cash flow		(735 158)	339 596
Cash at the beginning of the accounting period		7 257 589	4 343 025
Cash at the end of the accounting period		6 522 431	4 682 621

Income statement of Bank Zachodni WBK S.A.

	01.01.2012- 31.03.2012	01.01.2011- 31.03.2011
for reporting period:		
Interest income	914 496	763 771
Interest expense	(394 021)	(303 302)
Net interest income	520 475	460 469
Fee and commission income	313 761	282 620
Fee and commission expense	(32 793)	(23 049)
Net fee and commission income	280 968	259 571
Dividend income	62 834	47 129
Net trading income and revaluation	39 024	38 690
Gains (losses) from other financial securities	2 666	(405)
Other operating income	16 525	16 362
Impairment losses on loans and advances	(81 413)	(88 257)
Operating expenses incl.:	(419 175)	(400 812)
<i>Bank's staff, operating expenses and management costs</i>	<i>(385 834)</i>	<i>(364 168)</i>
<i>Depreciation/amortisation</i>	<i>(31 523)</i>	<i>(32 987)</i>
<i>Other operating expenses</i>	<i>(1 818)</i>	<i>(3 657)</i>
Operating profit	421 904	332 747
Profit before tax	421 904	332 747
Corporate income tax	(77 786)	(55 492)
Profit for the period	344 118	277 255
Net earnings per share (PLN/share)		
Basic earnings per share	4,71	3,79
Diluted earnings per share	4,70	3,79

Statement of comprehensive income of Bank Zachodni WBK S.A.

	01.01.2012- 31.03.2012	01.01.2011- 31.03.2011
for reporting period:		
Profit for the period	344 118	277 255
Other comprehensive income:		
Available-for sale financial assets valuation	62 665	(24 828)
Cash flow hedges valuation	(21 087)	(13 152)
Other comprehensive income for the period, net of income tax	41 578	(37 980)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	385 696	239 275



Statement of financial position of Bank Zachodni WBK S.A.

as at:	31.03.2012	31.12.2011	31.03.2011
ASSETS			
Cash and balances with central banks	2 802 870	1 425 537	1 256 351
Loans and advances to banks	1 402 477	1 198 349	1 521 480
Financial assets held for trading	3 265 309	5 779 309	2 699 708
Hedging derivatives	134 487	141 578	4 639
Loans and advances to customers	37 529 677	37 422 196	32 142 773
Investment securities	11 722 617	11 625 143	13 571 773
Investments in subsidiaries, associates and joint ventures	264 599	264 599	248 999
Intangible assets	124 989	134 581	148 274
Property, plant and equipment	474 056	486 312	514 960
Current income tax assets	-	24 455	-
Net deferred tax assets	163 805	165 775	244 699
Assets classified as held for sale	82 604	82 604	2 502
Other assets	277 974	266 409	232 371
Total assets	58 245 464	59 016 847	52 588 529
LIABILITIES			
Deposits from banks	5 116 236	2 361 433	2 863 680
Hedging derivatives	333 366	523 725	18 675
Financial liabilities held for trading	659 938	937 982	976 014
Deposits from customers	43 639 585	46 992 079	41 336 682
Subordinated liabilities	415 857	441 234	400 339
Current income tax liabilities	38 564	-	7 657
Other liabilities	827 143	936 338	638 434
Total liabilities	51 030 689	52 192 791	46 241 481
Equity			
Share capital	730 760	730 760	730 760
Other reserve funds	4 387 148	4 382 125	4 048 213
Revaluation reserve	594 247	552 669	393 048
Retained earnings	1 158 502	-	897 772
Profit of the current period	344 118	1 158 502	277 255
Total equity	7 214 775	6 824 056	6 347 048
Total equity and liabilities	58 245 464	59 016 847	52 588 529

Movements on equity of Bank Zachodni WBK S.A.

Movements on equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Total
Opening balance as at 31.12.2011	730 760	4 382 125	552 669	1 158 502	6 824 056
Total comprehensive income	-	-	41 578	344 118	385 696
Share scheme charge	-	5 023	-	-	5 023
As at 31.03.2012	730 760	4 387 148	594 247	1 502 620	7 214 775

As at the end of the period revaluation reserve in the amount of PLN 594 247 k comprises of debt securities and equity shares classified as available for sale of PLN 151 820 k and PLN 411 577 k respectively and additionally cash flow hedge activities of PLN 30 850 k.

Movements on equity	Share capital	Other reserve funds	Revaluation reserve*	Retained earnings and profit for the period	Total
Opening balance as at 31.12.2010	730 760	4 048 213	431 028	897 772	6 107 773
Total comprehensive income	-	-	121 641	1 158 502	1 280 143
Transfer to other capital	-	313 164	-	(313 164)	-
Dividend relating to 2010	-	-	-	(584 608)	(584 608)
Share scheme charge	-	20 748	-	-	20 748
As at 31.12.2011	730 760	4 382 125	552 669	1 158 502	6 824 056

As at the end of the period revaluation reserve in the amount of PLN 552 669 k comprises of debt securities and equity shares classified as available for sale of PLN 89 379 k and PLN 411 354 k respectively and additionally cash flow hedge activities of PLN 51 936 k. The revaluation reserve relates to the securities designated as available-for-sale.

* On the last business day of 2011, Bank Zachodni WBK changed its intention regarding a portfolio of government bonds, which so far had been classified as 'held-to-maturity,' and reclassified them into the 'investment financial assets available for sale' category as a result of adapting the Bank's investment policy to the strategy, investment rules and risk management rules of Santander Group. The change pertained to financial instruments of a total carrying value of PLN 4 696 542 k, of which PLN 69 132 k was a recognised fair value. The same amount of fair value less the deferred tax was referred to the equity of the Group.

Movements on equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Total
Opening balance as at 31.12.2010	730 760	4 048 213	431 028	897 772	6 107 773
Total comprehensive income	-	-	(37 980)	277 255	239 275
As at 31.03.2011	730 760	4 048 213	393 048	1 175 027	6 347 048

As at the end of the period revaluation reserve in the amount of PLN 393 048 k comprises of debt securities and equity shares classified as available for sale of PLN (6 024) k and PLN 410 210 k respectively and additionally cash flow hedge activities of PLN (11 138) k.


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Bank Zachodni WBK S.A.

Statement of cash flows of Bank Zachodni WBK S.A.

	for reporting period:	01.01.2012- 31.03.2012	01.01.2011- 31.03.2011
Profit before tax		421 904	332 747
Total adjustments:		(1 480 448)	168 971
Depreciation/amortisation		31 523	32 987
Interests and similar charges		(6 028)	(97 116)
Dividend received		(1)	(10)
(Profit) loss from investing activities		(2 203)	669
Change in provisions		(55 001)	(48 855)
Change in trading portfolio financial instruments		(645 962)	611 775
Change in loans and advances to banks		20 170	-
Change in loans and advances to customers		(107 481)	(190 174)
Change in deposits from banks		2 754 803	719 673
Change in deposits from customers		(3 352 494)	(762 528)
Change in other assets and liabilities		(97 417)	17 352
Paid income tax		(22 549)	(114 874)
Other adjustments		2 192	72
Net cash flow from operating activities		(1 058 544)	501 718
Inflows		4 353 085	148 951
Sale/maturity of investment securities		4 352 543	148 731
Sale of intangible assets and property, plant and equipment		540	208
Dividend received		1	10
Proceeds from other investments		1	2
Outflows		(4 004 021)	(290 406)
Purchase of investment securities		(4 000 608)	(284 429)
Purchase of intangible assets and property, plant and equipment		(3 413)	(5 977)
Net cash flow from investing activities		349 064	(141 455)
Inflows		-	-
Outflows		(22 767)	(17 829)
Other financing outflows		(22 767)	(17 829)
Net cash flow from financing activities		(22 767)	(17 829)
Total net cash flow		(732 247)	342 434
Cash at the beginning of the accounting period		7 251 655	4 335 397
Cash at the end of the accounting period		6 519 408	4 677 831

Additional notes to consolidated financial statements

1. Basis of preparation of interim financial statements

In comparison with annual financial statements content of an interim financial report is condensed, therefore it should be read in conjunction with the financial statements of Bank Zachodni WBK Group for the year 2011.

The consolidated financial statements of the Group for the year 2011 are available at the Bank's official website: www.inwestor.bzwbk.pl.

Statement of compliance

Condensed interim consolidated financial statements of Bank Zachodni WBK Group for the period from 1 January 2012 to 31 March 2012 were prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union and other applicable regulations.

In accordance with Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259 as amended), the Bank has an obligation to publish its results for Q1 2012, which is deemed to be the current interim reporting period.

Accounting policies

The condensed interim consolidated financial statements are presented in PLN, rounded to the nearest thousand. The accounting policies have been applied consistently by Group entities.

Taking into account the exceptions below, as described in the 'Comparability with results of previous periods' section, the accounting policies applied by the Group in these condensed interim consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2011.

Comparability with results of previous periods

For the purpose of comparability of data, the following material presentation changes were made in:

a) Change in presentation of standardised purchase/ sales transactions in respect of financial assets and their recognition in the statement of financial position as at the transaction settlement date rather than as at the date of concluding the transaction as in previous periods of time.



	31.03.2011		
ASSETS	Before revision	Revision	After revision
Loans and advances to banks	1 675 222	(138 169)	1 537 053
Financial assets held for trading	2 747 481	1 005	2 748 486
Investment securities	13 607 384	-	13 607 384

LIABILITIES	Before revision	Revision	After revision
Deposits from banks	3 707 535	(532 556)	3 174 979
Financial liabilities held for trading	580 565	395 392	975 957

	31.12.2011		
ASSETS	Before revision	Revision	After revision
Loans and advances to banks	1 244 290	(40 118)	1 204 172
Financial assets held for trading	5 860 309	(24 266)	5 836 043
Investment securities	11 664 507	(12 312)	11 652 195

LIABILITIES	Before revision	Revision	After revision
Deposits from banks	2 556 715	(51 645)	2 505 070
Financial liabilities held for trading	956 768	(25 051)	931 717

b) consolidated statement of cash flows: as a result of changes in the interpretation of IAS 7, the definition of cash components was revised and applied. Since 2009 cash components have included other liquid financial assets with original maturity up to 3 months. The details of reclassification are presented in the table below.

	31.03.2011		31.12.2011	
Cash components:	Before revision	After revision	Before revision	After revision
Cash and current accounts in central bank	1 256 357	1 256 357	1 425 541	1 425 541
Deposits in other banks, current account	1 526 264	1 526 264	1 224 210	1 184 092
Debt securities held for trading	1 985 551	1 900 000	4 647 956	4 647 956
Debt securities available for sale	204 059	-	-	-
Total	4 972 231	4 682 621	7 297 707	7 257 589

The changes were made to appropriate items of the statement of cash flows, i.e.:

- Change in loans and advances to banks,
- Change in trading portfolio financial instruments,
- Purchase/sale of investment securities.

c) On 1 January 2012, BZ WBK Group changed the business segment reporting rules. The changes affect two key areas:

- Change in the structure of (split into) operating segments and, consequently, reporting segments;
- Change in the calculation methodology for net interest income of segments.

Due to unavailability of historical data, BZ WBK Group dispensed with conversion of comparable information.

Detailed information on the changes in the business segment reporting is presented in Note 3.

Changes in judgments and estimates

Compared with the consolidated financial statements for 2011, in Q1 2012 there were no changes in Bank Zachodni WBK Group's accounting estimates or judgments.

New standards and interpretations or changes to existing standards or interpretations which can be applicable to BZ WBK Group and are not yet effective or have neither been implemented earlier

IFRS	Description of changes	Effective from	Impact on the Group
IFRS 9 Financial Instruments	Changes in classification and measurement - the existing categories of financial instruments to be replaced by two measurement categories, i.e. amortised cost and fair value.	1 January 2015	The Group has not completed its analysis of changes
IFRS 10 Consolidated Financial Statements	New standard supersedes the previous version of IAS 27 (2008) Consolidated and Separate Financial Statements together with the related interpretation SIC 12 Consolidation-Special Purpose Entities. Establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.	1 January 2013	The Group has not completed its analysis of changes
IFRS 11 Joint Arrangements	Supersedes SIC -13 Jointly Controlled Entities - Non-Monetary Contributions by Ventures	1 January 2013	The Group has not completed its analysis of changes
IFRS 12 Disclosures of Interests in Other Entities	New standard requires the disclosure of information that enables users of financial statements to evaluate: -the nature of, and risks associated with, its interests in other entities; - the effects of those interests on its financial position, financial performance and cash flows.	1 January 2013	The Group has not completed its analysis of changes
IFRS 13 Fair Value Measurement	IFRS establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs.	1 January 2013	The Group has not completed its analysis of changes
IAS 27 Separate Financial Statements	IAS 27 has the objective of setting standards to be applied in accounting for investments in subsidiaries, jointly ventures, and associates when an entity elects, or is required by local regulations, to present separate (non consolidated) financial statements.	1 January 2013	The Group has not completed its analysis of changes
IAS 28 Investments in Associates and Joint Ventures	The change prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	1 January 2013	The Group has not completed its analysis of changes
IAS 1 Presentation of Financial Statements	The amendments requires preparing presentation of items of other comprehensive income (OCI) in financial statements accordance with IFRSs and those accordance with GAAP.	1 January 2013	The Group has not completed its analysis of changes
IFRS 7 Financial instruments: disclosures	The amendments introduce the change in the disclosure requirements with regard to the effects of offsetting of financial assets and financial liabilities.	1 January 2013	The Group has not completed its analysis of changes
IAS 32 Financial Instruments: Presentation	IAS clarifies its requirements for offsetting financial instruments	1 January 2014	The Group has not completed its analysis of changes

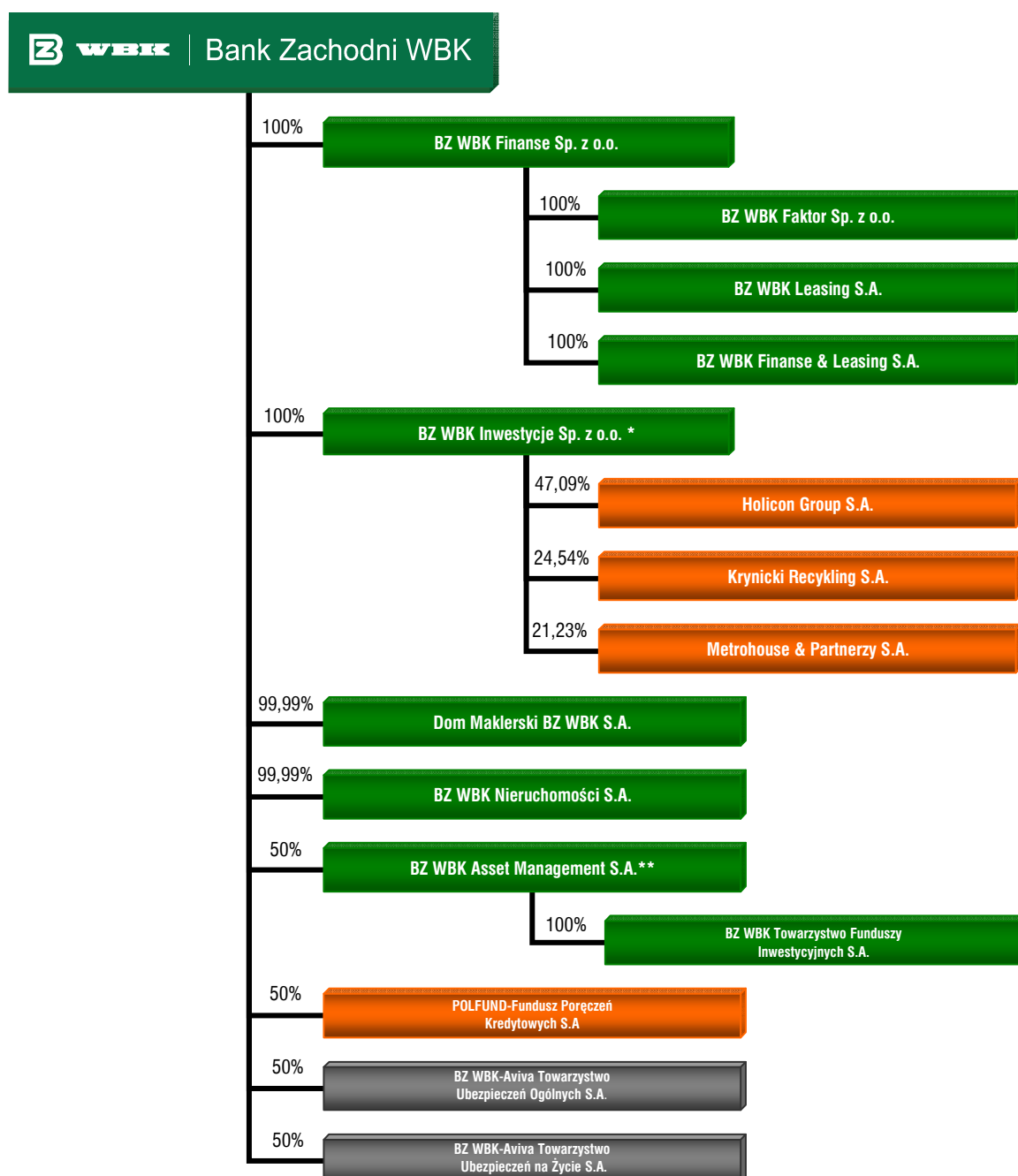


Standards and interpretations or changes to existing standards or interpretations which were applied for the first time in the Quarter 1 2012

IFRS	Description of changes	Effective from	Impact on the Group
IFRS 7 Financial instruments: disclosures	The change required disclosure of information so that the readers of the financial statements may: understand the relation between the transferred financial asset which has not been fully excluded from the financial statements and the underlying financial obligations; assess the nature of the asset, associated risks and exposure towards the excluded asset. The change includes definition of "continuous engagement" to ensure compliance with disclosure requirements.	1 January 2012	Amendments have not had material impact over financial statement

2. Description of organization of Bank Zachodni WBK Group

Graphical representation of the Group's organization structure and information about types of connection within the Group as at 31.03.2012:



* Associated undertakings of BZ WBK Inwestycje Sp. z o.o., i.e. Holicon Group S.A., Metrohouse & Partnerzy S.A. and Krynicky Recykling S.A. are classified as BZ WBK associates since the bank has a significant impact on their operations. The respective shareholdings were acquired as part of the bank's strategy to build a portfolio of "pre-IPO" investments.

**As at 31 March 2012, Bank Zachodni WBK was a co-owner of BZ WBK Asset Management S.A., together with Banco Santander S.A. Both owners are members of Santander Group and each holds an equal stake of 50% in the company's share capital. In practice, Bank Zachodni WBK exercises control over the company and its subsidiary, BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A., because through it Banco Santander pursues its policy in Poland. Consequently, the company is treated as a subsidiary.

Legend:

%	Voting power
■	Subsidiaries (fully consolidated with BZ WBK)
■	Associates
■	Joint ventures

3. Segment reporting

Operational activity of the BZ WBK S.A. Group has been divided into four segments: Retail Banking, Business and Corporate Banking, Global Banking and Markets, and Centre. They were identified based on customers and product types.

Income and costs assigned to a given segment are generated on sale and service of products or services in the segment, according to description presented below. Such income and costs are recognized in the profit and loss account for the Group and may be assigned to a given segment either directly or based on reasonable assumptions.

Settlements among business segments relate to rewarding for delivered services and include:

- sale and/or service of customers assigned to a given segment, via sale/service channels operated by another segment;
- sharing of income and costs on transactions in cases where a transaction is processed for a customer assigned to a different segment;
- sharing of income and cost of delivery of common projects.

Income and cost allocations are regulated by agreements between segments, which are based on single rates for specific services or breakdown of total income and/or cost.

Assets and liabilities of a given segment are used for the operational activity and may be assigned to the segment directly or on a reasonable basis.

The principles of income and cost identification, as well as assets and liabilities for segmental reporting purposes are consistent with the accounting policy applied in Bank Zachodni WBK Group. Thereby there are no discrepancies between the valuation of segments' profit or loss, assets or liabilities, presented to the Management Board and the valuation of these components for the Group, included in the consolidated financial statement.

On 1 January 2012, BZ WBK Group changed its business segment reporting rules. The changes affect two key areas:

- Change in the structure of (split into) operating segments and, consequently, reporting segments;
- Change in the calculation methodology for net interest income of segments.

In order to create a more effective operating model for the Treasury business and to align the organisational structure within Santander Group, a new business segment was created: Global Banking & Markets. The role of the segment is to provide services to the largest corporations, including transactional banking products, specialist lending, Treasury and equity products. Furthermore, the Treasury operations were reorganised and divided to separate trading activity from liquidity, interest rate risk and fx risk management. Currently, the trading activity is managed by GB&M Division / Segment, while liquidity, interest rate risk and fx risk management have been transferred to Finance Division. Once these changes were put in place, the Bank stopped classification of customers / transactions based on the previous methodology. Therefore, currently it is not possible to obtain comparable information.

Another key change effective from 2012 is introduction of a new methodology for calculation of transfer pricing in the Group, which affects the reported net interest income at the level of individual segments. Furthermore, according to the existing methodology, transfer prices are calculated based on individual client accounts, taking into account the new transfer pricing components. In view of the foregoing, retrieval of comparable financials is impossible, and any attempts to obtain estimated values would be very laborious and would not ensure appropriate reliability of the results.

Therefore, the bank advises that according to IFRS 8.29 it uses the right of exemption from transformation of comparable data on account of unavailability of such information.

Retail Banking

Retail Banking segment includes products and services targeted at individual customers as well as small and micro companies. In the offer for customers of this segment there are a wide range of savings products, consumer and mortgage loans, credit and debit cards, insurance and investment products, clearing services, GSM phones top-ups, foreign payments and Western Union and private-banking services. For small and micro companies, the segment provides, among others, lending and deposit taking services, cash management services, leasing, factoring, letters of credit and guarantees. Furthermore, the Retail Banking segment generates income through offering asset management services within investment funds and private portfolios. It also covers insourcing services provided to retail customers based on mutual agreements with other banks and financial institutions.

Business and Corporate Banking

Business and Corporate Banking segment covers products and activities targeted at business entities, local governments and the public sector. In addition to banking services covering lending and deposit activities, the segment provides services in the areas of cash management, leasing, factoring, trade financing and guarantees.

Global Banking and Markets

Within Global Banking and Markets segment the Group gains income from products and services offered to largest global and Polish corporate customers covering transactional banking, crediting and deposit activity, cash management, leasing and factoring, letters of credit and guarantees. In addition, it generates revenues from arranging and underwriting services (issue of securities), financial advisory services and brokerage services provided by the Brokerage House. Global Banking and Markets segment provides Bank's customer with interest rate and fx risk management products. Through its presence in the wholesale market, it also generates revenues from interest rate and fx risk positioning activity.

Centre

The segment covers central operations such as financing of other Group's segments, including liquidity, interest rate risk and fx risk management. It also includes managing the Bank's strategic investments and transactions generating income and/or costs that cannot be directly or reasonably assigned to a given segment.

Consolidated income statement (by business segments)

31.03.2012	Retail Banking	Business and Corporate Banking	Global Banking and Markets	Centre	Total
Net interest income	372 353	139 390	22 877	22 304	556 924
incl. internal transactions	2 929	(30 379)	8 826	18 624	-
Other income	263 510	36 238	63 112	27 312	389 172
incl. internal transactions	11 753	6 266	(15 858)	(2 161)	-
Dividend income	-	-	-	1	1
Operating costs	(322 670)	(43 772)	(38 890)	(15 545)	(420 877)
incl. internal transactions	(515)	(1 005)	(986)	2 506	-
Depreciation/amortisation	(27 338)	(4 100)	(4 024)	(1 403)	(36 865)
Impairment losses on loans and advances	(53 574)	(28 437)	(47)	1 252	(80 806)
Share in net profits (loss) of entities accounted for by the equity method	1 649	-	843	669	3 161
Profit before tax	233 930	98 319	43 871	34 590	410 710
Corporate income tax					(88 807)
Non-controlling interests					(7 753)
Profit for the period					314 150

Consolidated statement of financial position (by business segment)

31.03.2012	Retail Banking	Business and Corporate Banking	Global Banking and Markets	Centre	Total
Loans and advances to customers	18 290 482	17 257 921	2 467 516	106 042	38 121 961
Investments in associates and joint ventures	44 479	-	63 194	-	107 673
Other assets	1 230 252	437 563	1 489 257	17 623 111	20 780 183
Total assets	19 565 213	17 695 484	4 019 967	17 729 153	59 009 817
Deposits from customers	33 539 808	8 446 927	1 499 059	-	43 485 794
Other liabilities and equity	2 875 939	4 136 123	2 092 375	6 419 586	15 524 023
Total equity and liabilities	36 415 747	12 583 050	3 591 434	6 419 586	59 009 817

Consolidated income statement (by business segments)

31.03.2011	Retail Banking	Business Banking	Investment Banking	Treasury	Centre	Total
Net interest income	325 083	165 128	5 413	(5 233)	4 185	494 576
incl. internal transactions	-	(22 741)	10 489	-	12 252	-
Other income	220 271	31 700	79 513	71 283	(7 892)	394 875
incl. internal transactions	32 450	13 731	(21 330)	(24 748)	(103)	-
Dividend income	-	-	10	-	-	10
Operating costs	(303 321)	(53 529)	(37 764)	(10 953)	(2 846)	(408 413)
incl. internal transactions	1 330	(9 417)	(1 266)	5 966	3 387	-
Depreciation/amortisation	(29 104)	(3 526)	(2 375)	(821)	(74)	(35 900)
Impairment losses on loans and advances	(70 046)	(25 505)	-	-	697	(94 854)
Share in net profits (loss) of entities accounted for by the equity method	2 358	-	813	-	-	3 171
Profit before tax	145 241	114 268	45 610	54 276	(5 930)	353 465
Corporate income tax	-	-	-	-	-	(68 536)
Non-controlling interests	-	-	-	-	-	(14 713)
Profit for the period	-	-	-	-	-	270 216

Consolidated statement of financial position (by business segment)

31.03.2011	Retail Banking	Business Banking	Investment Banking	Treasury	Centre	Total
Loans and advances to customers	16 085 405	16 769 727	63 580	13 096	15 152	32 946 960
Investments in associates and joint ventures	34 854	-	56 211	-	-	91 065
Other assets	6 595 930	4 225 221	12 846 088	7 659 782	954 766	32 281 787
Total assets	22 716 189	20 994 948	12 965 879	7 672 878	969 918	65 319 812
Deposits from customers	32 104 144	7 948 315	711 878	370 902	-	41 135 239
Other liabilities and equity	2 441 709	4 622 701	12 106 517	3 687 611	1 316 035	24 184 573
Total equity and liabilities	34 545 853	12 571 016	12 818 395	4 068 513	1 316 035	65 319 812

4. Net interest income

	01.01.2012- 31.03.2012	01.01.2011- 31.03.2011
Interest income		
Loans and advances to enterprises	363 594	289 037
Loans and advances to individuals, of which:	283 881	245 712
<i>Home mortgage loans</i>	100 741	80 709
Debt securities incl.:	186 589	194 091
<i>Investment portfolio available for sale</i>	145 550	84 684
<i>Investment portfolio held to maturity</i>	-	81 057
<i>Trading portfolio</i>	41 039	28 350
Leasing agreements	44 259	41 946
Loans and advances to banks	21 904	15 674
Public sector	5 945	4 288
Reverse repo transactions	1 857	733
Interest recorded on hedging IRS	35 832	2 906
Total	943 861	794 387
Interest expense		
Deposits from individuals	(211 719)	(170 987)
Deposits from enterprises	(116 832)	(79 589)
Repo transactions	(28 409)	(26 835)
Deposits from public sector	(18 462)	(11 681)
Deposits from banks	(5 691)	(5 759)
Subordinated liabilities	(5 824)	(4 960)
Total	(386 937)	(299 811)
Net interest income	556 924	494 576

5. Net fee and commission income

Fee and commission income	01.01.2012- 31.03.2012	01.01.2011- 31.03.2011
eBusiness & payments	102 993	89 882
Current accounts and money transfer	59 246	60 552
Asset management fees	55 532	79 319
Foreign exchange commissions	54 466	52 328
Credit commissions	32 560	25 200
Insurance commissions	25 353	14 266
Brokerage commissions	24 418	37 325
Credit cards	18 873	15 110
Off-balance sheet guarantee commissions	3 112	2 908
Finance lease commissions	1 136	989
Issue arrangement	1 104	1 948
Distribution fees	1 103	4 894
Other commissions	1 163	1 609
Total	381 059	386 330
Fee and commission expense	01.01.2012- 31.03.2012	01.01.2011- 31.03.2011
eBusiness & payments	(23 161)	(13 904)
Distribution fees	(7 541)	(10 088)
Brokerage commissions	(5 498)	(9 620)
Credit cards	(2 859)	(1 648)
Asset management fees and other costs	(2 270)	(2 333)
Finance lease commissions	(2 142)	(1 658)
Commissions paid to credit agents	(1 275)	(3 050)
Other	(6 194)	(5 318)
Total	(50 940)	(47 619)
Net fee and commission income	330 119	338 711

6. Net trading income and revaluation

Net trading income and revaluation	01.01.2012- 31.03.2012	01.01.2011- 31.03.2011
Profit on interbank FX transactions	29 862	21 733
Profit/(loss) on derivative instruments	4 138	7 662
Other FX related income	2 955	7 717
Profit on market maker activity	1 986	1 573
Profit on equity instruments	325	-
Profit on debt instruments	768	162
Total	40 034	38 847

Net trading income and revaluation includes the write-back of adjustments of derivatives resulting from counterparty risk in the amount of PLN 409 k for 1Q 2012 and PLN 802 k for 1Q 2011.



7. Gains (losses) from other financial securities

	01.01.2012- 31.03.2012	01.01.2011- 31.03.2011
Gains (losses) from other financial securities		
Profit on sale of equity shares	(1)	267
Profit on sale of debt securities	2 072	189
Charge due to impairment losses	-	-
Total profit (losses) on financial instruments	2 071	456
Change in fair value of hedging instruments	1 135	3 107
Change in fair value of underlying hedged positions	(554)	(3 733)
Total profit (losses) on hedging and hedged instruments	581	(626)
Total	2 652	(170)

8. Impairment losses on loans and advances

	01.01.2012- 31.03.2012	01.01.2011- 31.03.2011
Impairment losses on loans and advances		
Collective and individual impairment charge	(87 542)	(95 070)
Incurred but not reported losses charge	(2 810)	(755)
Recoveries of loans previously written off	1 416	1 002
Off balance sheet credit related facilities	8 130	(31)
Total	(80 806)	(94 854)

9. Employee costs

	01.01.2012- 31.03.2012	01.01.2011- 31.03.2011
Employee costs		
Salaries and bonuses	(193 818)	(197 221)
Salary related costs	(34 448)	(33 472)
Staff benefits costs	(5 041)	(4 611)
Professional trainings	(3 365)	(4 096)
Retirement fund, holiday provisions and other employee costs	(1 184)	(1 213)
Total	(237 856)	(240 613)

10. General and administrative expenses

General and administrative expenses	01.01.2012- 31.03.2012	01.01.2011- 31.03.2011
Maintenance and rentals of premises	(56 505)	(53 552)
Marketing and representation	(27 216)	(14 597)
IT systems costs	(22 492)	(22 391)
Bank Guarantee Fund, Polish Financial Supervision Authority and National Depository for Securities	(14 037)	(12 225)
Postal and telecommunication costs	(11 277)	(14 468)
Consulting fees	(10 327)	(5 851)
Cars, transport expenses, carriage of cash	(8 191)	(7 394)
Other external services	(7 086)	(9 083)
Stationery, cards, cheques etc.	(5 517)	(4 224)
Sundry taxes	(3 821)	(4 575)
Data transmission	(3 770)	(3 948)
KIR, SWIFT settlements	(3 111)	(3 271)
Security costs	(2 400)	(3 457)
Costs of repairs	(930)	(1 022)
Other	(2 568)	(3 006)
Total	(179 248)	(163 064)

11. Corporate income tax

Corporate income tax	01.01.2012- 31.03.2012	01.01.2011- 31.03.2011
Current tax charge	(97 027)	(64 719)
Deferred tax	8 220	(3 817)
Total	(88 807)	(68 536)

Corporate total tax charge information	01.01.2012- 31.03.2012	01.01.2011- 31.03.2011
Profit before tax	410 710	353 465
Tax rate	19%	19%
Tax calculated at the tax rate	(78 035)	(67 158)
Non-deductible expenses	(2 125)	(745)
Sale of receivables	(742)	-
Non-taxable income (dividends)	-	(2)
Non-tax deductible bad debt provisions	(6 046)	(312)
Non-taxable write offs	(1 583)	(162)
Other	(276)	(157)
Total income tax expense	(88 807)	(68 536)

Deferred tax recognised directly in equity	31.03.2012	31.03.2011
The amount of deferred tax recognised directly in equity totaled:		
Relating to equity securities available-for-sale	(96 258)	(96 175)
Relating to debt securities available-for-sale	(35 612)	1 414
Relating to cash flow hedging activity	(7 238)	2 612
Total	(139 108)	(92 149)



12. Cash and balances with central banks

Cash and balances with central banks	31.03.2012	31.12.2011	31.03.2011
Cash	791 651	932 600	731 381
Current accounts in central banks	2 011 224	290 908	524 976
Term deposits	-	202 033	-
Total	2 802 875	1 425 541	1 256 357

BZ WBK holds an obligatory reserve on a current account in the National Bank of Poland. The figure is calculated as a fixed percentage of the monthly average balance of the customers' deposits. As at 31.03.2012 the rate was 3.5%, as at 31.12.2011 - 3.5%, as at 31.03.2011 - 3.5%. In accordance with the applicable regulations, the amount of the calculated provision is reduced by the equivalent of EUR 500 k.

13. Loans and advances to banks

Loans and advances to banks	31.03.2012	31.12.2011	31.03.2011
Loans and advances	135 658	428 823	613 106
Current accounts, other	477 379	775 349	523 087
Buy-sell-back transaction	792 459	-	400 860
Total	1 405 496	1 204 172	1 537 053

14. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading	31.03.2012		31.12.2011		31.03.2011	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Trading derivatives	694 785	627 609	700 252	872 544	413 706	550 546
Interest rate operations	258 147	266 672	314 053	308 585	200 599	204 397
Options	614	614	132	132	54	54
IRS	251 786	261 469	304 421	300 206	197 519	202 419
FRA	5 747	4 589	9 500	8 247	3 026	1 924
FX operations	436 638	360 937	386 199	563 959	213 107	346 149
CIRS	50 153	114 588	42 149	120 636	64 649	184 754
Forward	43 665	28 139	97 509	32 182	22 763	15 579
FX Swap	260 648	136 140	150 924	316 003	65 379	85 585
Spot	1 126	1 024	2 015	1 536	1 128	1 043
Options	81 046	81 046	93 602	93 602	59 188	59 188
Debt and equity securities	2 584 191	-	5 135 791	-	2 334 780	-
Debt securities	2 556 550	-	5 082 985	-	2 280 274	-
Government securities:	602 851	-	431 084	-	377 970	-
- bills	-	-	-	-	84 762	-
- bonds	602 851	-	431 084	-	293 208	-
Central Bank securities:	1 949 306	-	4 647 956	-	1 900 000	-
- bills	1 949 306	-	4 647 956	-	1 900 000	-
Other securities:	4 393	-	3 945	-	2 304	-
- bonds	4 393	-	3 945	-	2 304	-
Equity securities:	27 641	-	52 806	-	54 506	-
- listed	27 641	-	52 806	-	54 506	-
Short sale	-	32 303	-	59 173	-	425 411
Total financial assets/liabilities	3 278 976	659 912	5 836 043	931 717	2 748 486	975 957

Financial assets and liabilities held for trading - trading derivatives include value adjustments resulting from counterparty risk in the amount of PLN (344) k as at 31.03.2012, PLN (396) k as at 31.12.2011, PLN (1 795) k as at 31.03.2011,

15. Loans and advances to customers

Loans and advances to customers	31.03.2012	31.12.2011	31.03.2011
Loans and advances to enterprises	24 381 032	24 262 182	20 443 367
Loans and advances to individuals, of which:	12 643 448	12 572 576	11 493 737
<i>Home mortgage loans</i>	7 570 006	7 605 063	6 890 188
Finance lease receivables	2 278 939	2 335 543	2 338 738
Loans and advances to public sector	165 301	259 057	137 268
Buy-sell-back transaction	54 340	100	23 425
Other	5 175	2 960	4 916
Gross receivables	39 528 235	39 432 418	34 441 451
Impairment write down	(1 406 274)	(1 415 245)	(1 494 491)
Total	38 121 961	38 017 173	32 946 960

Movements on impairment losses on loans and advances to customers	31.03.2012	31.12.2011	31.03.2011
Individual and collective impairment			
As at the beginning of the period	(1 069 296)	(1 069 646)	(1 069 646)
Charge/write back of current period	(87 542)	(371 079)	(95 070)
Write off/Sale of receivables	99 468	352 347	9 064
Transfer	(1 718)	24 829	528
F/X differences	2 519	(5 747)	(470)
Balance at the end of the period	(1 056 569)	(1 069 296)	(1 155 594)
IBNR			
As at the beginning of the period	(345 949)	(337 975)	(337 975)
Charge/write back of current period	(2 810)	(4 713)	(755)
Transfer	(2 992)	27	21
F/X differences	2 046	(3 288)	(188)
Balance at the end of the period	(349 705)	(345 949)	(338 897)
Impairment write down	(1 406 274)	(1 415 245)	(1 494 491)

16. Investment securities available for sale

Investment securities available for sale	31.03.2012	31.12.2011	31.03.2011
Available for sale investments - measured at fair value			
Debt securities	11 068 727	10 971 562	7 097 247
Government securities:	10 624 261	10 893 773	7 016 309
- bills	142 326	-	-
- bonds	10 481 935	10 893 773	7 016 309
Central bank securities	364 772	-	-
-bills	364 772	-	-
Commercial securities	79 694	77 789	80 938
-bonds	79 694	77 789	80 938
Equity securities	637 770	629 194	623 149
- listed	27 865	19 475	20 183
- unlisted	609 905	609 719	602 966
Investment certificates	53 678	51 439	54 033
Total	11 760 175	11 652 195	7 774 429

* On the last business day of 2011, Bank Zachodni WBK changed its intention regarding a portfolio of government bonds, which so far had been classified as 'held-to-maturity,' and reclassified them into the 'investment financial assets available for sale' category as a result of adapting the Bank's investment policy to the strategy, investment rules and risk management rules of Santander Group. The change pertained to financial instruments of a total carrying value of PLN 4 696 542 k, of which PLN 69 132 k was a recognised fair value. The same amount of fair value less the deferred tax was referred to the equity of the Group.



17. Financial assets held to maturity

Financial assets held to maturity	31.03.2012	31.12.2011	31.03.2011
Government securities:	-	-	5 832 955
- bonds	-	-	5 832 955
Total	-	-	5 832 955

* On the last business day of 2011, Bank Zachodni WBK changed its intention regarding a portfolio of government bonds, which so far had been classified as 'held-to-maturity,' and reclassified them into the 'investment financial assets available for sale' category as a result of adapting the Bank's investment policy to the strategy, investment rules and risk management rules of Santander Group. The change pertained to financial instruments of a total carrying value of PLN 4 696 542 k, of which PLN 69 132 k was a recognised fair value. The same amount of fair value less the deferred tax was referred to the equity of the Group.

18. Investments in associates and joint ventures

Movements on investments in associates and joint ventures	31.03.2012	31.12.2011	31.03.2011
Balance at 1 January	104 512	87 360	87 360
Share of profits/(losses)	3 161	11 104	3 171
Sale/acquisition	-	5 018	18
Transfer	-	4 050	-
Other/dividend	-	(3 020)	516
Balance at the end of the period	107 673	104 512	91 065

Balance sheet value of associates and joint ventures	31.03.2012	31.12.2011	31.03.2011
Polfund - Fundusz Poręczeń Kredytowych S.A.	39 134	38 464	37 276
BZ WBK - Aviva Towarzystwo Ubezpieczeń Ogólnych S.A.	23 248	22 728	20 882
BZ WBK - Aviva Towarzystwo Ubezpieczeń na Życie S.A.	21 231	20 102	13 972
Krynicky Recykling S.A.	14 621	14 356	14 784
Metrohouse & Partnerzy S.A.	4 659	4 297	4 151
Holicon Group S.A.	4 780	4 565	-
Total	107 673	104 512	91 065

19. Assets classified as held for sale

Assets classified as held for sale	31.03.2012	31.12.2011	31.03.2011
Land and buildings	82 511	82 511	2 410
Equipment	110	93	129
Total	82 621	82 604	2 539

20. Other assets

Other assets	31.03.2012	31.12.2011	31.03.2011
Settlements of stock exchange transactions	68 153	47 983	11 772 982*
Sundry debtors	276 453	237 764	233 264
Prepayments	83 480	43 930	70 634
Interbank and interbranch settlements	19 445	85 414	38 131
Other	806	1 011	621
Total	448 337	416 102	12 115 632

*The "Settlements of stock exchange transactions" line includes outstanding transactions effected by Dom Maklerski BZ WBK S.A. related to the tender for BZ WBK shares announced by Banco Santander. The transactions were settled on 1 April 2011.

21. Deposits from banks

Deposits from banks	31.03.2012	31.12.2011	31.03.2011
Repo/sell-buy-back transactions	4 674 756	2 240 824	2 426 582
Term deposits	112 941	12 495	374 262
Loans from other banks	106 522	143 572	310 071
Current accounts	329 561	108 179	64 064
Total	5 223 780	2 505 070	3 174 979

22. Deposits from customers

Deposits from customers	31.03.2012	31.12.2011	31.03.2011
Deposits from individuals	27 541 899	27 111 339	25 460 115
Term deposits	14 391 349	14 822 913	12 939 516
Current accounts	13 118 482	12 254 430	12 486 996
Other	32 068	33 996	33 603
Deposits from enterprises	13 996 789	17 881 182	13 668 466
Term deposits	8 158 137	11 786 350	8 607 135
Current accounts	4 361 054	4 702 194	3 948 383
Credits	1 029 183	1 047 963	609 373
Sell-buy-back transaction	156 524	-	228 639
Other	291 891	344 675	274 936
Deposits from public sector	1 947 106	1 836 961	2 006 658
Term deposits	897 304	806 083	905 052
Current accounts	1 047 928	1 028 988	1 100 663
Other	1 874	1 890	943
Total	43 485 794	46 829 482	41 135 239

23. Subordinated liabilities

Subordinated liabilities	Nominal value	Currency	Redemption date	As at the end of the period
Subordinated liabilities	100 000	EUR	05.08.2020	415 857
As at 31 March 2012				415 857

Movements in Subordinated Liabilities	31.03.2012	31.12.2011	31.03.2011
As at the beginning of the period	441 234	395 230	395 230
Increase (due to:)	5 824	69 003	10 188
- interest on subordinated loan	5 824	21 921	4 960
- FX differences	-	47 082	5 228
Decrease (due to):	(31 201)	(22 999)	(5 079)
- interest repayment	(5 611)	(22 999)	(5 079)
- FX differences	(25 590)	-	-
Subordinated liabilities - as at the end of the period	415 857	441 234	400 339
Short-term	3 858	3 971	3 161
Long-term (over 1 year)	411 999	437 263	397 178



24. Other liabilities

Other liabilities	31.03.2012	31.12.2011	31.03.2011
Settlements of stock exchange transactions	97 712	39 760	11 773 157*
Interbank and interbranch settlements	353 433	369 125	221 368
Provisions:	167 162	252 387	180 291
<i>Employee provisions</i>	130 633	206 274	145 505
<i>Provisions for legal claims</i>	16 148	17 590	17 539
<i>Provisions for off balance sheet credit facilities</i>	13 081	21 223	17 247
<i>Other</i>	7 300	7 300	-
Sundry creditors	102 430	182 849	159 934
Declared dividend	62 833	-	-
Other deferred and suspended income	117 632	119 791	103 508
Public and law settlements	56 257	36 769	74 104
Accrued liabilities	76 827	56 244	54 201
Financial lease related settlements	17 251	25 267	14 174
Other	398	263	318
Total	1 051 935	1 082 455	12 581 055

*The "Settlements of stock exchange transactions" line includes outstanding transactions effected by Dom Maklerski BZ WBK S.A. related to the tender for BZ WBK shares announced by Banco Santander. The transactions were settled on 1 April 2011.

25. Contingent liabilities

Significant court proceedings

As at 31.03.2012 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 litigation amounts to PLN 179 891 k, which is ca 2.31 % of the Group's equity. This amount includes PLN 95 326 k claimed by the Group, PLN 80 230 k in claims against the Group and PLN 4 335 k of the Group's receivables due to bankruptcy or arrangement cases.

As at 31.03.2012 the amount of significant court proceedings which had been completed amounted to PLN 99 069 k.

As at 31.03.2011 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 litigation amounts to PLN 233 115 k, which is ca 3.32 % of the Group's equity. This amount includes PLN 92 221 k claimed by the Group, PLN 131 461 k in claims against the Group and PLN 9 433 k of the Group's receivables due to bankruptcy or arrangement cases.

As at 31.03.2011 the amount of significant court proceedings which had been completed amounted to PLN 32 914 k.

Off balance sheet liabilities

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 towards third parties.

Contingent liabilities - sanctioned	31.03.2012	31.12.2011	31.03.2011
Liabilities sanctioned			
- financial	7 952 264	8 129 987	5 935 383
- credit lines	6 861 614	7 006 625	5 038 176
- credit cards debits	1 010 151	970 702	850 526
- import letters of credit	80 499	152 165	40 391
- term deposits with future commencement term	-	495	6 290
- guarantees	1 601 316	1 473 722	1 205 998
Total	9 553 580	9 603 709	7 141 381

26. Off-balance sheet liabilities relating to derivatives' nominal values

Off-balance sheet liabilities relating to derivatives' nominal values as at 31.03.2012, 31.12.2011 and 31.03.2011.

Derivatives' nominal values	31.03.2012	31.12.2011	31.03.2011
1. Term derivatives (hedging)	6 819 273	6 380 238	2 007 771
a) Single-currency interest rate swaps	414 764	341 696	574 775
b) Macro cash flow hedge	6 404 509	6 038 542	1 432 996
2. Term derivatives (trading)	81 914 740	82 393 349	64 034 899
a) Interest rate operations	40 945 229	49 413 206	37 747 649
Single-currency interest rate swaps	27 826 726	31 449 423	25 371 762
FRA - purchased amounts	12 850 000	17 900 000	12 350 000
Options	268 503	63 783	25 887
b) FX operations	40 969 511	32 980 143	26 287 250
FX swap – purchased amounts	13 913 130	11 006 569	6 384 273
FX swap – sold amounts	13 766 282	11 127 200	6 378 560
Forward- purchased amounts	2 050 327	2 088 999	1 473 755
Forward- sold amounts	2 052 283	2 041 784	1 474 478
Cross-currency interest rate swaps – purchased amounts	2 162 685	1 194 669	4 025 372
Cross-currency interest rate swaps – sold amounts	2 228 808	1 273 094	4 148 744
FX options -purchased	2 397 998	2 123 914	1 201 034
FX options -sold	2 397 998	2 123 914	1 201 034
3. Currency transactions- spot	1 096 818	2 343 838	749 123
Spot-purchased	548 460	1 172 159	374 604
Spot-sold	548 358	1 171 679	374 519
4. Transactions on equity instruments	6 937	47 369	46 985
Futures	6 937	47 369	46 985
Total	89 837 768	91 164 794	66 838 778

In the case of single-currency transactions (IRS, FRA, non-FX options) only purchased amounts are presented.

27. Basis of FX conversion

As at 31.03.2012, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 064/A/NBP/2012 dd. 30.03.2012.



WBK

Bank Zachodni WBK S.A.

28. Shareholders with min. 5% voting power

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 BZ WBK Annual General Meeting as at the publication date of the condensed interim consolidated report for 1Q 2012 /26.04.2012/ is Banco Santander S.A.

Shareholder	Number of shares held		% in the share capital		Number of votes at AGM		Voting power at AGM	
	26.04.2012	31.01.2012	26.04.2012	31.01.2012	26.04.2012	31.01.2012	26.04.2012	31.01.2012
Banco Santander S.A.	70 334 512	70 334 512	96,25%	96,25%	70 334 512	70 334 512	96,25%	96,25%
Other	2 741 501	2 741 501	3,75%	3,75%	2 741 501	2 741 501	3,75%	3,75%
Total	73 076 013	73 076 013	100%	100%	73 076 013	73 076 013	100%	100%

Agreements on commencing works aimed at merging Bank Zachodni WBK S.A. with Kredyt Bank S.A.

- On 27 February 2012, Bank Zachodni WBK S.A., Kredyt Bank S.A. (Kredyt Bank), Banco Santander S.A. and KBC Bank NV signed the agreement on commencing works aimed at merging Bank Zachodni WBK S.A. with Kredyt Bank.
- Pursuant to the signed agreement, the merger of the two banks is to be made through the transfer of all assets of Kredyt Bank to Bank Zachodni WBK (merger by acquisition) in exchange for newly issued shares of Bank Zachodni WBK, which will be offered and rendered to all of the current Kredyt Bank shareholders. As a result of the merger, those shareholders will become the shareholders of Bank Zachodni WBK as of the day on which the merger is entered into a relevant register.
- The exchange ratio of Kredyt Bank shares to BZ WBK shares will be established based on the commissioned valuations, in accordance with the Code of Commercial Companies.
- The completion of the merger is subject to the following:
 - ✓ approval of the Polish Financial Supervision Authority (KNF) for the merger and the amendments to the BZ WBK Statutes;
 - ✓ decision of the European Commission declaring the concentration of BZ WBK and Kredyt Bank compatible with the common market;
 - ✓ statement of KNF on the equivalency of the information contained in the issuer's information memorandum in terms of form and content to the information required in an issue prospectus, in accordance with the provisions of the Act on public offering;
 - ✓ KNF not objecting to the acquisition of shares of KBC TFI S.A. by KBC Asset Management NV;
 - ✓ resolution on the merger of the two banks adopted by the General Meetings of Bank Zachodni WBK and Kredyt Bank.
- The merger will allow synergies to be achieved, both operational (elimination of overlapping processes, optimization of business based on the combined experience of both banks) and financial ones (economies of scale and their impact on efficiency, profitability of products and services, market position and, ultimately, return for shareholders).

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

No. of Bank Zachodni WBK shares held and rights to them	As at	As at	Change
	26.04.2012	31.01.2012	
Members of the Supervisory Board	-	-	-
Members of the Management Board	64 580	64 580	-

Management Board members	26.04.2012		31.01.2012	
	No. of BZ WBK shares	Rights	No. of BZ WBK shares	Rights
Mateusz Morawiecki	3 591	10 120	3 591	10 120
Andrzej Burliga	1 606	4 282	1 606	4 282
Eamonn Crowley	-	4 003	-	4 003
Justyn Konieczny	3 591	5 283	3 591	5 283
Janusz Krawczyk	3 397	3 854	3 397	3 854
Michael McCarthy	-	4 875	-	4 875
Juan de Porras Aguirre	-	-	-	-
Marcin Prell	2 530	3 704	2 530	3 704
Mirosław Skiba	1 575	4 282	1 575	4 282
Feliks Szyszkowski	3 438	4 449	3 438	4 449
Total	19 728	44 852	19 728	44 852

30. Related party disclosures

The tables below present intercompany transactions. They are effected between subsidiaries, associates, joint ventures and parent entity. Most of the transactions are banking transactions made as part of ordinary business activities and mainly include loans, deposits and guarantees. Intercompany transactions effected by the bank and its subsidiaries have been eliminated during the consolidation process.

Transactions with associates and joint ventures	31.03.2012	31.12.2011	31.03.2011
ASSETS	748	742	3 583
Loans and advances to customers	75	259	3 583
Other assets	673	483	-
LIABILITIES	406 384	392 882	328 534
Deposits from customers	406 127	392 418	328 534
Other liabilities	257	464	-
INCOME	25 859	65 405	14 712
Interest income	3 747	8 421	1 181
Fee and commission income	22 018	55 662	13 398
Gains (losses) from other financial securities	73	(21)	-
Other operating income	21	1 343	133
EXPENSES	5 771	18 435	4 553
Interest expense	5 161	16 080	3 948
Fee and commission expense	198	711	176
Operating expenses incl.:	412	1 644	429
<i>General and administrative expenses</i>	412	1 644	429



Transactions with:	Santander Group		AIB Group
	31.03.2012	31.12.2011	31.03.2011
ASSETS	108 787	117 976	93 377
Loans and advances to banks, incl:	46 666	81 701	60 054
<i>deposits</i>	453	70 557	-
<i>current accounts</i>	46 213	11 144	60 054
Financial assets held for trading	60 884	35 230	32 772
Hedging derivatives	1 237	1 045	-
Other assets	-	-	551
LIABILITIES	331 608	46 625	12 039 686
Deposits from banks incl.:	165 015	178	290 642
<i>current accounts</i>	127 109	-	-
<i>repo transactions</i>	37 906	-	283 787
<i>deposits</i>	-	178	6 855
Hedging derivatives	4 483	-	551
Financial liabilities held for trading	88 536	46 446	80 612
Deposits from customers	10 631	-	-
Other liabilities	62 943	1	11 667 881
INCOME	(47 251)	(22 327)	19 294
Interest income	1 009	1 010	(135)
Fee and commission income	70	301	444
Other operating income	125	230	506
Net trading income and revaluation	(48 455)	(23 868)	18 144
Gains (losses) from other financial securities	-	-	335
EXPENSES	368	946	6 288
Interest expense	11	946	494
Operating expenses incl.:	357	-	5 794
<i>Bank's staff, operating expenses and management costs</i>	357	-	5 794
CONTINGENT LIABILITIES	242 040	63 648	-
Sanctioned:	149 995	49 999	-
- <i>guarantees</i>	149 995	49 999	-
Received:	92 045	13 649	-
- <i>guarantees</i>	92 045	13 649	-
DERIVATIVES' NOMINAL VALUES	10 415 526	3 415 369	3 325 611
Cross-currency interest rate swaps – purchased amounts	416 160	-	365 145
Cross-currency interest rate swaps – sold amounts	414 000	-	366 788
Single-currency interest rate swaps	1 142 733	656 927	2 285 612
Options	251 315	45 542	25 887
FX swap – purchased amounts	3 065 119	564 471	-
FX swap – sold amounts	3 131 931	572 762	-
FX options -purchased	932 319	694 939	122 575
FX options -sold	1 056 430	877 099	127 805
Spot-purchased	2 767	1 813	15 862
Spot-sold	2 752	1 816	15 937

31. Acquisitions and disposals of investments in subsidiaries, associates and joint ventures

Acquisitions and disposals of investments in subsidiaries, associates and joint ventures in Q1 2012

In 1Q 2012, BZ WBK Group did not engage in any transactions impacting its equity investment in the subsidiary, joint venture or associated undertakings.

Acquisitions and disposals of investments in subsidiaries, associates and joint ventures in Q1 2011

On 17 March 2011, Krynicki Recykling S.A. announced that the President of the Management Board (Mr. Adam Krynicki) and Chairman of the Supervisory Board (Ms. Anna Barska) had sold their ordinary bearer shares in the company. This was an OTC transaction, (a package transaction) effected on 15 March 2011, involving 87,898 shares at their nominal value. The shares were purchased by BZ WBK Inwestycje sp. z o. o., through the agency of the BZ WBK S.A. Brokerage House.

As at 31 March 2011, BZ WBK Inwestycje Sp. z o.o. held 3,652,648 shares which represent 24.54 % of the share capital of Krynicki Recykling S.A. and carry 3,652,648 votes at the AGM, i.e. 24.54 % of total votes.

Krynicki Recykling S.A., based in Olsztyn operates in the environment protection industry and is listed on the NewConnect market.

32. Changes in the business or economic circumstances that affect the fair value of the entity's financial assets and financial liabilities, whether those assets or liabilities are recognized at fair value or amortised costs

There were no changes in the business or economic circumstances that would affect the fair value of the entity's financial assets or financial liabilities, whether these assets or liabilities were recognised at fair value or amortised cost.

33. Any loan default or breach of a loan agreement that has not been remedied on or before the end of the reporting period

In the reporting period no such events took place.

34. Transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments

In the reporting period and in the comparable period no transfers were made.

35. Changes in the classification of financial assets as a result of a change in the purpose or use of those assets

On the last business day of 2011, Bank Zachodni WBK changed its intention regarding a portfolio of government bonds, which so far had been classified as 'held-to-maturity,' and reclassified them into the 'investment financial assets available for sale' category as a result of adapting the Bank's investment policy to the strategy, investment rules and risk management rules of Santander Group. The change pertained to financial instruments of a total carrying value of PLN 4 696 542 k, of which PLN 69 132 k was a recognised fair value. The same amount of fair value less the deferred tax was referred to the equity of the Group.

36. Comments concerning the seasonal or cyclical character of the annual activity

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

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

Notification on the sale of shares by AIB European Investments Limited

On 1 April 2011, AIB European Investments Limited sold its 51,413,790 shares of Bank Zachodni WBK S.A. to Banco Santander in the tender offer for BZ WBK shares. AIB European Investments Limited does not hold any BZ WBK shares or voting rights attached to such shares.

On 19 April 2011, an entry was made in the shareholder register of BZ WBK Asset Management S.A., namely AIB Capital Markets was deleted and Banco Santander S.A. was recorded as the shareholder. Banco Santander S.A., with its registered office in Santander (Spain) acquired 67,500 shares, gaining 50% of the voting rights at AGM.

38. Issues, repurchases and repayments of debt and equity securities

Conclusion of an agreement with the European Bank for Reconstruction and Development, and the intention to amend the Statutes of Bank Zachodni WBK S.A.

On 29 March 2012, an investment agreement was signed with the European Bank for Reconstruction and Development (EBRD) whereby EBRD agreed to invest PLN 332m in BZ WBK to support the planned merger between BZ WBK and Kredyt Bank. Under the agreement, the EBRD will acquire 1,561,618 BZ WBK shares in a private placement offer. In the interest of BZ WBK, the pre-emptive rights of the existing shareholders will be waived. The issue price is PLN 212.60, which is a reference price for BZ WBK shares of PLN 226.40 determined in an investment agreement between Banco Santander S.A. and KBC Bank NV ex-dividend (for the proposed 2011 dividend) and reduced by the customary discount applicable in similar private placement deals. After the planned merger, the EBRD will have a minority stake in BZ WBK. The investment is conditional on receipt of the Polish Regulator's (KNF) consent to corresponding changes in the BZ WBK Statutes with respect to capital increase, and adoption of a relevant resolution by the BZ WBK General Meeting.

In view of the foregoing, the Management Board of Bank Zachodni WBK decided to amend the share capital clause in the Bank's Statutes.

As at the date of publication of the quarterly report the Bank's share capital is PLN 730,760,130 and is divided into 73,076,013 bearer shares with a nominal value of PLN 10 each.

After the proposed changes in the Statutes, the share capital would amount to PLN 746,376,310, divided into 74,637,631 bearer shares with a nominal value of PLN 10 each.

39. Dividend per share

The Management Board of the Bank will propose a dividend payment to the Shareholders in the amount of PLN 8.00 per share from the profit for 2011.

The final decision on dividend payment and amount shall be made by the Annual General Meeting of Bank Zachodni WBK S.A. Shareholders.

On 20 April 2011, the Annual General Meeting of Bank Zachodni WBK adopted a Resolution allocating PLN 584 608 k to dividend for shareholders, from the net profit for 2010, which meant that the proposed dividend was PLN 8 per share.

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

By the end of March 2012 Bank Zachodni WBK S.A. and its subsidiaries had not issued any guarantees to one business unit or a subsidiary totalling a minimum of 10% of the issuer's equity.

41. Events which occurred subsequently to the end of the interim period

There were no major events subsequent to the end of the interim period.

42. Macroeconomic situation in Q1 2012

Economic growth

After stabilisation of economic growth in 2011 slightly above 4%, at the start of 2012 some signals of economic slowdown were observed. Based on available information for January-March period, it may be estimated that GDP growth rate in Q1 2012 decreased to ca. 3.3% y-o-y from 4.3% in Q4 2011. This was caused, among others, by moderate deceleration of investment growth, relatively low growth of consumption, and widening of foreign trade deficit. The pace of industrial output growth decelerated quite significantly, to 4.5% y-o-y on average in Q1, from nearly 10% y-o-y at the end of 2011. At the same time, construction output growth remained at a relatively high level in Q1 (almost 14% y-o-y). Double-digit growth was also maintained in retail sales. It should be expected that the deteriorating business climate in the world economy will negatively affect the Polish industry in next quarters, triggering a slowdown in exports and investment growth. This will be accompanied by falling inventories, which will lead to a lower positive contribution of gross capital formation to GDP growth. In the entire year, GDP growth may be at ca. 2.7%.

Labour market

Stagnation has prevailed in the Polish labour market since mid-2011. Employment growth in the corporate sector clearly decelerated (to 0.5% y-o-y at the end of Q1 from 2.3% in December 2011), and the pace of average wage growth slowed down (to 3.8% y-o-y in March from 4.4% in December 2011). Wage growth was temporarily boosted at the start of the year (8.1% y-o-y in January) by the fact that some companies had accelerated payment of bonuses due to a hike in disability pension contribution effective from February. Still, the total wage bill growth in the corporate sector decelerated – to almost zero in real terms at the end of the quarter – signalling that the stream of labour income received by households is shrinking.

Unemployment rate increased in Q1, affected by both seasonal and cyclical factors. In February 2012, the registered unemployment rate was at 13.5%, the highest since April 2007. Seasonally adjusted unemployment rate according to LFS was also in an upward trend, reaching 10.2% in February.

Inflation

Inflation rate decreased quite significantly in Q1 2012, reaching 3.9% y-o-y in March versus 4.6% y-o-y in December 2011. The factors supporting a downward trend included: the effect of high base, resulting from exceptionally rapid price growth at the start of 2011 (among others, due to a VAT hike), impact of the zloty strengthening on import prices, as well as economic slowdown. At the same time, the process of inflation reduction was constrained by high rise in prices of food and fuels. The core inflation decreased considerably in Q1 – CPI excluding prices of food and energy slowed down to 2.4% in March from 3.1% at the end of 2011. The prospects of further economic slowdown, particularly in domestic demand, as well as stagnation in the labour market, will be supportive for the inflation decrease and will prevent the occurrence of a price-wage spiral (so-called second round effects). This should result in decrease of the inflation rate towards the target in the medium run. In the short run, however, CPI growth may remain elevated, due to still high prices of fuel and food (information about losses in agriculture due to severe winter). Core inflation should stay below 2.5%.

Interest rates

The main interest rates of the NBP remained unchanged in Q1. Nevertheless, the Monetary Policy Council was increasingly concerned about the inflation staying well above the official target and its statements suggested a rising probability that a rate hike may be discussed in the near future. The hawkish tone of the MPC statements and some deterioration of a short-term inflation outlook caused that a scenario of interest rate cuts in 2012 became unrealistic. The risk of monetary tightening occurred, yet the most likely scenario seems to be stabilisation of interest rates until the end of the year, due to visible signs of economic slowdown, which mitigate the risk of inflation persisting above the target in the medium run.

Credit market

The pace of loan growth remained high in Q1 2012, however, some signals of slight deceleration were observed. Total credit growth reached 12.8% y-o-y at the end of March, versus 14.4% in December 2011. Business loan growth decreased from ca. 18% y-o-y in December 2011 to 14.8% in February; however, after elimination of effects of exchange rate fluctuations the scale of slowdown was smaller (from 15.3% y-o-y to 13.8% y-o-y). The pace of growth in investment loans remained high (ca. 25% y-o-y after FX adjustment). Loans for households decelerated from 11.9% y-o-y at the end of 2011 to 9.5% y-o-y in February (after elimination of exchange rate fluctuations from 6.6% to 6.1% y-o-y). Consumption loans decreased by 3% y-o-y in March.

Financial market

The start of the year was marked by a significant improvement of moods in international financial markets. This was, among others, due to ECB's LTRO in December and February, restructuring of Greece's debt, and hopes for additional monetary stimulus from Fed. The rise in global risk appetite triggered the strengthening of Polish zloty and bonds, and gains in the stock markets. EUR/PLN decreased in the middle of March to ca. 4.11 (by ca. 7% against the end of December), while USD/PLN to 3.12 (by ca. 8.5%). In the second half of March moods in international markets started deteriorating, due to rising concerns about global economic growth outlook and debt crisis in the southern euro zone countries. As a result, the correction of the zloty and Polish bonds has started.



43. Activities of Bank Zachodni WBK Group in Q1 2012

Business development of Bank Zachodni WBK

Retail Banking

Loans

Personal loans

- In Q1 2012, Bank Zachodni WBK introduced some changes to its cash loan proposition, including:
 - ✓ alignment of cash loan conditions in terms of the maximum lending period, which is now 72 months irrespective of the loan amount;
 - ✓ an offer of attractively priced cash loans for public sector employees: with effect from 5 March 2012, the guaranteed interest rate is 11.99% and 13.99% for insured and non-insured loans, respectively.
- On 24 February 2012, the bank launched an advertising campaign of cash loans which was run concurrently on TV, radio and over the Internet under the slogan "Good and fast cash loan". As a result of new product solutions and the marketing campaign, cash loan sales hit record high in March.

Loans for small companies

- On 13 March 2012, the bank launched a TV campaign to promote any-purpose business loans that may be taken out without the need to present invoices. The campaign was supported by local events, Internet campaign and radio commercials.

Deposit and investment products

Personal accounts

- In Q1 2012, the bank implemented new templates of personal account-related agreements. Besides payment cards and BZWBK24 services, they cover an obligatory self-service channel, i.e. BZWBK24 Telefon, which has been in place since the beginning of the year.
- As part of the strategic cooperation between Bank Zachodni WBK and Polkomtel started last year, in Q1 2012, the Plus network continued to sell Avocado packages (a personal account, a debit card and electronic banking services). Avocado package holders would take out new products with the bank, including Avocado deposit or SMS transfers.

Bank deposits

- In Q1 2012, the bank's deposit offer was expanded to include:
 - ✓ two new term deposits (implemented on 20 February 2012): 12-month Easy Earning Deposit and 12-month Easy Earning Deposit–New Funds.
 - ✓ 6-month Dynamically Earning Deposit (implemented on 19 March 2012) bearing a progressive interest rate up to 8% in the last month of the deposit;
 - ✓ More attractive pricing of term deposits (agreed on an individual basis) to reward most active personal account holders or customers taking out new products with the bank.

Structured products

- Over the first three months of 2012, the bank made 13 issues of structured products targeted at personal and VIP customers, including bonds, term deposits and unit-linked insurance policies offering a potential yield tied to the FX rate (EUR/PLN, CHF/PLN or USD/PLN) or WIG20 index.

Investment funds

- BZ WBK branch customers were offered an opportunity to invest in new debt subfunds, i.e. Arka BZ WBK Obligacji Plus (open-end bond fund) and Arka BZ WBK Obligacji Korporacyjnych (open-end corporate bond fund). To attract customers to new investment products, the bank offered a number of incentives such as a temporary reduction of the distribution charge to 0%.
- As a result of changes to the In Plus Investment Programme (offered by BZ WBK-Aviva Towarzystwo Ubezpieczeń na Życie S.A.), the customers are now offered better price parameters and may invest in a wider range of funds (including the opportunity to invest in Arka Prestige subfunds).

Payment cards

- The bank took measures to enhance its card proposition:
 - ✓ Since 1 March 2012, any personal account (except for the Avocado account) may come with the MasterCard PAYBACK Multi card which is available at the branch and Partner outlets or BZWBK24Internet ("by click").
 - ✓ Since February 2012, BZ WBK customers may settle their credit card debt online.
 - ✓ The card proposition was expanded to include pre-paid cards (PLN, GBP, USD, EUR) with higher transaction limits (single transactions at POS or one-time top-ups).
 - ✓ Since 1 February 2012, each Mini Business Package has been bundled with the Visa Business Electron Mini card.
- Business customers could avail of the bank's offer of "Company Gift Cards for Easter", i.e. pre-paid cards with a discount.

Direct Banking

BZWBK24 electronic banking

- The Moja Firma Plus service was enhanced: the daily limit of transactions to non-BZWBK accounts was increased and the phone authentication process was modified.
- On 1 March 2012, a new Schedule of fees and charges for personal customers was introduced to attract customers to electronic banking services and promote active use of flagship products and services offered by the bank.

Business and Corporate Banking

- In Q1 2012, the bank introduced new solutions and services for business and corporate customers, including:
 - ✓ a framework agreement covering 5 basic transactional banking products (current account, payment card, telephone banking services rendered by the Business Service Centre (COB), term deposits and electronic banking services - iBiznes24);
 - ✓ sealed envelope deposits at the post office;
 - ✓ new functionalities related to multipurpose, multicurrency and multilateral credit lines;
 - ✓ enhanced transactional banking services.
- On 11 April 2012, the bank completed the pilot run of the electronic banking system - iBiznes24 dedicated to customers of Business and Corporate Banking Division and Global Banking & Markets Division. It is designed to enable customers to access their current accounts online and to effect a wide range of transactions including international payments, foreign exchange and trade finance via the e-banking platform. The bank also launched IVR-based telephone banking services. The next step involves the customer migration to a new platform, which requires that a new framework agreement be signed, including appendices on telephone banking services and iBiznes24.
- Business and Corporate Banking Division implemented a new customer service model which clearly divides the roles and responsibilities between a Credit Partner and a Relationship Manager with an ultimate goal to enhance the effectiveness and quality of customer service. The Credit Partner offers credit support to the Relationship Manager who is responsible for the management of the customer relationship, sale of banking products and generation of new business.

Global Banking & Markets

Business development

- Global Banking & Markets Division (GBM Division) was set up in late 2011 to offer transactional banking, specialist lending, treasury and equity products to the largest corporate customers of the bank. The new unit took over responsibility for the end-to-end relationship with the respective group of customers from Business and Corporate Banking Division. GBM Division operates within the Global Banking & Markets framework of Santander Group and may therefore establish and develop relationships with customers operating in international markets and have an access to well-tried product solutions.
- After becoming operational in 2011, GBM Division implemented the Santander Group's relationship management model and won a number of strategic customers from the energy, telecom and retail sectors.

The Bank's activity in capital markets

- Bank Zachodni WBK acted as an advisor in the IPO of Nokaut S.A. arranged in association with Dom Maklerski BZ WBK (BZ WBK Brokerage House).
- The activity of Dom Maklerski BZ WBK which is included in the organisational structure of Global Banking and Markets is described below in the section devoted to BZ WBK subsidiaries.

Other areas of activity

Services to financial institutions

- As part of services provided to banks and other financial institutions, in Q1 2012, Bank Zachodni WBK implemented Western Union Money Transfer services in one of the cooperative banks.
- As at the end of March 2012, Bank Zachodni WBK co-operated with more than 20 banks and numerous other financial institutions as a provider of outsourcing services. It managed a network of 1,037 ATMs and handled nearly 3.1m Visa/Mastercard cards of third-party institutions.

Distribution Channels

Branch network and complementary distribution channels

- As at 31 March 2012, Bank Zachodni WBK operated through 526 branches. In Q1 2012, one new branch was opened and one branch was closed. The branch network was supported by 102 Partner outlets.

Business and Corporate Banking Channels

- At 31 March 2012, Bank Zachodni WBK provided services to business customers through:
 - ✓ 3 Corporate Banking Centres and units of Business and Corporate Banking Division: Corporate Property Department and Large Corporate Department operational Poland-wide
 - ✓ 7 Business Banking Centres located in the largest economic centres in Poland, and 7 reporting regional offices.

ATM Network

- At the end of March 2012, the ATM network of Bank Zachodni WBK comprised 1,045 machines.

Business Development of Subsidiaries

Dom Maklerski BZ WBK S.A.

- Over the first three quarters of 2012, the stock trading of Dom Maklerski BZ WBK (BZ WBK Brokerage House) was at PLN 7.7bn, i.e. down 66.1% y-o-y due to the high base effect caused by the sell transactions for shares of Bank Zachodni WBK handled by the brokerage house as part of a tender offer announced by Banco Santander last year. Such a performance secured the company the sixth position in Poland and a 6.5% market share (a decrease by 7.1 p.p. y-o-y).
- In the futures market, which is the second most important stock market in Poland, Dom Maklerski BZ WBK acted as an agent for 617k transactions. The volume of transactions dropped by 32.5% on the previous year, giving the company the second position in Poland and a 11.8% market share (a decrease by 0.5 p.p. y-o-y). The aforementioned decreases are attributable to the institutionalization of the turnover on this market.
- Dom Maklerski BZ WBK acted as an agent for 54.1k transactions in the futures options market, taking the first position in Poland with the market share of 18.9% (up 8.4 p.p. y-o-y).
- In Q1 2012, Dom Maklerski BZ WBK arranged the IPO of Nokaut S.A., totalling PLN 31m.

BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A.

- Despite the growing stock indices in Q1 2012, the customers would rather invest in debt funds. Arka Prestiż Obligacji Skarbowych (open-end treasury bond subfund) performed best in terms of net sales generated over that period.
- Over the first three months of 2012, the value of net assets under management of BZ WBK Towarzystwo Funduszy Inwestycyjnych (BZ WBK TFI) increased by 9.9%, reaching PLN 8.6bn as at 31 March 2012. The value of assets dropped on the previous year by 16.4%.
- In Q1 2012, the investment fund offer of BZ WBK TFI was further expanded:
 - ✓ Terms and conditions applying to Arka Prestiż SFIO were changed (since 20 January 2012) such that the fund is now available as part of the In Plus Investment Programme offered in cooperation with BZ WBK-Aviva Towarzystwo Ubezpieczeń na Życie S.A.
 - ✓ On 6 February 2012, Arka BZ WBK Obligacji (open-end bond subfund) was transformed into Arka BZ WBK Obligacji Skarbowych (open-end treasury bond subfund). Furthermore, its investment policy was amended: the minimum share of treasury securities was set at 80%, while the requirement to invest at least 70% of subfund assets in securities with a maturity of min. 1 year was waived.
 - ✓ On 10 February 2012, two new subfunds were implemented: Arka BZ WBK Obligacji Korporacyjnych (commercial bond fund) and Arka BZ WBK Obligacji Plus (bond fund). As part of a special offer, the distribution charge collected by selected distributing partners was periodically reduced to 0% in respect of the above mentioned products.

BZ WBK Asset Management S.A.

- As at 31 March 2012, the value of assets in the portfolios managed by BZ WBK Asset Management was PLN 0.8bn, i.e. 1.8% down on the previous quarter and 43.1% down on the previous year.
- In Q1 2012, the structure of asset allocation to particular investment strategies reflected an increased contribution of equity-oriented strategies (+5.1% q-o-q), and a decreasing share of specialist (-7.4% q-o-q) and stable growth strategies (-12.4% q-o-q).

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

- From 1 January to 31 March 2012, the leasing companies financed net assets totalling PLN 446.8m, including PLN 149.9m worth of vehicles and PLN 282.4m worth of machines and equipment. The sales of machines and equipment were particularly dynamic driven by products for the agricultural industry.



BZ WBK Inwestycje Sp. z o.o.

- In January 2012, the company acquired 500,000 shares of i3D S.A., as a result of which it now holds 15.77% of the company's share capital and voting power.

BZ WBK Faktor Sp. z o.o.

- As at the end of March 2012, the total credit portfolio of the factoring company amounted to PLN 445.6m, which was up 26% y-o-y. The value of purchased invoices increased by 20% y-o-y to PLN 577m.

Other information**Human Resources**

FTEs	31.03.2012	31.12.2011	31.03.2011
BZ WBK	8 534	8 726	9 153
BZ WBK Group	9 180	9 383	9 838

- As at 31 March 2012, the employment level in Bank Zachodni WBK Group was 9,180 FTEs, which is 203 FTEs less than three months before. This is an effect of natural staff movements.

The intended merger of Bank Zachodni WBK S.A. and Kredyt Bank S.A.***Agreements on commencing works aimed at merging Bank Zachodni WBK S.A. with Kredyt Bank S.A.***

- On 27 February 2012, Bank Zachodni WBK S.A., Kredyt Bank S.A. (Kredyt Bank), Banco Santander S.A. and KBC Bank NV signed the agreement on commencing works aimed at merging Bank Zachodni WBK with Kredyt Bank.
- Pursuant to the signed agreement, the merger of the two banks is to be made through the transfer of all assets of Kredyt Bank to Bank Zachodni WBK (merger by acquisition) in exchange for newly issued shares of Bank Zachodni WBK, which will be offered and rendered to all of the current Kredyt Bank shareholders. As a result of the merger, those shareholders will become the shareholders of Bank Zachodni WBK as of the day on which the merger is entered into a relevant register.
- The exchange ratio of Kredyt Bank shares to BZ WBK shares will be established based on the commissioned valuations, in accordance with the Code of Commercial Companies.
- The completion of the merger is subject to the following:
 - ✓ approval of the Polish Financial Supervision Authority (KNF) for the merger and the amendments to the BZ WBK Statutes;
 - ✓ decision of the European Commission declaring the concentration of Bank Zachodni WBK and Kredyt Bank compatible with the common market;
 - ✓ statement of KNF on the equivalency of the information contained in the issuer's information memorandum in terms of form and content to the information required in an issue prospectus, in accordance with the provisions of the Act on public offering;
 - ✓ KNF not objecting to the acquisition of shares of KBC Towarzystwo Funduszy Inwestycyjnych S.A. by KBC Asset Management NV;
 - ✓ resolution on the merger of the two banks adopted by the General Meetings of Bank Zachodni WBK and Kredyt Bank.

- The merger will allow synergies to be achieved, both operational (elimination of overlapping processes, optimization of business based on the combined experience of both banks) and financial ones (economies of scale and their impact on efficiency, profitability of products and services, market position and, ultimately, return for shareholders).

Investment agreement between Bank Zachodni WBK S.A. and European Bank for Reconstruction and Development

- On 29 March 2012, Bank Zachodni WBK entered into an investment agreement with the European Bank for Reconstruction and Development (EBRD) which provides for the EBRD's equity investment of PLN 332m in Bank Zachodni WBK to support the planned merger of BZ WBK with Kredyt Bank.
- As per the agreement, the EBRD will subscribe for 1,561,618 BZ WBK shares in private placement (without the pre-emptive rights to the existing shareholders in the interest of BZ WBK). The share issue price will be PLN 212.60, which represents the reference price for BZ WBK shares of PLN 226.40 agreed in the investment agreement entered into by Banco Santander S.A. and KBC Bank NV, ex-dividend (for the proposed 2011 dividend), including customary discounts applicable in private placement transactions. Upon completion of the intended merger, EBRD will hold a minority stake in Bank Zachodni WBK.
- The said investment is subject to the Polish Financial Supervision Authority's approval of relevant changes to the Statutes of Bank Zachodni WBK with respect to the capital increase and a relevant resolution to be adopted by BZ WBK General Meeting.

Intended increase of share capital by Bank Zachodni WBK

- In the current report no. 7/2012 of 3 April 2012, Bank Zachodni WBK informed about its intention to change the Statutes in connection with the planned issue of 1,561,618 series I ordinary bearer shares designed to increase the share capital to 746,376,310 (74,637,631 bearer shares of a nominal value of PLN 10).
- Pursuant to the above-mentioned investment agreement, the entire new stake will be acquired by EBRD.

Bank Zachodni WBK Rating

- In Q1 2012, Fitch Ratings took three rating actions on Bank Zachodni WBK:
 - ✓ On 25 January 2012, Fitch Ratings withdrew - globally - individual ratings for banks, and replaced them with Viability Ratings (VR) introduced in 2011. As a result, Individual Rating at "C" was removed from BZ WBK ratings.
 - ✓ In its release of 13 February 2012, Fitch Ratings downgraded Long-term Issuer Default Rating (IDR) from "A+" to "A-", removed it from Rating Watch Negative (RWN) and assigned a negative outlook. The agency also downgraded Short-term Issuer Default Rating of the bank from "F1" to "F2" and removed it from Rating Watch Negative. The rating actions on the bank followed the downgrade of Long-term Issuer Default Rating of Banco Santander from "AA-" to "A" and Viability Rating from "aa-" to "a", which largely reflected the deterioration in the Spain's risk profile (downgrade of the Spanish sovereign rating to "A"/Negative from "AA-").
 - ✓ In its release of 1 March 2012, Fitch Ratings affirmed the support driven ratings of Bank Zachodni WBK (BZ WBK), including its Long-term Issuer Default Rating at "A-" with a negative outlook, and placed its "bbb" Viability Rating on Rating Watch Negative. The rating actions followed the statement made on 28 February 2012 by Banco Santander ("A"/Negative) and KBC ("A-"/Stable) announcing the agreement to merge their Polish banking subsidiaries, i.e. Bank Zachodni WBK and Kredyt Bank.
- As a result of these actions, the ratings of Bank Zachodni WBK as at 31 March 2012 were as follows:
 - **Long-term IDR:** "A-"; Negative Outlook
 - **Short-term IDR:** "F2"
 - **Viability Rating:** "bbb", placed on RWN
 - **Support Rating:** "1"
- The affirmation of BZ WBK's support driven ratings reflects Fitch's view that the merged bank will continue to be of a strategic importance to Santander, resulting in a high propensity of the parent to provide support.
- The RWN on BZ WBK's VR highlights the fact that Bank Zachodni WBK will be integrating with a lower rated bank as indicated by Kredyt Bank's VR of "bb+" and that the stand-alone credit profile of the merged entity is likely to be moderately weaker than that of Bank Zachodni WBK at present. Fitch expects the merged bank's capital ratios, asset quality and performance to be slightly weaker. According to them, any downgrade of the VR is likely to be limited to one notch.
- Fitch will resolve the RWN on BZ WBK's VR no later than upon completion of the legal merger.

44. Overview of BZ WBK Group performance in the period ending 31 March 2012

Financial and business highlights

- Total Income increased by 6.4% y-o-y, to PLN 946.1m.
- Total costs increased by 3% y-o-y to PLN 457.7m, with staff costs down by 1.1% y-o-y to PLN 237.9m.
- Profit-before-tax was PLN 410.7m and 16.2% up y-o-y.
- Profit-after-tax attributable to shareholders of the parent company was PLN 314.2m and 16.3% higher y-o-y.
- Capital Adequacy Ratio of 15.18% (15.10% as at 31 December 2011 / 14.66% as at 31 March 2011).
- Return on Equity was at 21.1%, excluding once-off cost adjustments charged to Q4 2011 (vs. 21.2% as at 31 December 2011/17.7% as at 31 March 2011).
- Cost-to-income ratio was 48.4% (49.9% in Q1 2011).
- Net impairment losses on loans and advances amounted to PLN 80.8m versus PLN 94.9m in Q1 2011.
- NPL ratio was 5.4% (5.5% as at 31 December 2011/ 7% as at 31 March 2011) with annual impairment losses to average amount of loans and advances at 0.8% (1.0% as at 31 December 2011 / 1.1% as at 31 March 2011).
- Loans to deposits ratio was 87.7% as at 31 March 2012 compared with 81.2% as at 31 December 2011 and 80.1% as at 31 March 2011.
- Gross loans to customers remained stable q-o-q and increased by 14.8% y-o-y, driven by the growth in the business and public sector loan portfolio (+19.3% y-o-y) to PLN 24,546.3m and personal loan portfolio (+10% y-o-y) to PLN 12,643.4m.
- Deposits from customers declined by 7.1% q-o-q as several large-volume short-term deposits from corporate customers were utilised for scheduled investment undertakings. On a y-o-y basis customer deposits went up by 5.7% as a result of higher balances in personal deposits (+8.2% y-o-y) as well as business and public sector deposits (+1.7% y-o-y), totalling PLN 27,541.9m and PLN 15,943.9m, respectively.
- Growth in the net value of assets held by mutual funds and private portfolios by 8.8% q-o-q and a decline by 19.6% y-o-y to PLN 9.4bn, reflecting the last year's share price fall on the Stock Exchange and continued risk aversion of investors attributable to uncertainty about political and economic developments in Europe and globally.
- The number of customers using the BZWKB24 electronic banking services exceeded 2m (up by 5% y-o-y) while the BZ WBK payment card base included ca. 2.6m debit cards (up by 8.5% y-o-y).

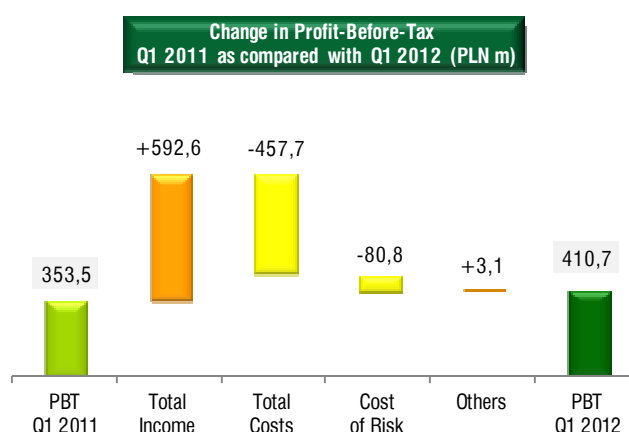
Profit and Loss Account of Bank Zachodni WBK Group

Profit earned by Bank Zachodni WBK Group after Q1 2012 and its composition

PLN m

Condensed Profit & Loss Account (for analytical purposes)	Q1 2012	Q1 2011	Q4 2011 *	Change Y-o-Y	Change Q-o-Q*
Total income	946,1	889,5	933,2	6,4%	1,4%
- Net interest income	556,9	494,6	539,3	12,6%	3,3%
- Net fee & commission income	330,1	338,7	330,0	-2,5%	0,0%
- Other income	59,1	56,2	63,9	5,2%	-7,5%
Total costs	(457,7)	(444,3)	(570,6)	3,0%	-19,8%
- Staff, general and administrative expenses	(417,1)	(403,7)	(442,5)	3,3%	-5,7%
- Depreciation/amortisation	(36,9)	(35,9)	(109,8)	2,8%	-66,4%
- Other operating expenses	(3,7)	(4,7)	(18,3)	-21,3%	-79,8%
Impairment losses on loans and advances	(80,8)	(94,9)	(85,5)	-14,9%	-5,5%
Profit/loss attributable to the entities accounted for using equity method	3,1	3,2	3,4	-3,1%	-8,8%
Profit-before-tax	410,7	353,5	280,5	16,2%	46,4%
Tax charges	(88,8)	(68,6)	(76,0)	29,4%	16,8%
Net profit for the period	321,9	284,9	204,5	13,0%	57,4%
- Net profit attributable to BZ WBK shareholders	314,2	270,2	198,4	16,3%	58,4%
- Net profit attributable to non- controlling shareholders	7,7	14,7	6,1	-47,6%	26,2%

* Data for Q4 2011 include once-off cost adjustments of PLN 88.8m introduced as part of the process aimed to align operational practices of Bank Zachodni WBK Group and Banco Santander. More information on the subject can be found in "Report of Bank Zachodni WBK Group for Q4 2011".



In Q1 2012, Bank Zachodni WBK Group generated a profit-before-tax of PLN 410.7m, an increase of 16,2% y-o-y. The net profit attributable to Bank Zachodni WBK shareholders was PLN 314.2m and 16.3% higher y-o-y. The main driver of the profit growth was net interest income which increased by 12.6% as a result of expansion of the Group's core business volumes in a higher interest rate environment. The profit was also favourably impacted by higher gains from financial instruments as well as reduced loan impairment losses.

**Total Income and Profit-Before-Tax by Quarters
in Years 2011-2012 (PLN m)**



* including one-off cost adjustments of PLN 88.8 m

Structure of PBT earned by BZ WBK Group – by contributing entities

PLN m					
Structure of Profit-Before-Tax by Contributing Entities	Q 1 2012	Structure Q1 2012*	Q1 2011	Structure Q1 2011*	Change Y-o-Y
Bank	421,9	80,3%	332,7	83,5%	26,8%
Subsidiaries, of which:	103,5	19,7%	65,8	16,5%	57,3%
Dom Maklerski BZ WBK S.A.	10,8	2,0%	16,6	4,2%	-34,9%
BZ WBK Leasing S.A., BZ WBK Finanse & Leasing S.A. and BZ WBK Finanse Sp. z o.o.	18,7	3,6%	10,2	2,5%	83,3%
BZ WBK Asset Management S.A. and BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A.	73,4	14,0%	37,0	9,3%	98,4%
Other subsidiaries	0,6	0,1%	2,0	0,5%	-70,0%
Intercompany and consolidation adjustments	(114,7)	-	(45,0)	-	154,9%
Total	410,7	-	353,5	-	16,2%

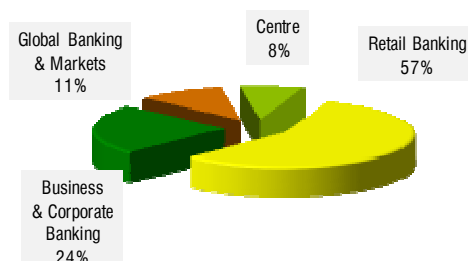
* percentage share in BZ WBK Group profit before tax, intercompany and consolidation adjustments

The stand-alone profit-before-tax of Bank Zachodni WBK for Q1 2012 was higher by 26.8% y-o-y, while the total profit-before-tax of the subsidiaries increased by 57.3% y-o-y as a result of earlier recognition by BZ WBK Asset Management of a dividend income of PLN 54.2m from the profit distribution of BZ WBK Towarzystwo Funduszy Inwestycyjnych (in 2011 this item was posted in Q2). In its stand-alone profit and loss account for Q1 2012 Bank Zachodni WBK reported a dividend of PLN 62.8m from the same company that made a disbursement to BZ WBK Asset Management, yet its impact on the bank's y-o-y profit change was alleviated by a dividend pay-out of PLN 47.1m from Dom Maklerski BZ WBK (BZ WBK Brokerage House) posted in Q1 2011. The above-mentioned dividends have been eliminated from the consolidated financial statements of Bank Zachodni WBK Group.

Excluding the impact of the dividend income, the profit earned by BZ WBK Asset Management and BZ WBK Towarzystwo Funduszy Inwestycyjnych declined y-o-y due to lower net fee and commission income. Dom Maklerski BZ WBK reported lower profits for the same reasons. Weaker performance observed on capital markets was to a certain extent counterbalanced by leasing companies whose profitability improved markedly in Q1 2012.

Structure of PBT earned by BZ WBK Group – by segments

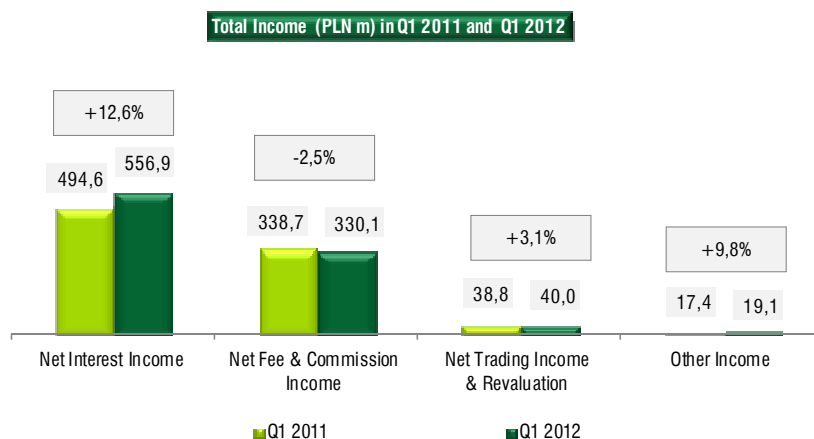
Structure of PBT of BZ WBK Group for Q1 2012 – by segments



Effective from 1 January 2012, Bank Zachodni WBK Group changed its principles of business segments reporting in respect of the structure of operating segments and calculation of their net interest income. Since historical data are not available, the Group has decided not to adjust the corresponding period of the previous year to ensure comparability.

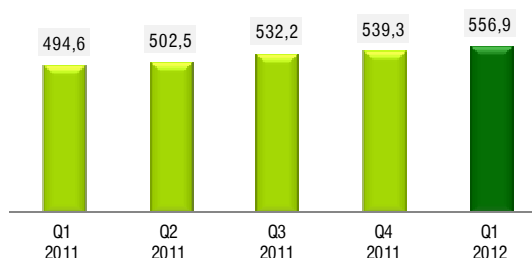
Income

The total income achieved by Bank Zachodni WBK Group in Q1 2012 was PLN 946.1m and up 6.4% y-o-y.

**Net interest income**

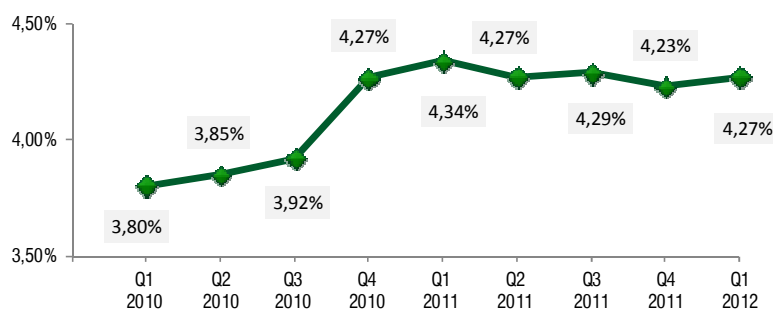
In Q1 2012, the net interest income increased by 12.6% y-o-y to PLN 556.9m driven by strong growth of core business volumes, including business and personal loans.

Net Interest Income by Quarters in years 2011-2012 (PLN m)



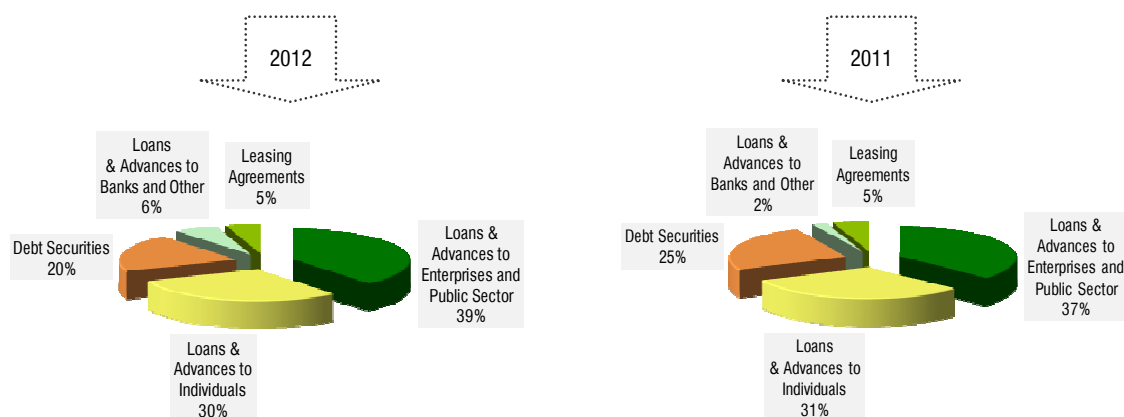
Net interest income for Q1 2012 includes PLN 32.4m of interest income from CIRS transactions designated as hedging instruments under cash flow hedge accounting launched by Bank Zachodni WBK S.A. effective from 1 December 2011. The respective item is recognised under Note 4 "Net interest income" as part of "interest income from hedging IRS contracts" which reports PLN 35.8m in Q1 2012 vs. PLN 2.9m in Q1 2011.

Taking into account the other interest-related income, which is generated by FX Swaps and Basis Swaps (PLN 30.2m for Q1 2012 and PLN 40.4m for Q1 2011) and disclosed under "Net trading income and revaluation", the underlying net interest income increased by 9.7% y-o-y.

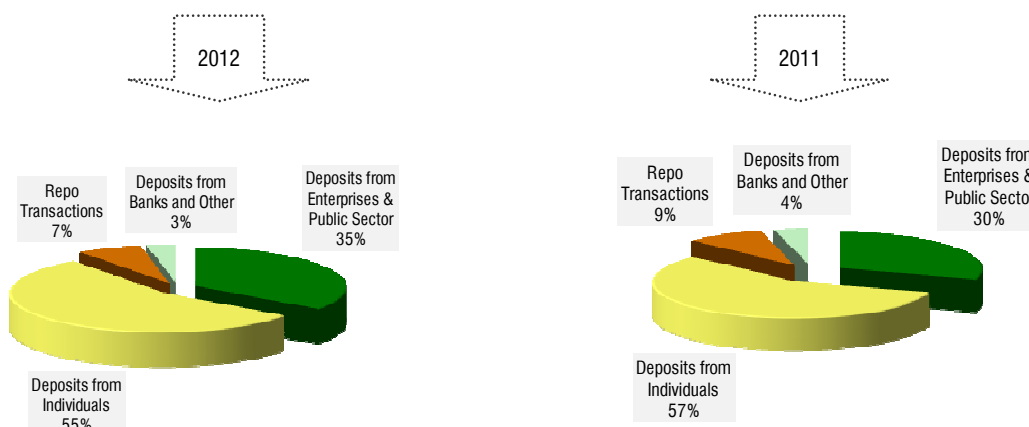
Net Interest Margin by Quarters in Years 2010-2012
(including SWAP points)

The quarterly net interest margin of Bank Zachodni WBK Group declined from 4.34% in Q1 2011 to 4.27% in Q1 2012. This reflects more rapid growth of interest expense than income and a dynamic expansion of loans and advances to customers. Over the reporting period the narrowing of credit margins was faster than the concurrent improvement of deposit margins.

Structure of interest income earned by BZ WBK Group in Q1 2012 and Q1 2011



Structure of interest expense payable by BZ WBK Group in Q1 2012 and Q1 2011



In Q1 2012, interest income (PLN 943.9m) increased by 18.8% y-o-y while interest expense (PLN 386.9m) climbed 29.1%. Interest income was driven by loans and advances to business customers (+25.8% y-o-y), mortgage loans (+24.8% y-o-y), trading debt securities (44.8% y-o-y), loans and advances to banks (+39.7%), and interest on hedging IRS (+1,133% y-o-y). The growth in interest expense was mainly attributable to business deposits (+46.8% y-o-y) and personal deposits (23.8% y-o-y).

Net fee and commission income

PLN m

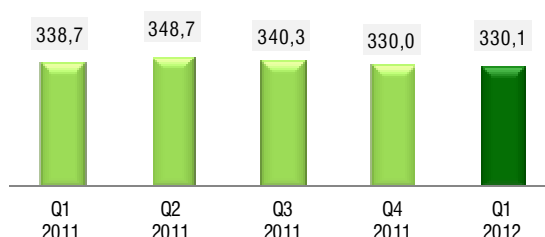
Net Fee and Commission Income	Q1 2012	Q1 2011	Change y-o-y
Direct banking *	79,8	76,0	5,0%
Account maintenance and cash transactions	59,2	60,6	-2,3%
FX fees	54,5	52,3	4,2%
Mutual fund distribution and asset management	46,8	71,8	-34,8%
Credit fees **	30,3	21,5	40,9%
Insurance fees	25,4	14,3	77,6%
Brokerage fees	18,9	27,7	-31,8%
Other ***	15,2	14,5	4,8%
Total	330,1	338,7	-2,5%

Includes:

* fees for foreign and mass payments, Western Union transfers, trade finance, debit cards, services for third parties as well as other electronic & telecommunications services

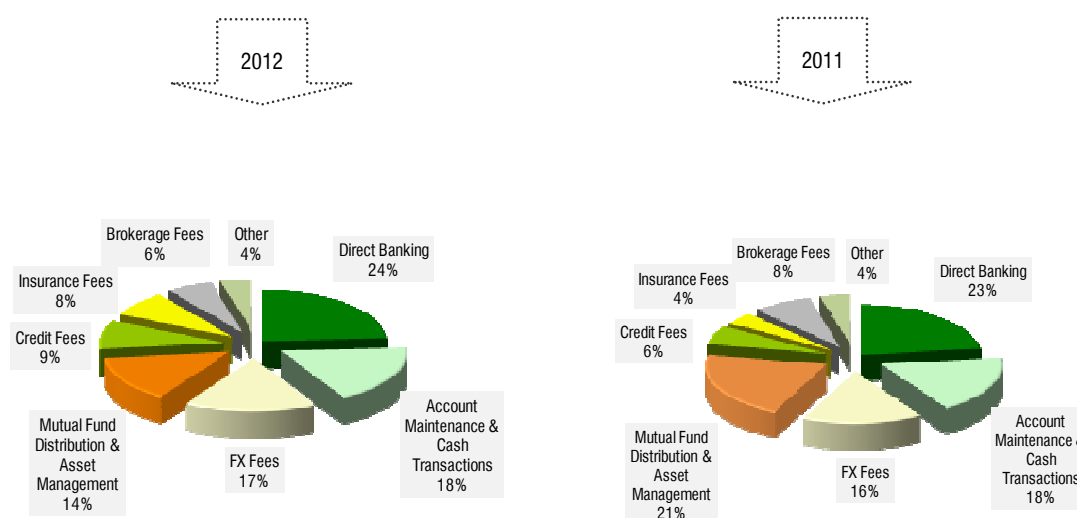
** fees related to lending, leasing and factoring activities which are not amortised to interest income

*** credit card fees, guarantees & sureties, issue arrangement fees and others

Net Fee & Commission Income by Quarters in Years 2011-2012
(PLN m)**WBK****Bank Zachodni WBK S.A.**

In Q1 2012, net fee and commission income declined by 2.5% y-o-y to PLN 330.1m. The direction of this movement was determined by lower income earned by the Group from its capital markets activities where uncertainty continued to dominate investor sentiments and concerns about the future of the EU market were still large. The Group's net fee income from asset management and distribution of mutual funds declined by 34.8% y-o-y, reflecting lower average value of mutual funds and private portfolios managed by BZ WBK Asset Management and BZ WBK Towarzystwo Funduszy Inwestycyjnych (-23.5% y-o-y). A 31.8% decrease in brokerage fees (non-distribution net commission income of BZ WBK Brokerage House) is attributable to limited investment activity of customers, pressure on the reduction of margins in all the stock market segments and a slowdown in the IPO market. The erosion of income from the mutual funds, asset management and stock exchange markets was largely counterbalanced by the increase in credit fees and insurance fees (by 40.9% and 77.6%, respectively) driven by expanding loans and advances to customers.

Structure of net commission income of BZ WBK Group in Q1 2012 and Q1 2011



Net trading income and revaluation

Net trading income and revaluation amounted to PLN 40m, an increase of 3.1% y-o-y.

Interest-related income from Basis Swap and FX Swap transactions, which makes a significant portion of the net trading income and revaluation, totalled PLN 30.2m in Q1 2012 compared with PLN 40.4m in Q1 2011. The value of Basis Swaps for Q1 2012 (PLN 3.5m) excludes PLN 32.4m recognised as net interest income on the basis of cash flow hedge accounting (launched by Bank Zachodni WBK on 1 December 2011) which adopts CIRS transactions as a the main hedging instrument for floating interest rate financial assets (primarily FX credit portfolios) and liabilities. Contrary to Basis Swaps, the income from interbank FX Swaps as reported in the trading result is fully comparable on a y-o-y basis. The respective item shows an increase of PLN 7.2m to PLN 26.7m.

Under cash flow hedge accounting, the net trading income and revaluation recognises the ineffective portion of fair value changes of hedging derivatives which amounted to PLN 4.2m. The effective portion is disclosed in the revaluation reserve (-PLN 26.7m).

Other income

Other income of Bank Zachodni WBK Group totalled PLN 19.1m, an increase of 9.8% y-o-y resulting from higher income earned on the disposal of treasury bonds.

Impairment charges

In Q1 2012, the loan impairment charge to the profit and loss account was PLN 80.8m compared with PLN 94.9m in the corresponding period last year, which represents a decrease of 14.9% y-o-y.

The balance of provisions for identified losses (individual and collective) was PLN 87.5m and down 8% y-o-y against a considerable growth in gross loans and advances to customers (+14.8% y-o-y). Compared with the impairment charge recognised in Q1 2011, there was a noticeable improvement both in the segment of individually assessed retail loans and collectively assessed business loans. This was also affirmed by the y-o-y decline in the ratios of non-performing retail and business loans.

The balance of provisions for unidentified losses (IBNR) was PLN 2.8m and higher by PLN 2m y-o-y, reflecting an acceleration of the Group's credit delivery, among others, to the SME segment. As in the case of other business portfolios, the NPL ratio for this customer segment improved on a y-o-y basis as well.

Total costs

PLN m			
Total costs	Q1 2012	Q1 2011	Y-o-Y Change
Staff, general and administrative expenses, of which:	(417,1)	(403,7)	3,3%
- Staff expenses	(237,9)	(240,6)	-1,1%
- General and administrative expenses	(179,2)	(163,1)	9,9%
Depreciation/amortisation	(36,9)	(35,9)	2,8%
Other operating expenses	(3,7)	(4,7)	-21,3%
Total	(457,7)	(444,3)	3,0%

Total operating costs of Bank Zachodni WBK Group in Q1 2012 totalled PLN 457.7m, an increase of 3% y-o-y. With total income (+6.4% y-o-y) exceeding the growth rate of expenses, the Group's cost to income ratio improved from 49.9% in Q1 2011 to 48.4% in Q1 2012.

- In Q1 2012, staff expenses decreased by 1.1% y-o-y to PLN 237.9m along with the headcount reduction by 658 FTEs.
- General and administrative expenses of the Group amounted to PLN 179.2m and were 9/9% higher y-o-y. The most pronounced growth (+86.4% y-o-y) was seen in the marketing and representation costs as a result of earlier commencement (compared with 2011) of large-scale marketing campaigns. Other growth drivers included consulting fees (+76.5% y-o-y) which comprise costs of legal services for the planned merger of Bank Zachodni WBK and Kredyt Bank. The growth of regulatory fees (+14.8% y-o-y) results from increased calculation bases, due to the continued development of business volumes. At the same time, the Group reduced its operating costs in such areas as: security costs (-30.6% y-o-y), postal and telecommunications fees (-22.1% y-o-y), and other external services (-22% y-o-y).

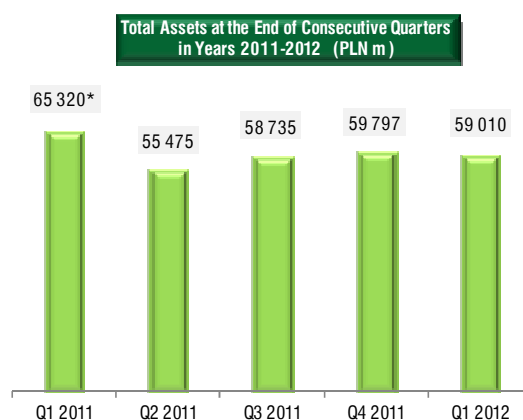
In Q1 2012, other operating costs were at PLN 40.6m, of which amortisation/depreciation amounted to PLN 36.9m and was 2.8% higher than in the same period last year.

Financial position

Assets

As at 31 March 2012, total assets of Bank Zachodni WBK Group amounted to PLN 59,009.8m, a decrease of 1.3% q-o-q and 9.7% y-o-y. The relatively high year-on-year movement in assets results from the fact that the consolidated statement of financial position as at 31 March 2011 contains short-term settlements of PLN 11.7bn between Dom Maklerski BZ WBK and the National Depository of Securities (KDPW) in respect of the sale of Bank Zachodni WBK shares under the tender offer announced by Banco Santander. Adjusting for the impact of the above-mentioned settlements, the underlying year-on-year change was a 10% increase.

Total assets of BZ WBK Group in 2011-2012 by quarters (PLN m)



* as at 31 March 2011, total assets contain short-term settlements of PLN 11.7bn between Dom Maklerski BZ WBK and the National Depository of Securities (KDPW) in respect of the sale of Bank Zachodni WBK shares under the tender offer announced by Banco Santander

The table below presents major developments in the key categories of the consolidated assets of Bank Zachodni WBK Group as at 31 March 2012 versus 31 March 2011 and 31 December 2011.

Assets (condensed presentation for analytical purposes)	PLN m							
	31.03.2012	Structure 31.03.2012	31.12.2011	Structure 31.12.2011	31.03.2011	Structure 31.03.2011	Change Q-o-Q	Change Y-o-Y
	1	2	3	4	5	6	1/3	1/5
Loans and advances to customers *	38 122,0	64,6%	38 017,2	63,6%	32 947,0	50,4%	0,3%	15,7%
Investment securities	11 760,2	19,9%	11 652,2	19,5%	13 607,4	20,8%	0,9%	-13,6%
Financial assets held for trading	3 279,0	5,6%	5 836,0	9,8%	2 748,5	4,2%	-43,8%	19,3%
Cash and operations with Central Banks	2 802,9	4,7%	1 425,5	2,4%	1 256,4	1,9%	96,6%	123,1%
Loans and advances to banks	1 405,5	2,4%	1 204,2	2,0%	1 537,1	2,4%	16,7%	-8,6%
Fixed and intangible assets	625,2	1,1%	651,0	1,1%	695,1	1,1%	-4,0%	-10,1%
Hedging derivatives	134,5	0,2%	141,6	0,2%	4,6	0,0%	-5,0%	2823,9%
Other assets	880,5	1,5%	868,9	1,4%	12 523,7	19,2%	1,3%	-93,0%
Total	59 009,8	100,0%	59 796,6	100,0%	65 319,8	100,0%	-1,3%	-9,7%

The biggest q-o-q changes in the consolidated assets resulted from the Group's on-going liquidity management process. As a result of reduced purchasing of the short-term NBP bills, the "financial assets held for trading" decreased by 43.8% q-o-q. Concurrently, the Group increased its balances with the NBP and entered into buy-sell-back transactions in the interbank market, which increased the value of "cash and operations with Central Bank" (+96.6% q-o-q) and the "loans and advances to banks" (+16.7% q-o-q), respectively.

Net loans and advances to customers remained stable quarter-on-quarter, and accounted for 87.7% of the deposits from non-financial entities funding them, as compared with 81.2% at the end of December 2011.

Credit portfolio

	PLN m				
Gross Loans and Advances to Customers	31.03.2012	30.12.2011	31.03.2011	Change Q-o-Q	Change Y-o-Y
Loans and advances to business and public sector customers	24 546,3	24 521,2	20 580,6	0,1%	19,3%
Loans and advances to personal customers	12 643,4	12 572,6	11 493,7	0,6%	10,0%
Finance lease receivables	2 278,9	2 335,5	2 338,7	-2,4%	-2,6%
Other *	59,6	3,1	28,5	1822,6%	109,1%
Total	39 528,2	39 432,4	34 441,5	0,2%	14,8%

* other receivables include repo and other transactions

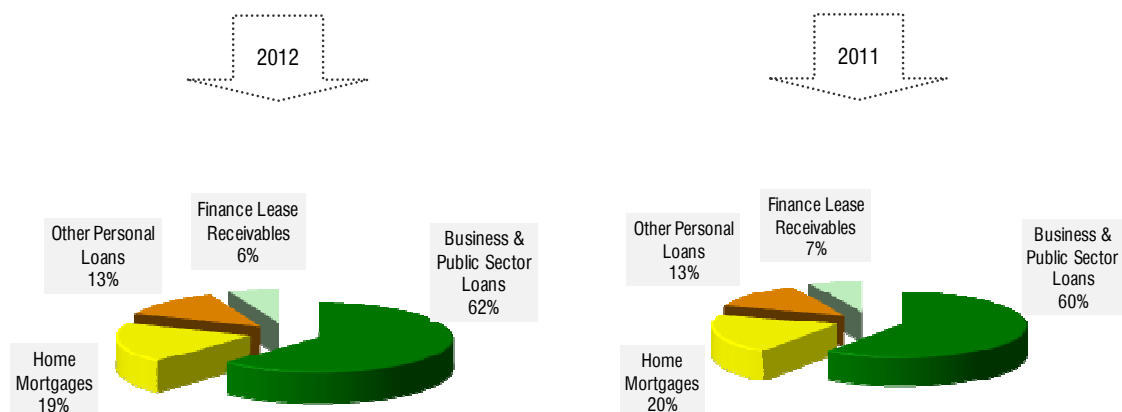
As at 31 March 2012, gross loans and advances to customers were PLN 39,528.2m, up 0.2% q-o-q and 14.8% y-o-y.

During the first three months of 2012, loans and advances to business and public sector customers remained stable, and at the end of March amounted to PLN 24,546.3m. The decrease in commercial property loans caused by the strengthening zloty and scheduled credit repayments (with gradual acquisition of new business) was offset by an increase in overdrafts. Gross loans and advances to business and public sector customers rose by 19.3% y-o-y, reflecting the economic recovery and the attendant increase in borrowing demands of corporate and SME customers.

The financial lease portfolio decreased by 2.4% q-o-q and by 2.6% y-o-y to PLN 2,278.9m with sustained good sales performance of the leasing subsidiaries, particularly in the segment of machines and equipment.

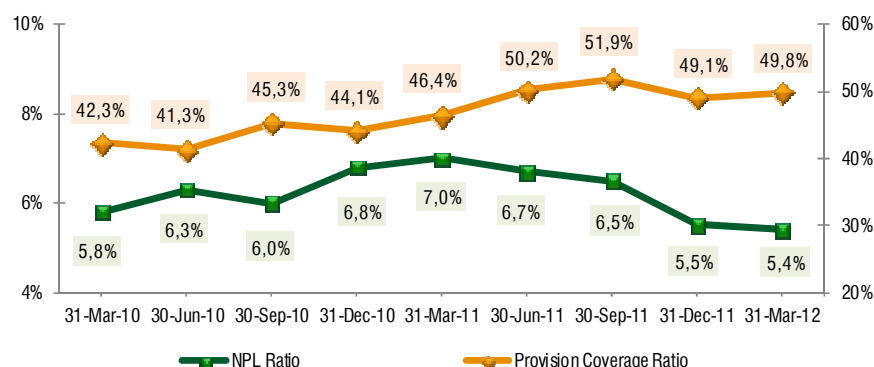
Loans and advances to personal customers, which increased by 0.6% q-o-q and 10% y-o-y, amounted to PLN 12,643.4m as at 31 March 2012, of which PLN 7,570.0m represented home mortgages and PLN 3,744.4m cash loans. Sales of these products are improving steadily with the bank consistently upgrading its offering and extending brand recognition through advertising campaigns.

Loans and advances to customers of BZ WBK Group as at 31.03.2012 and 31.03.2011 – by entities



As at 31 March 2012, non-performing loans to customers accounted for 5.4% of the gross portfolio vs. 5.5% at the end of December 2011 and 7% at the end of March 2011. The provision cover for the non-performing loans was 49.8% compared with 49.1% three months before and 46.4% twelve months before.

The Group's NPL and provision cover ratio at the end of individual quarters in the period from 31.03.2010 to 31.03.2012



Equity and liabilities

The table below presents major developments in key categories of the consolidated equity and liabilities of Bank Zachodni WBK Group at the end of March 2012 versus 31 March 2011 and 31 December 2011.

Liabilities & Equity (condensed presentation for analytical purposes)	Structure						Change	
	31.03.2012	31.03.2012	31.12.2011	31.12.2011	31.03.2011	31.03.2011	Q-o-Q	Y-o-Y
	1	2	3	4	5	6	1/3	1/5
Deposits from customers	43 485,8	73,7%	46 829,5	78,3%	41 135,2	63,0%	-7,1%	5,7%
Deposits from banks	5 223,8	8,8%	2 505,1	4,2%	3 175,0	4,9%	108,5%	64,5%
Financial liabilities held for trading	659,9	1,1%	931,7	1,6%	976,0	1,5%	-29,2%	-32,4%
Hedging derivatives	333,3	0,6%	523,7	0,9%	18,7	0,0%	-36,4%	1682,4%
Subordinated liabilities	415,9	0,7%	441,2	0,7%	400,3	0,6%	-5,7%	3,9%
Other liabilities	1 096,2	1,9%	1 082,4	1,8%	12 595,2	19,3%	1,3%	-91,3%
Total equity	7 794,9	13,2%	7 483,0	12,5%	7 019,4	10,7%	4,2%	11,0%
Total	59 009,8	100,0%	59 796,6	100,0%	65 319,8	100,0%	-1,3%	-9,7%

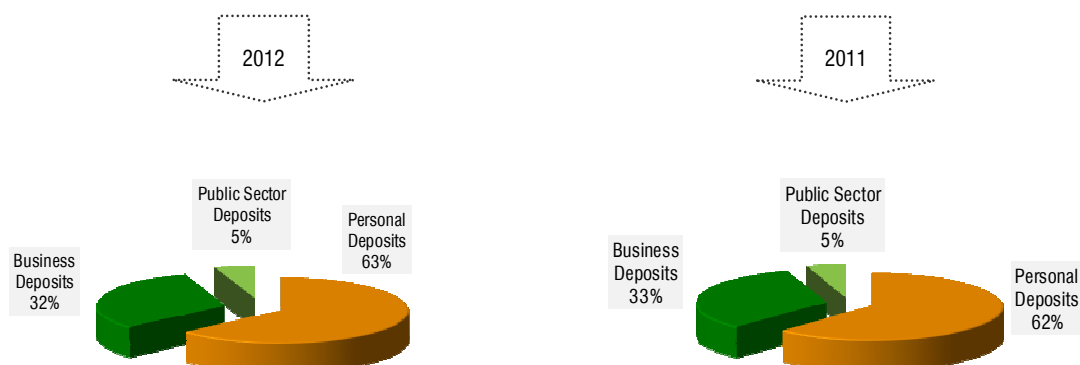
As at 31 March 2012, the statement of financial position shows a major increase in deposits from banks (+108.5% q-o-q), reflecting, among other things, the Group's increased activity in the market of interbank deposits and sell-buy-back transactions. However, a marked decline was observed in the derivative hedges (-36.4% q-o-q), financial liabilities held for trading (-29.2% q-o-q) and deposits from customers (-7.1% q-o-q).

Deposit base

Deposits from Customers	Structure					Change	
	31.03.2012	31.12.2011	31.03.2011	Change	Change	Q-o-Q	Y-o-Y
Deposits from personal customers	27 541,9	27 111,3	25 460,1	1,6%	8,2%		
Deposits from business and public sector customers	15 943,9	19 718,2	15 675,1	-19,1%	1,7%		
Total	43 485,8	46 829,5	41 135,2	-7,1%	5,7%		

Deposits from customers, which represent 73.7% of the Group's total equity and liabilities are the primary source of funding the Group's lending business. As at 31 March 2012, these liabilities amounted to PLN 43,485.8m, decreasing by 7.1% q-o-q and increasing by 5.7% y-o-y.

Deposits from customers of Bank Zachodni WBK Group as at 31.03.2012 and 31.03.2011

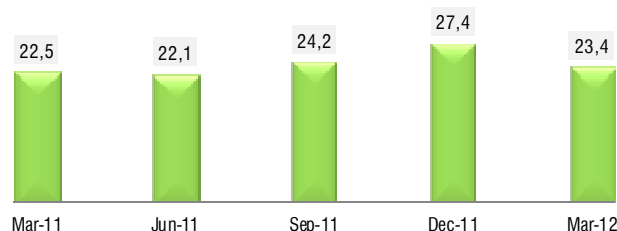


Deposits from personal customers amounted to PLN 27,541.9m, up 1.6% q-o-q and 8.2% y-o-y. The quarterly growth was mainly driven by current accounts, while in the 12-month perspective the drivers were both current accounts and term deposits. In the reporting period, personal customers were highly attracted by Easy Earning Deposits.

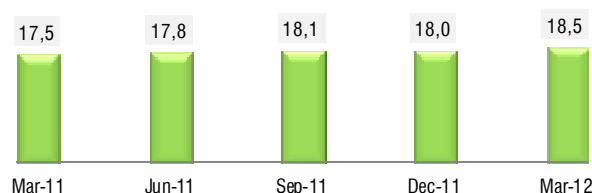
Deposits from business and public sector customers of PLN 15,943.9m decreased by 19.1% q-o-q as several high-value short-term deposits placed by corporate customers towards the end of 2011 were utilised for scheduled investment undertakings. Over 12 months, deposits from business and public sector customers increased by 1.7%.

In the total amount of deposits from customers, term deposits were PLN 23,446.8m, current accounts PLN 18,527.5m and other liabilities PLN 1,511.5m. The last item reflects utilisation of the credit lines from the European Investment Bank for SME funding in the total maximum amount of EUR 200m.

Term Deposits at the End of Consecutive Quarters of 2011 and 2012
(PLN bn)



Current Accounts at the End of Consecutive Quarters
of 2011 and 2012 (PLN bn)



Selected financial ratios

Selected Financial Ratios	31.03.2012	31.12.2011	31.03.2011
Total costs/Total income	48,4%	50,3%	49,9%
Net interest income/Total income	58,9%	54,1%	55,6%
Net interest margin *	4,27%	4,28%	4,35%
Net commission income/Total income	34,9%	35,5%	38,1%
Customer loans/Customer deposits	87,7%	81,2%	80,1%
NPL ratio	5,4%	5,5%	7,0%
NPL coverage ratio	49,8%	49,1%	46,4%
Impairment losses on loans and advances/Average loans and advances	0,8%	1,0%	1,1%
ROE **	19,7%	19,7%	17,7%
Adjusted ROE ***	21,1%	21,2%	17,7%
Adjusted ROA ****	2,2%	2,2%	1,8%
Capital adequacy ratio	15,18%	15,10%	14,66%
Book value per share (in PLN)	106,67	102,40	96,06
Earnings per share (in PLN) *****	4,30	16,21	3,70

* annualised interest income (including Swap points) to the quarterly average of interest-bearing assets (net of impairment write-down)

** annualised net profit attributable to the shareholders of BZ WBK (4 consecutive quarters) to the quarterly average of equity calculated based on total equity at the end of five consecutive quarters, net of the current period profit, non-controlling interests and dividend due to BZ WBK shareholders

*** adjusted ratios as at 31.03.2012 and 31.12.2011 do not include once-off cost adjustments introduced in Q4 2011 as described in "Report of BZWBK Group for Q4 2011" (Note 1 of consolidated financial statements)

**** annualised net profit attributable to the shareholders of BZ WBK (4 consecutive quarters) to the quarterly average of total assets calculated based on balances as at the end of five consecutive quarters; adjusted ratios as at 31.03.2012 and 31.12.2011 do not include once-off cost adjustments introduced in Q4 2011

***** net profit attributable to the shareholders of BZ WBK for the reporting period divided by the number of ordinary shares

45. Events which might affect financial results of the Group within the next quarter and beyond

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

- clear deceleration of economic growth abroad, including Poland's major trading partners, which will weaken the rise in exports and industrial output; significant slowdown, or even fall of the external demand may limit the investment activity of Polish entrepreneurs (especially in the case of new investment) and reduce demand for corporate loans and other banks' products for firms;
- further stagnation in the labour market, which will limit wage pressure, may negatively affect the quality of the credit portfolio in the household segment, and decrease the demand for new consumption and mortgage loans;
- stabilization of interest rates by the MPC, with a probability of an interest rate hike as a response to CPI inflation running at elevated levels and distant perspective of its return to the target;
- changes of asset financing cost depend on the pace and scale of changes of the main interest rates, changes of the zloty exchange rate, liquidity situation of the banking sector and intensity of price competition between banks regarding deposits;
- rise of financial market volatility due to uncertainty regarding debt problems of many economies (i.e. Spain), worries over global economic outlook and political uncertainty (elections in France and Greece);
- further developments in the global stock market and its impact on the customers' propensity to purchase investment funds units, or alternatively, to keep savings as safe bank deposits;
- increase in the cost base due to the instigation of projects necessary for the efficient integration of Bank Zachodni WBK with Kredyt Bank.

Signature of a person who is responsible for maintaining the book of account			
Date	Name	Function	Signature
23.04.2012	Eamonn Crowley	Member of the Management Board	
23.04.2012	Wojciech Skalski	Financial Accounting Area Director	