BANK
POLSKA KASA OPIEKI
SPOLKA AKCYJNA

Interim financial statements
of Bank Pekao S.A. Group
for the first quarter of 2008
prepared according to
International Financial Reporting Standards

Selected financial statements translated into EUR

	Position	in PLN ths.		in EUR ths.	
		I Quarter of 2008	I Quarter of 2007	I Quarter of 2008	I Quarter of 2007
I.	I. Net interest income	1 122 719	593 068	315 601	151 823
II.	II. Net fee and commission income	610 871	517 146	171 718	132 388
III.	III. Operating profit	1 361 313	583 639	382 671	149 410
IV.	Profit before income tax	1 398 672	617 408	393 173	158 054
V.	Net profit (loss)	1 140 865	503 108	320 702	128 794
VI.	Net profit (loss) attributable to equity holders of the Company	1 137 519	502 086	319 761	128 532
VII.	Net profit (loss) attributable to minority interest	3 346	1 022	941	262
VIII.	Net cash from operating activities	(2 322 768)	3 181 718	(652 940)	814 509
IX.	Net cash used in investing activities	(1 086 589)	(1 301 714)	(305 445)	(333 235)
X.	Net cash from financing activities	(97 337)	31 917	(27 362)	8 171
XI.	Net increase / decrease in cash and cash equivalents	(3 506 694)	1 911 921	(985 746)	489 446
XII.	Total assets	122 399 510	73 573 665	34 715 387	19 013 740
XIII.	Amounts due to the Central Bank	1 423 541	1 670 267	403 750	431 649
XIV.	Amounts due to other banks	8 672 070	3 967 027	2 459 603	1 025 204
XV.	Amounts due to customers	87 031 345	55 180 059	24 684 141	14 260 256
XVI.	Minority interest	83 858	17 766	23 784	4 591
XVII.	Equity attributable to the Company's equity holders	15 807 304	9 246 611	4 483 324	2 389 614
XVIII.	Share capital	262 169	167 103	74 357	43 185
XIX.	Number of shares	262 168 504	167 103 098	262 168 504	167 103 098
XX.	Book value per share (in PLN/EUR)	60,29	55,33	17,10	14,30
XXI.	Diluted book value per share (in PLN/EUR)	60,25	55,27	17,09	14,28
XXII.	Earnings per 1 ordinary share (in PLN/EUR)	4,34	3,01	1,22	0,77
XXIII.	Diluted earnings per 1 ordinary share (in PLN/EUR)	4,34	3,00	1,22	0,77
XXIV.	Declared or paid dividend per share (in PLN/EUR)	9,60	9,00	2,54	2,31
XXV.	Capital adequacy ratio	10,63	14,70	x	x
XXVI.	Risk weighted assets (*)	103 906 439	41 761 013	29 470 316	10 792 354
XXVII.	Core funds (Tier I)	11 049 025	6 140 127	3 133 764	1 586 801
XXVIII.	Supplementary funds (Tier II)	-	-	-	-

(*) Data as at 31st March 2008 are disclosed in accordance with the Resolution 1/2007 of Banking Supervisory Commission Basel II.

In items I - VI is disclosed total profit from continuing and discontinuing operations

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1 Summary

In order to provide better comparability, the financial statements (hereafter referred to as „combined data" or „combined result") in respect of the first quarter of 2007 are presented as a „combination" of the financial results of the Bank Pekao Group and Pekao285, i.e. that part of Bank BPH S.A. merged with Bank Pekao S.A. through the division of Bank BPH S.A. as registered on 29th November 2007".

For the first quarter of 2008 Bank Pekao S.A. Group reported a net profit attributable to shareholders of PLN 1,137.5 million, i.e. PLN 210.9 million (22.8%) higher than combined result for the first quarter of 2007.

The results for the first quarter of 2008 were realised in a tough environment due to the continuing difficult situation in the international financial markets and Warsaw Stock Exchange. As a result, the decrease of shares prices and resulting redemptions during the period resulted in a substantial decrease of mutual fund assets. A further negative factor influencing results was the slowdown in the mortgage loans market, particularly in loans denominated in PLN.

Despite the above and with work continuing in respect of the integration, the Group achieved a good financial result. Growth in the first quarter results was driven by a good commercial performance, as a result of which the decrease in commissions relating to investment products was compensated for by the growth in net interest income. Operating costs were kept under control and a significant reduction in cost of risk was realised.

In the first quarter of 2008, the Group's total income amounted to PLN 2,340.8 million, PLN 225.7 million (10.7%) higher than combined income in the first quarter of 2007.

- Group income in the first quarter of 2008 remained under pressure as a result of the difficult situation on stock exchange. This resulted in redemptions of mutual funds and a decrease in assets valuation. Fee and commission income decreased by PLN 97.4 million (13.8%), mainly due to lower commissions on investment products. As a result of a significant decline in demand, lower sales of mutual funds translated into lower up-front fees while the decrease of mutual funds assets under management impacted management commissions. In addition, lower activity on the WSE led to reduced fees from retail customer share trading activities.
- A growth in net interest income by PLN 125.4 million (12.4%) offset the decrease in net fees and commissions income.
- Total overhead costs (including depreciation) in the first quarter of 2008 amounted to PLN 929.2 million, i.e. 3.6% higher than the combined costs in the first quarter of 2007, i.e. below the rate of inflation.
- In the first quarter of 2008, impairment losses on loans and advances amounted to PLN 50.3 million and were PLN 51.5 million (50.6%) lower than the combined result for the first quarter of 2007, benefiting from effective credit risk management and a good macroeconomic situation. At the end of March 2008, the ratio of impaired receivables to total receivables amounted to 7.4% compared to 7.8% at the end of 2007. The ratio decreased due to the increased volume of total loans and a reduced volume of impaired loans.
- At the end of March 2008, customer savings of the Group (customer deposits, structured certificates of deposits and mutual funds) amounted to PLN 108,480.3 million and were PLN 8,727.7 million lower than at the end of 2007. The reduction was due to a decrease in mutual funds of PLN 5,512.2 million (significantly impacted by negative valuation), partially offset by an increase in retail deposits of PLN 1,513.4 million, and a decrease in corporate deposits of PLN 4,665.6 million, a trend also observed in the banking sector.
- The volume of Group loans as at the end of the first quarter of 2008 amounted to PLN 74,697.6 million, of which corporate loans amounted to PLN 50,349.1 million and retail loans PLN 24,348.5 million. The growth of PLN 865.8 million was driven by an increase in corporate loans and mortgage loans.

2 Accounting principles adopted in the preparation of the quarterly report

The interim consolidated report of the Capital Group of Bank Pekao S.A. and the stand alone report of Bank Pekao S.A. were prepared in compliance with International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board.

The presented report meets the requirements of International Accounting Standard 34 relating to interim financial reports and of the Decree of the Council of Ministers dated 19th October 2005 on current and periodic information submitted by the issuers of securities.

The consolidated interim financial statements of the Group and enclosed interim financial statements of the Bank have been prepared in accordance with the accounting principles applied for the purpose of asset and liabilities valuation and measurement of financial results, as disclosed in the consolidated financial statements of the Capital Group of the Bank Pekao S.A. and the standalone financial statement of the Bank Pekao S.A. ended as at 31st December 2007 and published on 21st March 2008.

In the interim report no changes were made to accounting principles in relation to accounting principles described in the reports mentioned above.

Data presented in the interim consolidated financial statements have been prepared in a manner assuring their comparability, with the exception of historical data relating to spin-off transactions made between Bank Pekao S.A. and Bank BPH S.A., realized by a transfer of the part of BPH S.A. property in the form of an organized part of the enterprise to Bank Pekao S.A.

For illustrative purposes financial information presented in the chapters 3 and 5 of this report have been prepared on a comparative basis. In order to achieve comparability the historical information regarding the income statement for the first quarter 2007 and the balance sheet statement as at 31st March 2007 have been restated by combining the income statement and balance sheet items of Pekao Group and Pekao285.

3 Consolidated financial information – prepared in a comparable basis

The tables below present financial information prepared on a comparable basis. In order to achieve comparability the historical information regarding the income statement for the first quarter 2007 and the balance sheet statement as at 31st March 2007 have been restated by combining the income statement and balance sheet items of Pekao Group and Pekao285. Such combined data has been adjusted by the elimination of transactions made between Bank Pekao and Pekao285 during that period.

The combined financial information has been prepared for illustrative purposes only as it includes results of Pekao285 that were generated as part of Bank BPH operations. Accordingly it does not purport to be indicative of what the operating results or financial position would have been had Pekao285 operations been integrated with Bank Pekao during that period. The combined financial information for the first quarter 2007 does not reflect the strategy and organizational structure under which Pekao285 has been operating since its merger with part of Bank Pekao.

CONSOLIDATED INCOME STATEMENT - combined data (in '000 PLN)	**I Quarter 2008 period from 08-01-01 to 08-03-31**	**I Quarter 2007 period from 07-01-01 to 07-03-31**
Net interest income	1 122 719	1 012 024
Net fee and commission income	610 871	708 328
Other income	171 568	394 768
Gain on sale of discontinued operations	435 600	-
Total income	**2 340 758**	**2 115 120**
Overhead costs	(929 191)	(896 900)
Net operating income	**1 411 567**	**1 218 220**
Net impairment losses on financial assets and net provisions for guarantees and commitments	(50 254)	(101 790)
Share of profit (loss) of associates and joint venture entities valued at the equity method	37 359	33 769
Profit before income tax	**1 398 672**	**1 150 199**
Income tax expense	(175 043)	(221 033)
Income tax expense on gain on sale of discontinued operations	(82 764)	-
Net profit	**1 140 865**	**929 166**
1. Attributable to equity holders of the Company	1 137 519	926 641
2. Attributable to minority interest	3 346	2 525

CONSOLIDATED BALANCE SHEET - combined data (in PLN '000)	31.03.2008	31.12.2007	31.03.2007
ASSETS			
Cash and amounts due from Central Bank	6 667 392	5 121 210	5 134 552
Debt securities eligible for rediscounting at the Central Bank	1 327	1 108	23 465
Loans and advances to banks	12 254 120	16 960 034	19 018 479
Financial assets as held for trading	2 406 297	3 165 113	3 685 605
Derivative financial instruments	1 873 568	1 922 958	1 858 681
Other financial instruments at fair value through profit or loss	3 981 645	3 777 729	9 371 402
Loans and advances to customers	67 407 060	66 658 037	63 168 049
Net investment in the finance lease	3 169 253	3 043 768	2 668 578
Derivatives used for hedging	13 040	40 672	274 266
Investment securities	18 658 316	17 620 419	15 680 160
1. Available for sale	18 153 943	17 033 529	15 387 317
2. Held to maturity	504 373	586 890	292 843
Assets of disposal group classifield as held for sale	9 869	65 068	6 652
Investments in associated undertakings	411 786	388 169	316 525
Intangible assets	676 579	688 559	649 507
Tangible fixed assets	1 991 466	2 021 052	2 003 619
Investment property	57 470	58 559	57 690
Income taxes	467 174	421 486	432 741
1. Current tax assets	-	2 493	1 371
2. Deferred income tax assets	467 174	418 993	431 370
Other assets	2 353 148	2 142 210	1 266 298
TOTAL ASSETS	122 399 510	124 096 151	125 616 269
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Amounts due to the Central Bank	1 423 541	1 485 921	1 670 267
Amounts due to other banks	8 672 070	8 456 191	8 540 241
Financial liabilities as held for trading	445 011	491 382	630 825
Derivative financial instruments	1 927 249	1 661 282	1 689 091
Amounts due to customers	87 031 345	89 944 078	91 247 314
Derivatives used for hedging	67 184	28 965	32 372
Debt securities in issue	3 522 801	3 716 778	3 000 160
Liabilities directly associated with assets classified as held for sale	-	55 291	-
Current income tax liabilities	205 674	53 169	505 668
Provisions for deferred income tax	-	324	16 454
Provisions	373 638	379 828	327 138
Other liabilities	2 839 835	3 075 647	2 895 221
Total liabilities	106 508 348	109 348 856	110 554 751
Shareholders' equity			
Capital and reserves attributable to the Company's equity holders	15 807 304	14 666 788	14 987 678
Share capital	262 169	261 867	261 867
Other capital and reserves	12 396 319	12 393 624	12 118 232
Prior and current year profits	3 148 816	2 011 297	2 607 579
Minority interest	83 858	80 507	73 840
Total Shareholders' equity	15 891 162	14 747 295	15 061 518
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	122 399 510	124 096 151	125 616 269

QUARTERLY INDIVIDUAL FINANCIAL REPORT

INCOME STATEMENT - combined data (in '000 PLN)	**I Quarter 2008 period from 08-01-01 to 08-03-31**	**I Quarter 2007 period from 07-01-01 to 07-03-31**
Net interest income	1 031 210	952 280
Net fee and commission income	536 025	614 813
Other income	195 310	542 292
Overhead costs	(835 297)	(827 956)
Net operating income	**927 248**	**1 281 429**
Net impairment losses on financial assets and net provisions for guarantees and commitments	(37 715)	(95 971)
Profit before income tax	**889 533**	**1 185 458**
Income tax expense	(162 950)	(204 097)
Net profit	**726 583**	**981 361**

BALANCE SHEET - combined data (in PLN '000)	**31.03.2008**	**31.12.2007**	**31.03.2007**
ASSETS			
Cash and amounts due from Central Bank	6 635 260	5 082 829	5 119 397
Debt securities eligible for rediscounting at the Central Bank	1 327	1 108	23 465
Loans and advances to banks	13 029 546	17 551 065	18 798 506
Financial assets held for trading	2 223 029	2 828 802	3 322 550
Derivative financial instruments	1 881 896	1 917 960	1 860 286
Other financial instruments at fair value through profit or loss	3 981 597	3 777 679	9 371 402
Loans and advances to customers	64 668 782	63 955 254	61 295 227
Derivatives used for hedging	13 040	40 672	274 266
Investment securities	18 723 360	17 715 886	15 728 794
1. Available for sale	18 218 987	17 128 996	15 435 951
2. Held to maturity	504 373	586 890	292 843
Non-current assets held for sale	1 650	514	1 857
Shares in subsidiaries	1 631 694	1 631 694	1 450 533
Shares in associates	51 755	56 530	51 129
Intangible assets	657 583	668 183	629 900
Tangible fixed assets	1 877 117	1 908 424	1 925 188
Investment property	54 791	55 730	54 815
Income taxes	395 153	349 412	371 776
1. Current tax assets	-	-	-
2. Deferred income tax assets	395 153	349 412	371 776
Other assets	2 189 364	2 026 814	1 056 760
TOTAL ASSETS	**118 016 944**	**119 568 556**	**121 335 851**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Amounts due to the Central Bank	1 423 541	1 485 921	1 666 345
Amounts due to other banks	7 119 369	6 884 279	6 871 127
Financial liabilities held for trading	442 585	491 382	603 906
Derivative financial instruments	1 950 929	1 683 306	1 699 605
Amounts due to customers	86 737 485	89 160 124	90 640 278
Derivatives used for hedging	67 184	29 083	32 372
Debt securities in issue	2 002 665	2 097 070	1 683 435
Current income tax liabilities	123 318	51 793	495 235
Provisions for deferred income tax	-	-	-
Provisions	368 765	374 998	323 589
Other liabilities	2 644 636	2 932 216	2 450 697
Total liabilities	**102 880 477**	**105 190 172**	**106 466 589**
Shareholders' equity			
Share capital	262 169	261 867	261 867
Profit for the year and retained earnings	2 733 183	2 006 600	2 709 900
Other capital and reserves	12 141 115	12 109 917	11 897 495
TOTAL SHAREHOLDERS' EQUITY	**15 136 467**	**14 378 384**	**14 869 262**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**118 016 944**	**119 568 556**	**121 335 851**

4 Financial statements

CONSOLIDATED INCOME STATEMENT (in '000 PLN)	I Quarter 2008 period from 08-01-01 to 08-03-31			I Quarter 2007 period from 07-01-01 to 07-03-31		
	Continuing operations	Discontinued operations	**Total**	Continuing operations	Discontinued operations	**Total**
Interest income	1 970 342	-	1 970 342	986 389	-	986 389
Interest expense	(847 510)	(113)	(847 623)	(392 611)	(710)	(393 321)
Net interest income	**1 122 832**	**(113)**	**1 122 719**	**593 778**	**(710)**	**593 068**
Fee and commission income	726 246	556	726 802	573 212	7 336	580 548
Fee and commission expense	(115 819)	(112)	(115 931)	(61 866)	(1 536)	(63 402)
Net fee and commission income	**610 427**	**444**	**610 871**	**511 346**	**5 800**	**517 146**
Dividend income	87	-	87	42	-	42
Result on financial instruments at fair value	3 752	(30)	3 722	25 043	615	25 658
Result on investment securities	1 173	-	1 173	3 398	-	3 398
Foreign exchange result	102 873	-	102 873	66 138	-	66 138
Other operating income	86 642	1	86 643	32 312	-	32 312
Other operating expenses	(22 831)	(99)	(22 930)	(16 287)	-	(16 287)
Net other operating income	**63 811**	**(98)**	**63 713**	**16 025**	-	**16 025**
Gain on sale of discontinued operations	-	435 600	435 600	-	-	-
Net impairment losses on financial assets and net provisions for guarantees and commitments	(50 254)	-	(50 254)	(43 553)	-	(43 553)
Overhead costs	(928 548)	(643)	(929 191)	(590 150)	(4 133)	(594 283)
Operating profit	**926 153**	**435 160**	**1 361 313**	**582 067**	**1 572**	**583 639**
Share of profit (loss) of associates and joint venture entities valued at the equity method	37 359	-	37 359	33 769	-	33 769
Profit before income tax	**963 512**	**435 160**	**1 398 672**	**615 836**	**1 572**	**617 408**
Income tax expense	(175 099)	56	(175 043)	(113 866)	(434)	(114 300)
Income tax expense on gain on sale of discontinued operations	-	(82 764)	(82 764)			
Net profit	**788 413**	**352 452**	**1 140 865**	**501 970**	**1 138**	**503 108**
1. Attributable to equity holders of the Company	785 067	352 452	1 137 519	500 948	1 138	502 086
2. Attributable to minority interest	3 346	-	3 346	1 022	-	1 022
Earnings per share (in PLN per share)						
- basic for the period	3,00		4,34	3,00		3,01
- diluted for the period	2,99		4,34	3,00		3,00

CONSOLIDATED BALANCE SHEET (in PLN '000)	31.03.2008	31.12.2007	31.03.2007
ASSETS			
Cash and amounts due from Central Bank	6 667 392	5 121 210	4 257 412
Debt securities eligible for rediscounting at the Central Bank	1 327	1 108	3 245
Loans and advances to banks	12 254 120	16 960 034	11 751 807
Financial assets as held for trading	2 406 297	3 165 113	2 827 397
Derivative financial instruments	1 873 568	1 922 958	551 257
Other financial instruments at fair value through profit or loss	3 981 645	3 777 729	1 615 302
Loans and advances to customers	67 407 060	66 658 037	33 326 131
Net investment in the finance lease	3 169 253	3 043 768	1 074 085
Derivatives used for hedging	13 040	40 672	-
Investment securities	18 658 316	17 620 419	14 462 684
1. Available for sale	18 153 943	17 033 529	14 169 841
2. Held to maturity	504 373	586 890	292 843
Assets of disposal group classifield as held for sale	9 869	65 068	628
Investments in associated undertakings	411 786	388 169	235 667
Intangible assets	676 579	688 559	589 943
Tangible fixed assets	1 991 466	2 021 052	1 417 973
Investment property	57 470	58 559	57 690
Income taxes	467 174	421 486	322 502
1. Current tax assets	-	2 493	1 371
2. Deferred income tax assets	467 174	418 993	321 131
Other assets	2 353 148	2 142 210	1 079 942
TOTAL ASSETS	122 399 510	124 096 151	73 573 665
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Amounts due to the Central Bank	1 423 541	1 485 921	1 670 267
Amounts due to other banks	8 672 070	8 456 191	3 967 027
Financial liabilities as held for trading	445 011	491 382	537 968
Derivative financial instruments	1 927 249	1 661 282	529 632
Amounts due to customers	87 031 345	89 944 078	55 180 059
Derivatives used for hedging	67 184	28 965	-
Debt securities in issue	3 522 801	3 716 778	45 250
Liabilities directly associated with assets classified as held for sale	-	55 291	-
Current income tax liabilities	205 674	53 169	270 281
Provisions for deferred income tax	-	324	354
Provisions	373 638	379 828	223 943
Other liabilities	2 839 835	3 075 647	1 884 507
Total liabilities	106 508 348	109 348 856	64 309 288
Shareholders' equity			
Capital and reserves attributable to the Company's equity holders	15 807 304	14 666 788	9 246 611
Share capital	262 169	261 867	167 103
Other capital and reserves	12 396 319	12 393 624	6 896 484
Prior and current year profits	3 148 816	2 011 297	2 183 024
Minority interest	83 858	80 507	17 766
Total Shareholders' equity	15 891 162	14 747 295	9 264 377
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	122 399 510	124 096 151	73 573 665
	-	-	-
Capital adequacy ratio	10,63	12,12	14,70
Book value	15 807 304	14 666 788	9 246 611
Number of shares	262 168 504	261 866 657	167 103 098
Book value per share (in PLN per share)	60,29	56,01	55,33
Diluted numebr of shares	262 343 589	262 061 017	167 304 797,00
Diluted book value per share (in PLN per share)	60,25	55,97	55,27

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (in PLN '000)	2008 period from 08-01-01 to 08-03-31	2007 period from 07-01-01 to 07-12-31	2007 period from 07-01-01 to 07-03-31
Shareholders equity at the beginning of the period	14 747 295	8 892 627	8 892 627
a) adjustment related to IFRS/IAS introduction	-	-	-
b) change of consolidation method	-	-	-
c) adjustment due to fundamental errors	-	-	-
Adjusted shareholders equity at the beginning of the period	14 747 295	8 892 627	8 892 627
1. Share capital at the beginning of the period	261 867	166 808	166 808
a) Increase	302	95 059	295
- new shares issue	302	95 059	295
b) Decrease	-	-	-
- redemptions	-	-	-
1. Share capital at the end of the period	262 169	261 867	167 103
2. Earnings from previous years at the beginning of the period	2 011 297	1 680 938	1 680 938
a) Increase	-	-	-
- undistributed profits of prior period	-	-	-
- other	-	-	-
b) Decrease	-	(1 825 119)	-
- appropriation to general banking risk fund	-	(100 000)	-
- appropriation to other reserve capital	-	(158 756)	-
- appropriation to reserve capital	-	(27 856)	-
- dividend	-	(1 503 928)	-
- other	-	(34 579)	-
2. Earnings from previous years at the end of the period	2 011 297	(144 181)	1 680 938
3. Other capital and reserves at the beginning of the period	12 393 624	7 028 137	7 028 137
a) Increase	43 762	5 807 664	42 286
- appropriation of net profit	-	286 612	-
- share premium on issue of new shares	36 844	5 516 702	31 657
- valuation of securities available for sale (net)	-	-	9 347
- hedging financial instrument valuation	6 242	-	-
- employee share option proceeds	676	4 350	949
- foreign exchange differences from valuation of foreign entities	-	-	-
- other	-	-	333
b) Decrease	(41 067)	(442 177)	(173 939)
- cost of issues	(205)	(96 414)	(31)
- valuation of securities available for sale (net) in which:	(12 225)	(212 958)	-
gains/losses from valuation of securities available for sale	*(14 976)*	*(262 878)*	-
provision for deferred income tax of the securities portfolio valuation	*2 751*	*49 920*	-
- hedging financial instrument valuation	-	*(50 495)*	-
- foreign exchange differences from valuation of foreign entities	*(12 665)*	*(10 901)*	-
- other	*(15 972)*	*(71 409)*	*(173 908)*
3. Other capital and reserves at the end of the period	12 396 319	12 393 624	6 896 484
4. Net profit	1 137 519	2 155 478	502 086
Shareholders' equity at the end of the period	15 807 304	14 666 788	9 246 611
Minority interest at the beginning of the period	80 507	16 744	16 744
a) Changes:	3 351	63 763	1 022
- net profit	3 346	6 999	1 022
- other	5	56 764	-
Minority interest at the end of the period	83 858	80 507	17 766
Total equity	**15 891 162**	**14 747 295**	**9 264 377**

CONSOLIDATED STATEMENT OF CASH FLOW (in PLN '000)	1 Quarter 2008 period from 08-01-01 to 08-03-31	1 Quarter 2007 period from 07-01-01 to 07-03-31
Cash flow from operating activities - indirect method		
Net profit (loss)	1 137 519	502 086
Adjustments:	(3 460 287)	2 679 632
Deprecition	99 702	80 326
Share of profit (loss) associates	(37 359)	(33 769)
Foreign exchange differences	57 252	20 818
(Profit) loss on investing activities	(36 414)	(12 760)
Impariment	-	-
Interest and dividend	(96 255)	(161 772)
Change in loans and advances to banks	(346 962)	(6 497)
Change in financial assets as held for trading and other financial instruments at fair value through profit or loss	554 900	(438 132)
Change in derivative financial instruments	49 390	(24 615)
Change in loans and advances to customers	(749 242)	(1 548 730)
Change in net investment in the finance lease	(125 485)	(107 478)
Change in investment securities available for sale	2 988	(35 734)
Change in deferred income tax assets	(45 430)	(18 836)
Change in other assets	(174 317)	(487 191)
Change in amounts due to banks	153 499	1 582 040
Change in liabilities as held for trading	(46 371)	326 595
Change in derivative financial instruments and other financial liabilitiy at fair value through profit or loss	265 967	25 432
Change in amounts due to customers	(2 912 733)	3 386 476
Change in debt securities in issue	-	-
Change in provisions	(6 190)	-
Change in other liabilities	(95 345)	70 172
Income tax paid	(150 467)	(69 959)
Carrent tax	178 585	133 246
Net cash from operating activities	(2 322 768)	3 181 718
Cash flows from investing activities		
Investing activity inflows	5 620 114	7 381 141
Sale of subsidiaries and associates	-	-
Sale of investment securities	5 607 022	7 270 367
Sale of intangible assets and tangible fixed assets	13 092	137
Other investing inflows	-	110 637
Investing activity outflows	(6 706 703)	(8 682 855)
Purchase of subsidiaries and associates	-	-
Purchase of investment securities	(6 644 577)	(8 645 927)
Purchase of intangible assets and tangible fixed assets	(62 126)	(36 928)
Other investing outflows	-	-
Net cash used in investing activities	(1 086 589)	(1 301 714)
Cash flows from financing activities		
Financing activity inflows	795 317	31 921
Proceeds from loans and advances from other banks	-	-
Proceeds from other loans and advances	-	-
Issue of debt securities	758 376	-
Increase of subordinated liabilities	-	-
Issue of ordinary shares	36 941	31 921
Sale of own shares	-	-
Other financing inflows	-	-
Financing activity outflows	(892 654)	(4)
Repayments of loans and advances from other banks	-	-
Repayments of other loans and advances	-	-
Redemption of debt securities	(892 654)	(4)
Decrease of subordinated liabilities	-	-
Other financial liabilities	-	-
Payments of financial lease liabilities	-	-
Dividends and other payments to shareholders	-	-
Other than payments to shareholders expenditures due to appropriation of profit	-	-
Purchase of own shares	-	-
Other financing outflows	-	-
Net cash from financing activities	(97 337)	31 917
Total net cash flow	-3 506 694	1 911 921
Net change in cash and cash equivalents	-3 506 694	1 911 921
Cash and casch equivalents at the beginning of the period	16 645 143	10 633 337
Cash and cash equivalents at the end of the period	13 138 449	12 545 258

QUARTERLY INDIVIDUAL FINANCIAL REPORT

INCOME STATEMENT (in '000 PLN)	**I Quarter 2008 period from 08-01-01 to 08-03-31**	**I Quarter 2007 period from 07-01-01 to 07-03-31**
Interest income	1 836 382	966 583
Interest expense	(805 172)	(399 465)
Net interest income	**1 031 210**	**567 118**
Fee and commission income	645 977	479 238
Fee and commission expense	(109 952)	(53 650)
Net fee and commission income	**536 025**	**425 588**
Dividend income	37 287	152 349
Result on financial instruments at fair value	(787)	25 242
Result on investment securities	1 047	3 398
Foreign exchange result	100 485	65 669
Other operating income	72 900	28 205
Other operating expenses	(15 622)	(15 078)
Net other operating income	**57 278**	**13 127**
Net impairment losses on financial assets and net provisions for guarantees and commitments	(37 715)	(41 401)
Overhead costs	(835 297)	(538 794)
Operating profit	**889 533**	**672 296**
Profit before income tax	**889 533**	**672 296**
Income tax expense	(162 950)	(101 374)
Net profit	**726 583**	**570 922**
Earnings per share (in PLN per share)		
- basic for the period	2,77	3,42
- diluted for the period	2,77	3,41

BALANCE SHEET (in PLN '000)	31.03.2008	31.12.2007	31.03.2007
ASSETS			
Cash and amounts due from Central Bank	6 635 260	5 082 829	4 244 319
Debt securities eligible for rediscounting at the Central Bank	1 327	1 108	3 245
Loans and advances to banks	13 029 546	17 551 065	11 329 771
Financial assets held for trading	2 223 029	2 828 802	2 427 898
Derivative financial instruments	1 881 896	1 917 960	551 045
Other financial instruments at fair value through profit or loss	3 981 597	3 777 679	1 615 302
Loans and advances to customers	64 668 782	63 955 254	32 785 601
Derivatives used for hedging	13 040	40 672	-
Investment securities	18 723 360	17 715 886	14 385 583
1. Available for sale	18 218 987	17 128 996	14 092 740
2. Held to maturity	504 373	586 890	292 843
Non-current assets held for sale	1 650	514	628
Shares in subsidiaries	1 631 694	1 631 694	997 208
Shares in associates	51 755	56 530	51 092
Intangible assets	657 583	668 183	574 546
Tangible fixed assets	1 877 117	1 908 424	1 365 845
Investment property	54 791	55 730	54 815
Income taxes	395 153	349 412	291 365
1. Current tax assets	-	-	-
2. Deferred income tax assets	395 153	349 412	291 365
Other assets	2 189 364	2 026 814	894 697
TOTAL ASSETS	118 016 944	119 568 556	71 572 960
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Amounts due to the Central Bank	1 423 541	1 485 921	1 666 345
Amounts due to other banks	7 119 369	6 884 279	2 959 746
Financial liabilities held for trading	442 585	491 382	511 049
Derivative financial instruments	1 950 929	1 683 306	529 613
Amounts due to customers	86 737 485	89 160 124	54 741 868
Derivatives used for hedging	67 184	29 083	-
Debt securities in issue	2 002 665	2 097 070	8
Current income tax liabilities	123 318	51 793	259 848
Provisions for deferred income tax	-	-	-
Provisions	368 765	374 998	221 311
Other liabilities	2 644 636	2 932 216	1 450 153
Total liabilities	102 880 477	105 190 172	62 339 941
Shareholders' equity			
Share capital	262 169	261 867	167 103
Profit for the year and retained earnings	2 733 183	2 006 600	2 299 461
Other capital and reserves	12 141 115	12 109 917	6 766 455
TOTAL SHAREHOLDERS' EQUITY	15 136 467	14 378 384	9 233 019
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	118 016 944	119 568 556	71 572 960
Capital adequacy ratio	9,97	11,13	13,20

STATEMENT OF CHANGES IN EQUITY (in PLN '000)	2008 period from 08-01-01 to 08-03-31	2007 period from 07-01-01 to 07-12-31	2007 period from 07-01-01 to 07-03-31
Shareholders equity at the beginning of the period	14 378 384	8 620 165	8 620 165
a) adjustment related to IFRS/IAS introduction	-	-	-
b) adjustment due to fundamental errors	-	-	-
Adjusted shareholders equity at the beginning of the period	14 378 384	8 620 165	8 620 165
1. Share capital at the beginning of the period	261 867	166 808	166 808
a) Increase	302	95 059	295
- new shares issue	302	95 059	295
b) Decrease	-	-	-
- redemptions	-	-	-
1. Share capital at the end of the period	262 169	261 867	167 103
2. Retained earnings (loss) from previous years at the beginning of the period	2 006 600	1 728 539	1 728 539
a) Increase	-	-	-
- profit for previous year	-	-	-
b) Decrease	-	(1 728 539)	-
- appropriation to legal capital	-	(15 000)	-
- appropriation to general banking risk fund	-	(100 000)	-
- appropriation to reserve capital	-	(109 611)	-
- dividends	-	(1 503 928)	-
2. Retained earnings (loss) at the end of the period	2 006 600	-	1 728 539
3. Other capital at the beginning of the period	12 109 917	6 724 818	6 724 818
a) Increase	43 693	5 745 663	41 704
- appropriation of net profit	-	224 611	-
- issue of shares under its' nominal value	36 844	5 516 702	31 657
- valuation of securities available for sale (net);	-	-	9 098
in which			
gains/losses from valuation of securities available for sale	-	-	11 317
provision for deferred income tax	-	-	(2 219)
- valuation of hedging financial instruments (net); in which:	6 189	-	-
hedging financial instrument valuation	7 671	-	-
provision for deferred income tax of the hedging financial instrument valuation	(1 482)	-	-
- valuation of management options	660	4 350	949
b) Decrease	(12 495)	(360 564)	(67)
- cost of issues	(205)	(96 414)	(31)
- valuation of securities available for sale (net); in which:	(12 249)	(212 878)	-
gains and losses from valuation of securities available for sale	*(15 006)*	*(262 778)*	-
provision for deferred income tax of the securities portfolio valuation	*2 757*	*49 900*	-
- valuation of hedging financial instruments (net); in which:	-	(50 039)	-
hedging financial instrument valuation	-	*(61 776)*	-
provision for deferred income tax of the hedging financial instrument valuation	-	*11 737*	-
- foreign exchange differences on branches abroad	(41)	(1 233)	(36)
3. Other capital at the end of the period	12 141 115	12 109 917	6 766 455
4. Net profit	726 583	2 006 600	570 922
Shareholders' equity at the end of the period	15 136 467	14 378 384	9 233 019

CASH FLOW STATEMENT (in PLN '000)	I Quarter 2008 period from 08-01-01 to 08-03-31	I Quarter 2007 period from 07-01-01 to 07-03-31
Cash flow from operating activities - indirect method		
Net profit (loss)	726 583	570 922
Adjustments:	(3 669 219)	2 287 891
Depreciation	90 632	75 795
Foreign exchange differences	89 947	(7 292)
(Profit) loss on investing activities	(1 183)	(12 697)
Impairment	-	-
Interest and dividend	(128 772)	(313 318)
Change in loans and advances to banks	(1 057 707)	(118 358)
Change in financial assets as held for trading and other financial instruments at fair value through profit or loss	401 855	(379 177)
Change in derivative financial instruments	36 064	(24 402)
Change in loans and advances to customers	(713 747)	(434 012)
Change in investment securities available for sale	939	(37)
Change in deferred income tax assets	(45 741)	(18 760)
Change in other assets	(126 216)	(463 206)
Change in amounts due to banks	172 710	653 814
Change in liabilities as held for trading	(48 797)	307 641
Change in derivative financial instruments	267 623	25 419
Change in amounts due to customers	(2 422 639)	2 930 618
Change in debt securities in issue	-	-
Change in provisions	(6 233)	299
Change in other liabilities	(206 297)	6 871
Income tax paid	(134 607)	(61 442)
Current tax	162 950	120 135
Net cash from operating activities	(2 942 636)	2 858 813
Cash flows from investing activities		
Investing activity inflows	5 567 484	7 467 867
Sale of subsidiaries and associates	-	-
Sale of investment securities	5 516 067	7 211 447
Sale of intangible assets and tangible fixed assets	216	72
Other investing inflows	51 201	256 348
Investing activity outflows	(6 628 549)	(8 872 298)
Purchase of subsidiaries and associates	-	(326 108)
Purchase of investment securities	(6 582 468)	(8 518 583)
Purchase of intangible assets and tangible fixed assets	(46 081)	(27 607)
Other investing outflows	-	-
Net cash used in investing activities	(1 061 065)	(1 404 431)
Cash flows from financing activities		
Financing activity inflows	36 941	31 921
Loans received from banks	-	-
Loans received from other financial institutions	-	-
Issue of debt securities	-	-
Increase in subordinated liabilities	-	-
Issue of ordinary shares	36 941	31 921
Sale of own shares	-	-
Other inflows	-	-
Financing activity outflows	(60 035)	(4)
Repayment of bank loans	-	-
Repayment of loans received from other financial institutions	-	-
Redemption of debt securities	(60 035)	(4)
Decrease of subordinated liabilities	-	-
Repayment of other financial liabilities	-	-
Repayment of pricipal amounts under finance lease agreements	-	-
Dividends and other payments to shareholders	-	-
Outflows from profi appropriation other than payments to shareholders	-	-
Purchase of own shares	-	-
Other financing outflows	-	-
Net cash from financing activities	(23 094)	31 917
Total net cash flow	(4 026 795)	1 486 299
Net change in cash and cash equivalents	(4 026 795)	1 486 299
Cash and cash equivalents at the beginning of the period	16 814 198	10 577 405
Cash and cash equivalents at the end of the period	12 787 403	12 063 704

5 Additional information

5.1 Operational Integration

On 29th November 2007 the legal integration of Bank Pekao S.A. with the part of Bank BPH S.A. transferred as an organized part of enterprise was completed.

In order to ensure continuous and undisrupted customer service during the transition phase, Bank Pekao S.A. and Bank BPH S.A. concluded relevant outsourcing agreements. According to these agreements Bank BPH S.A. will outsource to Bank Pekao S.A. a part of its IT Platform until the completion of the migration process of customers data from Bank BPH S.A.

In order to efficiently manage the risks inherent in the operational integration, in-depth analyses were performed in order to identify individual risk areas and develop methods best suited to managing operational risk. The key objective behind the adopted strategy for operational risk management, which includes necessary monitoring and support plans and procedures, is to ensure high security of the process, as well as continuous and undisrupted service to all customers, while mitigating identified operational risks.

Since the beginning of 2008, intensive efforts have been undertaken relating to the migration of accounts and data of clients handled by Pekao285 outlets from Bank BPH's IT platform to Bank Pekao's IT platform. The migration has been carried out on a roll-out basis, which means that customers are being migrated and their account numbers are being changed gradually – one group of outlets at a time. In order to minimize inconveniences for customers, both previous and new account numbers will be active for an additional one year after migration. The migration is preceded by procedures unification, installation of new terminals and set-up of applications comprising the operational and IT system, as well as intensive training of employees manning the acquired outlets.

The migration is being realised in line with the pre-defined timetable. As of the date of this report, migration has been completed for almost 80% of customers in 198 branches. Furthermore, the migration of all corporate customers has been successfully completed. The migration process has required the full engagement and commitment of all staff in order to quickly implement necessary technical adjustments that were unavoidable, taking into consideration the immense scale of the operation. The experience gathered in this process will allow to successfully complete the migration on time. After the migration all customers have access to the full scope of products and services offered by the Bank, including all electronic distribution channels – Pekao24 and PekaoBiznes24 with the offer of internet banking for SME clients extended by the introduction of PekaoFIRMA24.

5.2 The Group

The Bank Pekao S.A. Capital Group as at 31st March 2008 consists of Bank Pekao S.A as the parent entity and 25 subsidiary entities.

The following entities are included in the consolidated financial report as at 31st March 2008:

No	Company's name	Core activity	% of shareholder's share capital	Status
	Parent entity			
	Bank Pekao S.A.	Banking	-	-
	Entities fully consolidated			
	UniCredit Bank Ltd. (before Bank Pekao (Ukraina) Ltd.)	Banking	100.00	full
	Centralny Dom Maklerski Pekao S.A.	Brokerage	100.00	full
	Pekao Fundusz Kapitałowy Sp. z o.o.	Financial	100.00	full
	Pekao Leasing Sp. z o. o.	Leasing	100.00	full
	Pekao Faktoring Sp. z o.o.	Financial	100.00	full
	Pekao Pioneer Powszechne Towarzystwo Emerytalne S.A.	Financial	65.00	full
	Drukbank Sp. z o.o.	No activities performed	100.00	full
	Centrum Kart S.A.	Financial	100.00	full
	Pekao Financial Services Sp. z o. o.	Financial	100.00	full
	BPH Bank Hipoteczny S.A.*	Banking	100.00	full
	BPH PBK Leasing S.A.	Leasing	80.10	full
	Finanse plc *	Financial agency	100.00	full
	Indirect subsidiary – subsidiary of BPH PBK Leasing			
	BPH Leasing S.A.	Leasing	80.10	full
	BPH Auto Finanse S.A.	Car lease and fleet management	80.10	full
	Indirect subsidiary – subsidiary of UniCredit Bank Ltd.			
	BDK Consulting Sp. z o. o.	Consulting, hotels, transportation	99.99	full
	Subsidiary entities non-consolidated			
	Final Holding Sp. z o. o.	Holding management	100.00	non- consolidated
	BPH Real Estate S.A.	Real estate	100.00	non- consolidated
	Centrum Usług Księgowych Sp. z o.o.	Accounting service	100.00	non- consolidated
	Property Sp. z o. o. (in liquidation)	Real estate	100.00	non- consolidated
	Centrum Bankowości Bezpośredniej Sp. z o. o.	Call-center	98.00	non- consolidated
	Indirect subsidiary – subsidiary of Final Holding Sp. z o. o.			
	PBKL S.A. (in bankruptcy)	N/A	84.51/84.79	non- consolidated
	Final S.A.	Aluminum profiles manufacture	99.82/99.84	non- consolidated
	Indirect subsidiary – subsidiary of Property Spółka z o.o. (in liquidation)			
	FBP Media Sp. z o. o.	Real estate	100.00	non- consolidated
	Indirect subsidiary – subsidiary of BPH Real Estate S.A.			

Metropolis Sp. z o. o.	Real estate – venture capital	100.00	non- consolidated
Jana Kazimierza Development Sp. z o. o.	Real estate – venture capital	100.00	non- consolidated
Associated with Bank Pekao S.A.			
Central Poland Fund LLC	Financial brokerage	53.19	Equity
Xelion. Doradcy Finansowi Sp. z o.o.	Supporting, financial and insurance	50.00	Equity
Pioneer Pekao Investment Management S.A.	Financial brokerage	49.00	Equity
Pirelli Pekao Real Estate Sp. z o.o	Real estate	25.00	Equity
Krajowa Izba Rozliczeniowa S.A.	Clearing House	34.44	Equity
CPF Management	Financial brokerage no activities performed	40.00	not valuated under equity method
Bankowe Doradztwo Podatkowe Sp. z o. o.	Tax Advisory	74.00/48.68	not valuated under equity method
Polish Banking System S.A.. (in liquidation)	In liquidation	48.90	not valuated under equity method
PPP Budpress Sp. z o. o. (in liquidation)	In liquidation	36.20	not valuated under equity method

* Percentage shares of entities which make up the Pekao S.A. Capital Group at the General Shareholder Meeting/General Partner Meeting are as follows:

- Final Holding Sp. z o. o. – a subsidiary of Bank Pekao S.A. - holds 0.04 % share in BPH Bank Hipoteczny S.A. Total share of the Group in BPH Bank Hipoteczny S.A. equity is 100%,
- Final Holding Sp. z o. o. – a subsidiary of Bank Pekao S.A. - holds 0.02 % share in equity of Finanse plc. Total share of the Group in Finanse plc equity is 100%.

As at 31st March 2008 the composition of the Capital Group was unchanged as compared to 31st December 2007.

As at 31st March 2008 the Group engagement at subsidiary and associated entities non-consolidated or not valued under the equity method were included at the cost of purchase. Financial data of these companies are immaterial and have no influence on Group consolidated financial report.

In the first quarter of 2008 an organised part of Pekao S.A. Central Brokerage House enterprise operations connected with investment banking (CDM MIB) was sold. The organised part of the enterprise was purchased on behalf of and for UniCredit CAIB Polska S.A. on 28th January 2008.

The effect of the sale of the corporate brokerage and investment banking services part of enterprise of CDM S.A. was as follows (PLN ths.):

Value of net assets sold	7 996
Gross gain on sale	435 600
Sale price (cash inflow)	443 596

5.3 Results achieved in the first quarter of 2008 and factors which influenced these results

In order to provide better comparability, the financial statements (hereafter referred to as „combined data" or „combined result") in respect of the first quarter of 2007 are presented as a „combination" of the financial results of the Bank Pekao Group and Pekao285, i.e. that part of Bank BPH S.A. merged with Bank Pekao S.A. through the division of Bank BPH S.A. as registered on 29th November 2007".

5.3.1 Results of the Group

For the first quarter of 2008 Bank Pekao S.A. Group reported a net profit attributable to shareholders of PLN 1,137.5 million, i.e. PLN 210.9 million (22.8%) higher than combined result for the first quarter of 2007.

The results for the first quarter of 2008 were realised in a tough environment due to the continuing difficult situation in the international financial markets and Warsaw Stock Exchange. As a result, the decrease of shares prices and resulting redemptions during the period resulted in a substantial decrease of mutual fund assets. A further negative factor influencing results was the slowdown in the mortgage loans market, particularly in loans denominated in PLN.

Despite the above and with work continuing in respect of the integration, the Group achieved a good financial result. Growth in the first quarter results was driven by a good commercial performance, as a result of which the decrease in commissions relating to investment products was compensated for by the growth in net interest income. Operating costs were kept under control and a significant reduction in cost of risk was realised.

High efficiency of Pekao Group is confirmed by return on average equity (ROE), which in the first quarter of 2008 stood at 22.8%* as compared to 22.4%* in the first quarter of 2007.

The income statement include one-off transactions in both the first quarter of 2007 and 2008:

- in the first quarter of 2007, the disposal of shares in Commercial Union PTE resulted in the Pekao Group realising a pre-tax profit of PLN 178.0 million and net profit of PLN 144.2 million,
- in the first quarter of 2008 the disposal of part of the enterprise of CDM conducting corporate brokerage and investment banking services resulted in the Pekao Group realising a pre-tax profit of PLN 435.6 million and net profit of PLN 352.8 million.

The consolidated income statement for the first quarter of 2008 and combined data for the first quarter of 2007 is presented below:

(PLN million)

	I Q 2008	I Q 2007 combined
Net interest income **	1,136.9	1,011.5
Fee and commission income	610.9	708.3
Dividend income	0.1	0.0
Trading income / FX gains	93.6	369.7
Other operating income / cost net	63.7	25.5
Gain on sale of discontinued operations	435.6	0.0
Total income	**2,340.8**	**2,115.1**
Overhead costs (including depreciation)	**(929.2)**	**(896.9)**
Operating income	**1,411.6**	**1,218.2**
Impairment losses on loans and advances	(50.3)	(101.8)
Share in net profit (loss) of the associates	37.4	33.8
Pre-tax profit	**1,398.7**	**1,150.2**
Tax charge	(257.8)	(221.0)
Net profit	**1,140.9**	**929.2**
Attributable to equity holders of the Company	**1,137.5**	**926.6**
Attributable to minority interest	3.4	2.6

* For the purpose of calculation of these ratios, result of one-off transactions i.e. gain on sale of part of the enterprise of CDM Pekao S.A. conducting corporate brokerage and investment banking services (in 1Q 2008) and gain on sale of Commercial Union PTE (in 1Q 2007) were included in the results of respective quarters, however it was not annualized.

** Including income on SWAP transactions.

The Group's income

In the first quarter of 2008, the Group's total income amounted to PLN 2,340.8 million, PLN 225.7 million (10.7%) higher than combined income in the first quarter of 2007.

Group income in the first quarter of 2008 remained under pressure as a result of the difficult situation on stock exchange. This resulted in redemptions of mutual funds and a decrease in assets valuation. Fee and commission income decreased by PLN 97.4 million (13.8%), mainly due to lower commissions on investment products. As a result of a significant decline in demand, lower sales of mutual funds translated into lower up-front fees while the decrease of mutual funds assets under management impacted management commissions. In addition, lower activity on the WSE let to reduced fees from retail customer share trading activities.

A growth in net interest income by PLN 125.4 million (12.4%) offset the decrease in net fees and commissions income.

The Group's overhead costs (including depreciation)

Total overhead costs (including depreciation) in the first quarter of 2008 amounted to PLN 929.2 million, i.e. an increase of only PLN 32.4 million (3.6%) in comparison to the combined costs in the first quarter of 2007, i.e. below the inflation rate.

(PLN million)

	I Q 2008	I Q 2007 combined
Overhead costs (including depreciation)	**(929.2)**	**(896.9)**
- Personnel costs	(471.6)	(456.2)
- Non-personnel costs	(357.9)	(344.4)
- Depreciation	(99.7)	(96.3)

Overhead costs were kept under control, the increase was mainly due to the costs of the integration and expansion in the Ukrainian market.

In the first quarter of 2008, the Group's cost / income ratio amounted to 39.7%, in comparison with 42.4% in the first quarter of 2007.

As at the end of March 2008, the Bank had 20,502 employees, compared to 20,636 as at the end of December 2007. The Group had 22,900 employees, compared to 22,926 as at the end of December 2007.

Impairment losses on loans and advances

In the first quarter of 2008, impairment losses on loans and advances amounted to PLN 50.3 million and were PLN 51.5 million (50,6%) lower than the combined result for the first quarter of 2007, benefiting from effective credit risk management and a good macroeconomic situation.

(PLN million)

	31.03.2008	31.12.2007
Gross receivables*	75,219.8	74,334.9
not impaired	69,616.0	68,574.4
impaired	5,603.8	5,760.5
Impairment losses	(4,881.5)	(4,855.5)
Interest	233.1	219.1
Total net value	**70,571.4**	**69,698.5**

* Including debt securities eligible for rediscounting at the Central Bank, net investment in the finance lease, non quoted securities and BSB transactions.

At the end of March 2008, the ratio of impaired receivables to total receivables amounted to 7.4% compared to 7.8% at the end of 2007. The ratio decreased due to the increased volume of total loans and a reduced volume of impaired loans.

Loans

(PLN million)

	31.03.2008	31.12.2007
Gross loans (principal)*	**74,697.6**	**73,832.2**
corporate (principal)	50,349.1	49,595.9
retail (principal)	24,348.5	24,236.3

* Including debt securities eligible for rediscounting at the Central Bank and net investment in the finance lease, excluding non quoted securities and BSB transactions.

The volume of Group loans as at the end of the first quarter of 2008 amounted to PLN 74,697.6 million, of which corporate loans amounted to PLN 50,349.1 million and retail loans PLN 24,348.5 million.

The growth of PLN 865.8 million was driven by an increase in corporate loans and mortgage loans.

Savings

(PLN million)

	31.03.2008	31.12.2007
Deposits (principal)	**83,288.7**	**86,440.9**
corporate (principal)	45,341.3	50,006.9
retail (principal)	37,947.4	36,434,0
Structured Certificates of Deposits	**1,986.3**	**2,049.6**
Pioneer Pekao TFI mutual funds	**23,205.3**	**28,717.5**
incl. distributed through the Group's network	21,664.0	27,000.3
Total savings	**108,480.3**	**117,208.0**
incl. retail	63,139.0	67,201.1

At the end of March 2008, customer savings of the Group (customer deposits, structured certificates of deposits and mutual funds) amounted to PLN 108,480.3 million and were PLN 8,727.7 million lower than at the end of 2007. The reduction was due to a decrease in mutual funds of PLN 5,512.2 million (significantly impacted by negative valuation), partially offset by an increase in retail deposits of PLN 1,513.4 million, and a decrease in corporate deposits of PLN 4,665.6 million, a trend also observed in the banking sector.

5.3.2 The structure of the net profit

The structure of the net profit of the Group is shown in the following table:

(PLN million)

	I Q 2008	I Q 2007 combined
Net profit of Banku Pekao S.A.	**726.6**	**981.4**
Entities consolidated under full method		
Centralny Dom Maklerski Pekao S.A.*	375.6	45.7
BPH PBK Leasing S.A.**	9.3	7.5
UniCredit Bank Ltd.***	5.6	(7.0)
BPH Bank Hipoteczny S.A.****	5.6	7.0
Pekao Pioneer PTE S.A.	4.3	2.9
Pekao Financial Services Sp. z o.o.	4.2	3.7
Pekao Leasing Sp. z o.o.	3.8	2.5
Centrum Kart S.A.	2.8	0.6
Pekao Faktoring Sp. z o.o.	1.9	1.7
Finanse plc*****	-	1.1
Pekao Fundusz Kapitałowy Sp. z o.o.******	0.8	1.5
Drukbank Sp. z o.o.	0.1	0.0
Pekao Access Sp. z o.o.	-	0.0
Entities valued under the equity method		
Pioneer Pekao Investment Management S.A.	32.1	29.8
Pirelli Pekao Real Estate Sp. z o.o.	3.4	4.1
Krajowa Izba Rozliczeniowa S.A. *******	3.2	1.5
Central Poland Fund LLC	0.0	0.0
Xelion. Doradcy Finansowi Sp. z o.o.	(1.6)	(2.3)
Exclusions and consolidation adjustments ********	**(40.2)**	**(155.1)**
Net profit of the Group attributable to shareholders	**1,137.5**	**926.6**

* The result of the first quarter of 2008 including the effect of sale of corporate brokerage and investment banking services part of the company.
** The result of the subsidiary covering results of dependent entities BPH Leasing S.A and BPH Auto Finanse S.A. The result of the first quarter of 2007 not included in financial statements for that period.
*** The result of the first quarter of 2007 covering only the result of UniCredit Bank Ltd. (former Bank Pekao (Ukraina) Ltd.)
**** The result of the first quarter of 2007 not included in financial statements for that period.
***** The result of the first quarter of 2007 not included in financial statements for that period. Former company's name: BPH Finance plc.
****** The result of the first quarter of 2007 including valuation of associated entities under equity method.
******* Higher result the first quarter of 2008 also due to higher Bank's share in the company since 30.11.2007.
******** Includes transactions within the Group, including dividends from subsidiaries for the year 2007 paid in 2008 and net profit attributable to minority interest.

The results of Bank Pekao S.A.

The main items from the income statement of the Bank for the first quarter of 2008 and combined data for the first quarter of 2007 are as follows:

(PLN million)

	I Q 2008	I Q 2007 combined
Net interest income*	1,045.4	951.8
Non-interest income	717.1	1,157.6
Total income	**1,762.5**	**2,109.4**
Overhead costs (including depreciation)	**(835.3)**	**(828.0)**
Operating income	**927.2**	**1,281.4**
Impairment losses on loans and advances	(37.7)	(95.9)
Pre-tax profit	**889.5**	**1,185.5**
Net profit	**726.6**	**981.4**

* Including income on SWAP operations.

The combined net profit and combined total income of the Bank in the first quarter of 2007 included a one-off transaction comprising the sale of shares in Commercial Union PTE with an impact on the combined total income of PLN 178,0 million and on combined net profit of PLN 144.2 million.

The income of the Bank in the first quarter of 2008 in comparison with combined data for the first quarter of 2007 was influenced by:

- an increase in net interest income of PLN 93.6 million,
- lower fees and commissions income - by PLN 78.8 million, mainly due to unfavorable market conditions, impacting income on investment products,
- lower income from dividend by PLN 115 million – the dividend from CDM in 2007 (PLN 138.0 million) was paid in the first quarter while in 2008 will be paid in the second quarter.

At the same time operating costs were kept under control while the cost of risk has decreased substantially.

The main items of the Bank's balance sheet at the end of March 2008 in comparison with the end of December 2007 are as follows:

	31.03.2008	31.12.2007
Total gross loans in PLN million*	68,402.1	67,701.6
Impaired receivables to total receivables in %	7.4	7.7
Total deposits in PLN million*	82,992.1	85,658.8
Total assets in PLN million	118,016.9	119,568.6
Structured Certificates of Deposits in PLN million	1,986.3	2,049.6
Mutual funds distributed through the Bank's network in PLN million	19,395.3	24,153.9
Capital adequacy ratio in %	10.0	11.1

* The nominal value.

The volumes of Bank's loans as at the end of March 2008 amounted to PLN 68,402.1 million, of which corporate loans PLN 45,025.7 million and retail loans PLN 23,376.4 million. In the first quarter of 2008 gross loans volumes increased by PLN 700.5 million (1.0%).

At the end of March 2008, savings of the Bank's clients amounted to PLN 104,373.7 million and were by PLN 7,488.6 million lower than at the end of 2007. The reasons of such changes in savings are described above.

5.3.3 Achievements of Bank Pekao S.A.

Bank Pekao S.A. is a universal, commercial bank, offering a full range of banking services to both individual and corporate clients, operating in Poland and abroad. Pekao Group's subsidiary financial institutions operate in banking, asset management, pension funds, brokerage, leasing and factoring markets.

In the first quarter of 2008, there were intense actions undertaken connected to the integration of Bank Pekao with the separated part of Bank BPH S.A. At the same time the Bank continued its high level of business activity. The continuous efforts were focused on offering key products, in particular PLN mortgage loans, consumer loans and mutual funds. The Bank continued its policy of offering PLN mortgage loans.

	31.03.2008	31.12.2007
Total number of PLN current accounts (in thousand) *	4,175.0	4,179.7
of which packages (in thousand)	3,194.7	3,205.1
Number of mortgage loans accounts (in thousand) **	177.8	181.0
of which PLN mortgage loans accounts (in thousand)	117.2	117.1
Number of "Express Loans" accounts (in thousand)	674.0	679.7
Total number of outlets (in items)	1,055	1,058
Total number of ATMs (in items)	1,888	1,885

* Number of accounts including accounts of pre-paid cards.
** Retail customers accounts

The Bank has a superior physical distribution available to its clients, with a comprehensive and convenient countrywide network. The distribution network is supplemented with teams of Relationship Managers and a network of the Private Banking offices. The number of customers using alternative distribution channels such as the call centre and internet banking platform is systematically growing. Pekao[24] Service (for the retail and SME clients) and PekaoBiznes24 (for corporate clients) facilitate the management of financial assets, and the scope of services is being systematically extended. In the first quarter of 2008 the internet banking platform functionality was improved by the possibility of term deposit termination, the scope of applications was extended by cards application, Eurokonto overdraft granting and changing of monthly limits as well as opening current account in convertible currencies and brokerage account in Dom Maklerski Pekao (Pekao Brokerage House).

The offer of internet banking for SME clients was extended by introduction of PekaoFIRMA24.

Bank Pekao S.A. continues to organize conferences for entrepreneurs regarding EU funds availability for enterprises in Poland within the framework of EU budget for the years 2007-2013. The aim of these conferences is to present possibilities of utilizing support funds and to indicate the Bank's instruments supporting process of gathering EU funds for projects realization.

Bank Pekao S.A. is offering an unique instrument on the Polish market, the Internet search engine for information about the EU funds – a tool supporting the provision of basic information about EU programs meeting pre-defined criteria. This search tool as well as Bank's EU newsletter, providing up to date information about legislation changes and support programs in place, are available on the Bank's website.

5.3.4 Achievements of subsidiaries

Pioneer Pekao TFI S.A.

As at 31st March 2008, the net assets value of mutual funds under management of Pioneer Pekao TFI S.A., a company managed by Pioneer Pekao Investment Management S.A. (in which the Bank holds a 49% share), amounted to PLN 23,205.3 million and was lower by PLN 5,512.2 million compared with the end of 2007. The decrease of assets was driven by unfavorable market conditions that resulted in significant redemptions of mutual funds and the decrease of assets valuation caused mainly by a decrease of shares prices. As at 31st March 2008, the Company had 1,196.6 thousand open accounts (a decrease by 5.8% in the first quarter of 2008).

The net assets value of mutual funds under management of Pioneer Pekao TFI S.A. is presented in the table below:

(PLN million)

	31.03.2008	31.12.2007
Net assets value of Pioneer Pekao TFI	**23,205.3**	**28,717.5**
- bond and money market funds	5,253.7	4,550.5
- equity funds	7,377.1	10,564.7
- balanced funds	10,574.5	13,602.3

Centralny Dom Maklerski Pekao S.A. (CDM)

At the end of March 2007, CDM maintained over 149.8 thousand investment accounts and its market share amounted to 15.1%. CDM also offered on-line access to investment accounts, allowing its customers to buy and sell all instruments listed on the Warsaw Stock Exchange and on the OTC market (CeTO) through the Internet. As at 31st March 2008, CDM maintained 27.1 thousand on-line accounts, 0.7 thousand more than at the end of 2007.

In the first quarter of 2008 the Company achieved:

- a 21.0% share in the bond trading volume on the Warsaw Stock Exchange,
- a 3.2% share in the stock trading volume on the Warsaw Stock Exchange,
- a 4.1% share in the futures trading volume on the Warsaw Stock Exchange.

In line with Bank's strategy of concentration on retail brokerage services, being a part of the integrated services offered by Bank to retail clients, CDM on the basis of a sale agreement dated January 28th 2008 sold to UniCredit CA IB part of the enterprise conducting corporate brokerage and investment banking services.

UniCredit Bank Ltd.

As of 31st March 2008 UniCredit Bank pursues its activity through 57 branches, 192 debit cards and consumer credits sales outlets, providing services for over 113.0 thousand individual clients and over 1.8 thousand corporate clients.

According to information provided by Bank Austria Creditanstalt AG (BA-CA), a member of UniCredit Group, BA-CA on 24th January 2008 completed on the acquisition of 94.2% of the share capital of Ukrsotsbank (which is the fourth largest bank in Ukraine by assets) from the group of investors represented by Interpipe Group. The structure of the Ukrainian operations belonging to the UniCredit Group is currently being assessed.

5.4 Segment reporting

Segment reporting of the Pekao Group covers following areas:

- Retail banking area – full-range of banking activity related to retail clients and small and micro companies with annual turnover not exceeding PLN 10 million, and also income of companies consolidated under the full method and assigned to retail activity,
- Corporate banking area – full-range of banking activity related to medium and large companies, and also income of companies consolidated under the full method and assigned to corporate activity,
- Treasury and Investment activities area – Bank's involvement on inter-bank market, in debt securities and capital investments in companies, which are not a part of other segments, and also income of companies consolidated under the full method and assigned to this activity.

Information on main segments' results for the first quarter of 2008*:

(PLN million)

	Retail activity	Corporate activity	Treasury and Investment activity	Total Group
External interest income	747.3	699.6	523.4	1 970.3
External interest expense	278.2	441.4	128.0	847.6
Net external interest income	**469.1**	**258.2**	**395.4**	**1,122.7**
Internal interest income	631.5	860.8	(1 492.3)	-
Internal interest expense	367.5	737.4	(1 104.9)	-
Net internal interest income	**264.0**	**123.4**	**(387.4)**	**-**
Net interest income	**733.1**	**381.6**	**8.0**	**1,122.7**
Non interest income	**526.3**	**669.5**	**22.3**	**1,218.1**
Total income	**1,259.4**	**1,051.1**	**30.3**	**2,340.8**
Allocated assets	32,478.2	40,334.3	40,600.2	113,412.7
Unallocated assets				8,986.8
Total assets				**122,399.5**
Allocated liabilities	52,417.8	39,143.8	8,880.0	100,441.6
Unallocated liabilities				21,957.9
Total liabilities				**122,399.5**

* Including results of Pekao285

Information on main segments' results for the first quarter of 2007*:

(PLN million)

	Retail activity	Corporate activity	Treasury and Investment activity	Total Group
External interest income	288.0	355.6	342.8	986.4
External interest expense	91.4	235.3	66.6	393.3
Net external interest income	**196.6**	**120.3**	**276.2**	**593.1**
Internal interest income	315.0	260.6	(575.6)	-
Internal interest expense	126.6	256.3	(382.9)	-
Net internal interest income	**188.4**	**4.3**	**(192.7)**	**-**
Net interest income	**385.0**	**124.6**	**83.5**	**593.1**
Non interest income	**487.3**	**107.9**	**33.2**	**628.4**
Total income	**872.3**	**232.5**	**116.7**	**1,221.5**
Allocated assets	13,243.5	24,558.9	30,998.2	68,800.6
Unallocated assets				4,773.1
Total assets				**73,573.7**
Allocated liabilities	30,868.2	23,917.1	6,206.7	60,992.0
Unallocated liabilities				12,581.7
Total liabilities				**73,573.7**

* Methodology comparable with methodology of the first quarter of 2008, data different than published for the first quarter of 2007 due to changes in allocation of revenues by segment. The methodology applied by the Bank in allocation of interest income/expense between segments is based on the application of market interest rates to segment product volumes, pricing for liquidity, term to maturity and currency structure.

5.5 Adjustments for provisions, deferred tax provision and assets

(PLN million)

	Group		Bank Pekao S.A.	
	31.03.2008	**31.12.2007**	**31.03.2008**	**31.12.2007**
Total provisions	**373.6**	**379.8**	**368.8**	**375.0**
of which:				
provisions for off-balance sheet liabilities	180.4	186.2	180.4	186.2
provisions for liabilities to employees	129.6	123.6	127.8	121.9
other provisions	63.6	70.0	60.6	66.9
Provision for deferred tax	**0.0**	**0.3**	**0.0**	**0.0**
Deferred tax assets	**467.2**	**419.0**	**395.2**	**349.4**

5.6 Write-offs for revaluation of assets

(PLN million)

	Group		Bank Pekao S.A.	
	I Q 2008	**I Q 2007**	**I Q 2008**	**I Q 2007**
Total	**(50.3)**	**(43.6)**	**(37.7)**	**(41.4)**
for loan receivables	(52.6)	(45.7)	(40.1)	(43.5)
for off-balance sheet liabilities	2.1	2.1	2.2	2.1
other	0.2	0.0	0.2	0.0

5.7 Information on contingent assets and liabilities

(PLN million)

	31.03.2008	31.12.2007
Contingent liabilities granted and received	61,294.3	64,325.0
Liabilities granted:	36,372.6	38,716.8
Financial	32,222.8	34,264.5
Guarantees	4,149.8	4,452.2
Liabilities received:	24,921.8	22,608.2
Financial	6,400.8	2,199.5
Guarantees	18,521.0	20,408.7
Financial derivatives	253,682.3	298,579.7
currency transactions	65,038.2	109,653.5
interest rate transactions	165,791.3	188,215.7
securities transactions	22,852.8	710.5
Other	18,394.1	17,663.0
Total off-balance sheet items	**333,370.7**	**377,567.7**

5.8 Post balance sheet events

No significant events occurred after the balance sheet date which were not reflected in the financial statements.

5.9 Seasonality or cyclical nature of the Bank's activity

The demand for the financial services offered by the Bank is stable, and so the impact of seasonal changes is immaterial. Due to the nature of the Bank's activity, it is not subject to seasonal or cyclical changes.

5.10 Issuance, redemption and repayment of debt securities

Issuance of bonds of Bank Pekao S.A.

On the basis of Resolution No. 6 of the Bank's Extraordinary General Meeting dated 25th July 2003 on the issue of registered bonds under an incentive programme, the Bank issued registered A and B series bonds with pre-emptive rights to take up the Bank's F series shares as well as registered C and D series bonds with pre-emptive rights to take up the bank's G series shares.

All the pre-emptive rights to take up F series shares pursuant to the implementation of the right of priority ensuing from the A and B series bonds and all the pre-emptive rights to take up G series shares pursuant to the implementation of the right of priority ensuing from the C series bonds were executed.

The Bank acquired 69,028 registered series C bonds from Pekao Faktoring Sp. z o.o., for the purpose of redemption, and a total of 345,972 series C bonds from eligible persons, upon the request thereof for early redemption, pursuant to the implementation of the right of priority to take up the Bank's shares ensuing from the bonds, for the purpose of redemption thereof.

The issue price of G series share amounts to PLN 123.06.

The execution of the pre-emptive rights to take up G series shares can be exercised in respect of D series bonds from 1st January 2009 to 31st December 2012.

D series bonds can be purchased from the Trustee agent by eligible persons until 30th December 2008.

The bonds that will not be sold by the Trustee agent by 30th December 2008, will be purchased on 31st December 2008 by the Bank for the purpose of redemption at the nominal value.

Issuance of bonds of Joint Stock Commercial Bank HVB Bank Ukraine

On 24th January 2006 HVB Ukraine issued 79,000 bonds of total face value 79,000,000 UAH. The purpose of this issue was to acquire the funds for financing the development of the lending activity. In the issue HVB Ukraine offered bonds with put option, common, interest bearing, registered, with discount to the face value. For the first two years the coupon interest was fixed at 8.8% p.a. and the interest rate for the next two years is 10.35% p.a.

Structured Certificates of Deposits

Structured Certificates of Deposits are investment products for Bank's clients that are an alternative for traditional banks' deposits. The total value of Bank's liabilities due to that ground (principal) amounted to PLN 1,986.3 million at the end of March 2008. In Bank's balance sheet there are 39 issues of Structured Certificates of Deposits in PLN, Euro and USD with the maximum maturity date set at 8th March 2011. Liabilities with the date of maturity in 2008, 2009, 2010 and 2011 account for 27.6%, 41.2%, 19.5% and 11.7% of total liabilities, respectively.

BPH PBK Leasing S.A. bonds

The total value of liabilities due to that bonds (principal) amounted to PLN 627.9 million. The maximum maturity date set at 30th September 2008. Nominal value with the date of maturity up to 1 month account to 35.2%, with the date of maturity 1 – 3 months – 48.9% and over 3 months – 15.9% of total nominal value.

BPH Bank Hipoteczny S.A. mortgage-backed securities

The total value of liabilities due to that mortgage-backed securities (principal) amounted to PLN 951.4 million. The maximum maturity date set at 2nd June 2012. Nominal value with the date of maturity up to 3 months account to 4.2%, with the date of maturity 2 – 3 months – 64.0% and over 3 years – 31.8% of total nominal value.

5.11 Dividend paid

Pursuant to Resolution of the Ordinary General Meeting of Bank Pekao S.A. dated 23rd April 2008, PLN 9.60 per one share was appropriated for payment of a dividend in respect of 2007, i.e. 6.7% higher as compared to the dividend paid in respect of 2006 (PLN 9.00 per one share). The ex-dividend date was declared for the 15th May 2008 and the date of dividend payment for the 3rd June 2008. All the Bank's shares are ordinary shares.

5.12 Effects of changes in the Group's structure

As at 31st March 2008 the composition of the Capital Group had not changed compared to the data disclosed as at 31st December 2007.

5.13 The position of the Management Board regarding the possibility of achieving previously published forecasts

The Bank has not published a forecast of financial results for 2008.

5.14 Information regarding shareholders owning at least 5% of the total number of votes at the General Meeting of Bank Pekao S.A.

The shareholders of Bank Pekao S.A. owning directly or indirectly through their subsidiaries at least 5% of the total number of voting rights at the General Meeting of Bank Pekao S.A. are as follows:

Shareholder's name	# of shares and votes at the General Meeting	Share in share capital and total number of votes at the General Meeting	# of shares and votes at the General Meeting	Share in share capital and total number of votes at the General Meeting
	31st March 2008		31st December 2007	
UniCredito Italiano S.p.A.	155,433,755	59.29%	155,433,755	59.36%
Other shareholders	106,734,749	40.71%	106,432,902	40.64%
Total	**262,168,504**	100.00%	**261,866,657**	100.00%

As at the date of this report share capital of the Bank has been increased by the total amount of PLN 44,125 as a result of issue of 44,125 series G ordinary bearer shares which have been taken up by participants of share option programme. The share capital of the Bank amounts to PLN 262,212,629. The share of UniCredito Italiano S.p.A. in the share capital and the total number of votes at the General Meeting amounts to 59.28% while the share of other shareholders amounts to 40.72%.

5.15 The Issuer's shares held by the Management and Supervisory Board Members

According to information available to the Bank as at the date of submitting this report, the members of the Bank's management and supervisory bodies held 175,239 shares of Bank Pekao S.A. The table below presents the number of shares held by the Management Board Members:

	As at the date of submitting the report		Change
	For the first quarter 2008	For the fourth quarter 2007	
Jan Krzysztof Bielecki	50,000	10,000	40,000
Luigi Lovaglio	98,036	65,357	32,679
Marian Wazynski	27,203	13,089	14,114
Total	**175,239**	**88,446**	**86,793**

The Bank Pekao S.A. Capital Group is running an incentive programme in the form of management stock options. The Programme covers the Management Board of the Bank, the remaining managerial staff, key employees for realisation of Bank's strategy, as well as employees of subsidiaries. The persons who meet the requirements set in the Programme will be able to acquire the Bank's shares.

As at the date of submitting this report the incentive programme for 2004 includes 39 persons for a total 303,760 shares, 132,791 of which will be able to be purchased by the management. The Members of the Supervisory Board did not participate in the management stock options programme.

The table below presents the number of management stock options held by the Management Board Members:

	As at the date of submitting the report		Change
	For the first quarter 2008	For the fourth quarter 2007	
Jan Krzysztof Bielecki	40,000	80,000	(40,000)
Luigi Lovaglio	32,678	65,357	(32,679)
Paolo Iannone	23,000	23,000	0
Christopher Kosmider	23,000	23,000	0
Marian Wazynski	14,113	28,227	(14,114)
Total	**132,791**	**219,584**	**(86,793)**

The Bank has also joined the UniCredit Group incentive program "Long-Term Incentive Plan 2007", based on offering the stock options and shares of UniCredito Italiano S.p.A. to the selected key managers and employees of the UniCredit Group. 63 employees of Pekao Group, including 8 members of the Management Board, are participating in this programme.

5.16 Pending litigations

In the first quarter of 2008 the number of the legal proceedings in courts, appropriate bodies of arbitration or public administration bodies, in respect to the liabilities of the Group was 457. The total value amounted to PLN 751.0 million. The number of legal proceedings in respect to receivables was 3,357 with a total value of PLN 879.3 million. The value of legal proceedings relating to the liabilities of the Group in the first quarter of 2008 does not exceed 10% of the issuer's equity.

In the opinion of issuer opinion any proceeding that was in progress in courts, appropriate bodies of arbitration or public administration bodies during the first quarter of 2008, as well as all the proceedings taken together did not create any threat to the financial liquidity of the Bank.

5.17 Assessment of the financial credibility of Bank Pekao S.A.

As at 31st March 2008, Bank Pekao S.A. had the following financial credibility ratings:

Fitch Ratings	
Long-term rating (IDR)	A
Short-term rating	F1
Individual rating	B/C
Support rating	1
Outlook of IDR	Positive

Standard and Poor's	
Long-term rating	A
Short-term rating	A-1
Outlook	Stable

Moody's Investors Service Ltd. (The Bank has not ordered Moody's rating)	
Long-term deposit rating	A2
Short-term deposit rating	Prime-1
Financial strength	C
Outlook	Stable

5.18 Transactions of related entities

Agreement on sale of corporate brokerage part of Centralny Dom Maklerski Pekao S.A. (CDM)

On the 28th January 2008 Centralny Dom Maklerski Pekao S.A. (a wholly owned subsidiary of the Bank) and UniCredit CA IB Polska S.A., signed the agreement on the sale of part of the enterprise of CDM responsible for conducting corporate brokerage and investment banking services. The impact of the transaction on the Pre-tax profit of the Group is PLN 435.6 million and on the Net profit of the Group is PLN 352.8 million.

The transaction is in line with the strategy of focusing Bank Pekao S.A. on retail brokerage services as part of the integrated service offer for Bank retail customers.

Any other transactions with related entities, other than typical and routine transactions, with a value exceeded the equivalent of EUR 500 thousand, during the first quarter of 2008 the Bank and its subsidiaries have not concluded.

During the first quarter of 2008, the Bank and its subsidiaries did not provide any sureties or guarantees in respect of loans or advances to any single entity or a subsidiary of that entity, as a result of which the total value of existing sureties and guarantees would have equal or exceeded10% of the Bank's equity.

Increasing the share capital of UniCredit Bank Ltd. (former Bank Pekao (Ukraine) Ltd.)

On the day 4th February 2008 the National Bank of Ukraine registered the amendments to the Articles of Association of UniCredit Bank Ltd. relating to the increase of share capital of UniCredit Bank Ltd. by the amount of UAH 109,834,200, being the equivalent of PLN 52,281,079.20 as per the NBP table of exchange rates of 4th February 2008.

On the 3rd September 2007 the Extraordinary General Meeting of UniCredit Bank Ltd. adopted a conditional resolution (conditional on receiving the consent of the National Bank of Ukraine NBU) to increase the share capital of UniCredit Bank Ltd. by the amount of UAH 109,834,200, being the equivalent of PLN 61,221,583.08 as per the NBP table of exchange rates of 3rd September 2007.

The increase in the share capital of UniCredit Bank Ltd. was a consequence of the merger between UniCredit Bank Ltd. and JSCB HVB Bank Ukraine (100%-owned subsidiaries of Bank Pekao S.A.) and take-up by Bank Pekao S.A. of 109,834,200 newly created shares in UniCredit Bank Ltd. with the par value of 1 UAH/share in the share capital of UniCredit Bank Ltd., totalling UAH 109,834,200, in return for 1,098,342 stocks of JSCB HVB Bank Ukraine with the par value of 100 UAH/stock, with the total par value of UAH 109,834,200.

At the moment of registration by the National Bank of Ukraine NBU of relevant amendments to the Articles of Association of the Bank concerning capital increase, the share capital of UniCredit Bank Ltd. has been increased from UAH 543,673,470 to the amount of UAH 653,507,670.

Bank Pekao S.A. currently holds shares in UniCredit Bank Ltd. of the total nominal value of UAH 653,507,670, comprising 100% of share capital of UniCredit Bank Ltd., carrying 100% of votes at the General Meeting of Shareholders in UniCredit Bank Ltd.

5.19 Factors which will affect the results of at least the next quarter

The Polish economy is still expanding at high rate due to strong domestic demand and principally due to very strong growth of investment which creates favourable conditions for banking activities. Fast growth rate in retail loans and corporate customer loans is observed and since the beginning of 2008 also increased growth of households deposits. The drop in prices on the stock market in the last months of 2007 and in the first quarter of 2008 has caused a decrease of investment fund assets and an outflow of savings from those funds.

Strong economic growth is accompanied with by an even particular higher growth of wages which is not accompanied by an increase in work efficiency. The very fast growth rate of internal demand has also created a growth in the foreign trade deficit with high growth of wages despite the strengthening of the Polish zloty against EUR, and on particular against a weakening USD. These occurrences accompanied by increases of global prices of energy and food, already in forth quarter of 2007, significantly increased the prices growth visible also in the first quarter of 2008 and will probably last in the whole first half of 2008. Fast inflation growth forced the Monetary Policy Council to start in 2007 a series of interest rates increases that were continued in the first quarter of 2008. It is likely that Monetary Policy Council will decide about further rates increase by additional 25-50 basis points.

Continued turmoil on the international financial markets related to the crisis on the American mortgage loans market decreases the availability of foreign financing and also increase the risk of global economy slow-down and deeper price drop on the stock market which in return threatens further outflow of savings from mutual funds.

Despite increased growth rate of term deposits, still loan growth rate is higher than growth of deposits and this disproportion, although slower than in 2007, is still increasing. There is also growing discrepancies between maturity of assets and liabilities. Thus liquidity position of banks is continuously weakening, although interest rates increases, those already done as well as expected ones, will support reversing of this process. The necessity of depository base growth in the conditions of a more difficult access to foreign financing will continuously cause the growth of liabilities financing costs, although due to higher NBP interest rates to large extent this cost will be compensated by higher interest rates on loans.

Growing spread between Polish and foreign interest rates has caused again higher interest in FX mortgage lending. This may negatively influence the growth of PLN mortgage lending as well as credit risk of banks granting FX mortgages.

It is expected that economy growth rate to decrease gradually in the following quarters, however, it will still remain at a high, 5% level. Credit action growth rate will gradually decline, but it will still remain at a two-digit number level. Growth of household incomes and higher interest rates will be favourable for their savings which will be placed on deposits more often than in the previous year because of the prices drop on the stock market.

Strong income growth, PLN appreciation and higher interest rates will gradually diminish enterprises efficiency and it may prove that higher credit risk is more probable in this sector. However, fast increase of average households income will considerably balance the risk related to higher costs of their debt service while a higher risk regarding households with income lower than average can be expected.