



Annual report 2004



WBK

| Bank Zachodni WBK S.A.

Contents

I	Letter of the Supervisory Board Chairman	4
II	President's Statement	6
III	Appraisal of BZ WBK Activities in 2004 Prepared by the Supervisory Board	11
IV	Report of the Management Board	15
	1. Macroeconomic Environment in 2004	17
	2. Financial Performance	19
	3. Business Development	24
	4. Organisation and Infrastructure Development	42
	5. Key Risk Areas	48
V	Consolidated Financial Statements	57
	1. Opinion of The Independent Auditor	58
	2. Report Supplementing the Opinion	60
	3. Introduction to the Consolidated Financial Statements	72
	4. Consolidated Balance Sheet	96
	5. Additional Notes	150
	6. Segmental Reporting and Consolidated Statement	192

Letter of the Supervisory Board Chairman



Marian Górski | Supervisory Board Chairman

Ladies and Gentlemen,

I am truly happy that 2004, the last accounting year when I held the position of the Supervisory Board Chairman, was so prosperous for the Bank and for the entire economy. This was evident in the high GDP growth reaching 5.4% whilst the rate in 2003 was as low as 3.8%. Out of other optimistic rates which describe the Polish economy in 2004, manufacturing growth of 12.3%, the 7% growth in retail sales and 3.2% growth in private consumption deserve the most attention. Moreover, after the deterioration in the years 2001-2003, 2004 witnessed a robust growth in capital expenditure on fixed assets and revival of exports.

This does not mean, however, that the last year was nothing but chain of success for Poland. High unemployment rate which decreased a bit in 2004 but still exceeded 19% at the end of the year remains a major problem. Inflation, unfortunately not curbed as planned last year, may also inhibit the GDP growth in Poland. The inflation rate last year was 2 percentage points above the 2.5% inflationary target set by the Monetary Policy Council. Last year's high inflation was principally driven by high fuel prices, and price rises after Poland's accession to the EU, whilst the demand pressure remained moderate which was surely impacted by the difficult situation on the labour market. The inflation rate, excluding the fuel and food price rises, i.e. the so-called net inflation was 2.4% at the end of the year.

In December last year, money supply grew by 8.7%. It should be noted that the 8% growth in total deposits in 2004 was primarily promoted by the growth in deposits of businesses (by nearly 25%), who still refrained from investing and kept substantial free funds in banking accounts. On the other hand, personal loans increased much (by over 13% in total) fuelled by the development of the mortgage market.

In 2004, Bank Zachodni WBK adjusted well to the economic climate. From the point of view of the Bank's shareholders, the major success was ROE of 17.3% - one of the highest in the banking sector. The Bank's success is a result of a well thought out strategy which encompasses comprehensive and modern range of products, continuously improving service quality, good sales network as well as earlier investments. I do believe that the actions taken or commenced last year provide strong foundations for the Bank's success in 2005 and thereafter.

I would like to take this opportunity and thank the Bank's shareholders for the demonstrated trust and my Supervisory Board and Management Board colleagues for their co-operation. Let me hope that this co-operation contributed, at least to small extent, to the Bank's excellent performance.



President's Statement



Jacek Kseń | President of the Management Board

Ladies and Gentlemen,

In 2004, Bank Zachodni WBK posted record results. The profit before tax of BZWBK Group was PLN 570m and was up 119% on 2003, while the profit after tax was PLN 444m and grew by 245%. Accordingly, the return on equity (ROE) for BZ WBK was 17.3% and for BZ WBK Group 17.2%, which is one of the best ratios in the Polish banking industry. Our superior performance is driven by substantial growth dynamics in all business areas, and especially, the strong contributions from our key subsidiaries are worth highlighting. A 15.5% growth in the funds entrusted by customers to the Bank Zachodni WBK Group and good results from the lending activity, as compared to the banking sector, also need to be emphasised. Last year's successes also include a sustainable reduction of the costs of our operations as a result of continuous drive for efficiency and disciplined cost management.

The largest and most important project executed last year in Bank Zachodni WBK was the implementation of the Segmentation and CRM Programme. We commenced this process in 2003 and successfully completed it in December last year. The implementation of the Segmentation and CRM Programme will enable us to build better and stronger relationships with customers and thus will substantially enhance the quality of customer experience in Bank Zachodni WBK. Another initiative worth highlighting and pursued by Bank Zachodni WBK in 2004 was the programme "Let us become distinctive through customer service". The survey examining the outcome of the programme confirmed that throughout last year we succeeded in increasing the customer satisfaction index and ensuring higher consistency of customer experience in the branch network.

Last year, Bank Zachodni WBK Group recorded several spectacular successes, with the excellent performance of Arka mutual funds being the greatest achievement. Four funds (Arka Equity, Arka Balanced, Arka EURO Bonds and Lukas Stable Growth Fund) were recognised as the best funds on the Polish market in 2004. Last year also saw the successful completion of Property Fund sales, the first one of that type on the Polish market. Other subsidiaries of Bank Zachodni WBK also had a successful year, in particular, the Brokerage House which actively participated in all major privatisations, including the sales of PKO BP shares and IPO's of several important companies on the Warsaw Stock Exchange. I must emphasise that our Brokerage House not only considerably increased its market share but its retail customer proposition was also recognised as the best on the market.

In 2004, we focused on the sale of our strategic products but we also succeeded in extending the array of our product proposition to include pre-paid chip cards, introduced in Poland for the first time, and cash loan over the phone.

Bank Zachodni WBK is an institution who demonstrates social awareness and concern and who has been engaged in charity to support children of the poor and unemployed for years. Thanks to our programme "Bank Dziecięcych Uśmiechów" (Bank of Children Smiles), last year we donated over PLN 1m for this purpose. We also collaborate with Polska Akcja Humanitarna – owing to the popular "Pajacyk" card in 2004 we bought over 111.6k meals for children. The Bank also supports scientific centres by issuing affinity cards for the benefit of Polish universities such as Kraków University, Mikołaj Kopernik University, Wrocław University.

The performance of Bank Zachodni WBK last year proves that our long-term development strategy is very effective. The record results are based on strong foundations which we laid down in previous years and which now effectively support our efforts. However, the success of 2004 would not have been possible without our employees – their expertise, experience, commitment and creativity are the greatest and the most valuable assets of Bank Zachodni WBK Group. Therefore, I wish to express my gratitude to all employees for their effective work last year. I would also like to thank the members of the Supervisory Board of Bank Zachodni WBK for good and harmonious collaboration.

A handwritten signature in black ink, appearing to read "Jacek Winiarski". The signature is written in a cursive, flowing style. The first name "Jacek" is written in a larger, more prominent script, and the last name "Winiarski" is written in a slightly smaller, more compact script to its right.



Appraisal of BZ WBK Group Activities in 2004

Appraisal of BZ WBK Group Activities in 2004

prepared by the Supervisory Board

The GDP growth in 2004 was 5.4% (according to the preliminary data of the Chief Statistics Office) against a 3.8% growth in the previous year. In the first 6 months of 2004, as a result of the increased demand prior to Poland's accession to the UE, the private consumption grew at a very rapid pace. Moreover, the contribution of net exports to the GDP growth was high. The second half of the year saw a certain slow-down in the consumption dynamics and the impact of the net exports on the economic growth became negative.

The money supply in 2004 increased by 8.7% and total deposits by 8%, which stemmed primarily from the nearly 25% growth in deposits of businesses which did not undertake investment activities on a broad scale. Companies deposited a large portion of their free funds in banking accounts. Loans for households increased quite strongly (in total by over 13%) which was mainly related to the development of the mortgage loan market.

Annual CPI was 4.4%, i.e. ca 2 percentage points above the inflation target set by the Monetary Policy Council. Inflation, higher than expected, influenced the Central Bank's interest rate policy – over the period June – August, the interest rates went up by 125 Bps. In subsequent months, MPC decided to keep the reference rate at 6.5%.

In 2004, the Bank's total income was PLN 1,690.8m and was up by 6.3%. It was triggered primarily by higher interest rates, improving economic situation and better financial standing of enterprises in relation to Poland's accession to the EU.

The Bank's PBT in 2004 totalled PLN 455.6m and was 117.7% up on 2003, whereas PAT amounted to PLN 443.3m and increased by 278.9%. As a result, ROE for the Bank was 17.3% and ROE for BZ WBK Group was 17.2%. The Bank's EPS went up from PLN 1.60 in 2003 to PLN 6.08 in 2004. The Bank's share price as at 2003-end was PLN 75.70 and throughout 2004 it increased by 28% to reach PLN 97.00.

Such a good performance of the Bank in 2004 was driven primarily by: positive tendencies in the business development – growth in the deposit – savings base by 6.8% and increase in the net personal loan portfolio by 9.2%, as well as by a regular improvement in the assets quality reflected in the drop in the problem loan ratio from 12.6% to 9.2%, which is one of the best ratios on the market. As at 2004-end, specific provision cover for amounts due from non-financial and public sector categorized as "sub-standard", "doubtful" and "lost" (excluding interest) was 50.4%. In 2003, this ratio was 40.6%.

Net balance of provisions went up by 5.5% and net interest income by 2.9%. Income from the equity investment portfolio totalled PLN 63.8m.

The Bank succeeded in containing total costs to PLN 1,109.5m and reducing the cost/income ratio from 78.9% in 2003 to 65.6% in 2004.

As at 31 December 2004, the Bank's balance sheet total was PLN 26,485.5m and was higher than in 2003 by 12.6%. This stems, inter alia, from the strong growth in deposits and standardizing the disclosure of sell-buy-back and repo

type of transactions in line with the Ordinance of the Finance Ministry, dated 12 December 2001 re. detailed recognition principles, valuation methods, scope of disclosure and manner of presenting financial instruments.

Despite the growing competition on the savings market, deposits of the Bank's customers totalled PLN 18,738.9m, i.e. 6.8% up on 2003-end. In view of the change in preferences of customers who seek return rates higher than those on deposits, the Bank offered a broad array of alternative products. The Bank's branches sold products of the Bank's subsidiaries which led, inter alia, to a dynamic growth in assets of Arka funds by 91.1% up to PLN 2,837m.

As at December-end, the deposits and savings resources of Bank Zachodni WBK, including customer deposits from the non-financial and public sector as well as own bonds totalled PLN 19,298m and were higher than in the previous year by 6.8% - taking into account assets of investment funds the growth amounted to 15%. As at September-end, the Bank had a 5.7% deposit market share and ranked 6th in this respect. As at December-end 2004, the share of ARKA funds in the mutual funds market was 7.5% against 4.5% at 2003-end. In terms of the assets value, ARKA funds (PLN 2.8bn) rank 4th on the market as compared to the 8th position at 2003-end.

As at December-end 2004, amounts due from customers totalled PLN 12,226.1m and went down by 2.5% as compared to the previous year. Taking into account the receivables categorized as "regular" and "watch" only, their portfolio increased by 2%. Drop in the total loan book (net) stems from lower volumes of loans sanctioned to businesses and other institutional customers. In 2004, the Bank's credit exposure (net) to personal customers increased by 9.2%, where all strategic loan portfolios disclosed an upward tendency: cash loans by 42.5%, credit card receivables by 17.5% and mortgage loans by 7.5%

As at September-end, the Bank's share in the lending market was 6%. The Bank ranked 5th in terms of the loan book size.

Bank Zachodni WBK is an effectively managed and secure bank which was confirmed on 5 October 2004 by Fitch Ratings company assigning the following financial credibility ratings to Bank Zachodni WBK S.A.: long-term rating: A, short-term: F1, individual: C/D, support: 1, outlook to retain the long-term rating: stable.



Report of the Management Board

Table of Contents

1.	Macroeconomic Environment in 2004	17
2.	Financial Performance	19
	Profit & Loss Account	19
	Key Balance Sheet Items	21
	Lending Policy	22
	Bank Zachodni WBK Rating	23
3.	Business development	24
	Bank Zachodni WBK Brand Strategy	24
	Retail Banking	26
	SME and Corporate Banking	29
	Investment Banking	31
	Electronic Banking	33
	Co-operation with International Financial Institutions	36
	Services	37
	Companies Consolidated with Bank Zachodni WBK S.A.	37
	Dom Maklerski BZ WBK S.A.	37
	BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A.	38
	BZ WBK AIB Asset Management S.A.	39
	BZ WBK Finanse & Leasing S.A. and BZ WBK Leasing S.A.	39
	BZ WBK Faktor Sp. z o.o.	40
	BZ WBK Inwestycje Sp. z o.o.	40
	AIB WBK Fund Management Sp. z o.o.	41
	BZ WBK Nieruchomości S.A. i Wspólnicy Spółka Komandytowa	41
4.	Organisation and Infrastructure Development	42
	Ownership Structure of Bank Zachodni WBK	42
	Governing Bodies	42
	Corporate Governance and Business Ethics	44
	Human Resources and Training	45
	Infrastructure	46
	Capital Expenditure	47
5.	Key Risk Areas	48
	Bank Zachodni WBK S.A.	48
	Market Risk Management	48
	Credit Risk Management	50
	Operational Risk Management	52
	Selected Subsidiaries of Bank Zachodni WBK S.A.	52
	BZ WBK Finanse & Leasing S.A. and BZ WBK Leasing S.A.	52
	BZ WBK Faktor Sp. z o.o.	53

Macroeconomic Environment in 2004

According to the preliminary data of the Central Office of Statistics, last year the GDP growth amounted to 5.4% against 3.8% rise in 2003. Acceleration was observed in all the elements of domestic demand which increased by 4.9% as compared to 2.5% in the previous year. After drops in 2001-2003, capital expenditure on fixed assets grew by 5.1%. Private consumption growth totalled 3.2% and its pace was close to that recorded in the two previous years. It is worth noticing that the two halves of 2004 significantly differed as regards GDP growth, and in particular, in terms of private consumption growth and the impact of net exports on GDP growth. In H1 private consumption rose much faster amid high pre-accession spending and high net exports' contribution to the GDP growth. In H2, consumption dynamics decelerated slightly while the contribution of net exports to the GDP growth turned negative which might have been connected with sharp zloty appreciation. Fixed investment showed a gradual acceleration during the year to reach over 7% y-o-y in Q4. GDP growth is likely to decelerate in 2005 to around 5%, but capital expenditures should continue their upward trend (and rise to a two-digit value) which bodes well for long-term economic outlook.

A visibly higher private spending shortly before the EU accession was triggered by the consumers' fear of price hikes shortly after Poland's merger with the EU economy. The fears proved justified and the inflation hike reported in Q2 took all by surprise. It was not so much the very effect of growing prices that surprised them, as it was the pace at which they were adjusted as a result of a very big demand for Polish food products in the wealthiest EU states.

The year of 2004 was closed with CPI at 2 percentage points above the inflation target set by the central bank (i.e. 2.5%). It seems now that the chance of reaching the target in 2005 is bigger, but it is still too early to be absolutely positive about it. Higher inflation in 2004 was primarily a result of high fuel prices and the price hikes following Poland's EU accession. Demand pressure on prices remained moderate, which was surely determined by difficult, yet regularly improving, labour market. Inflation excluding food and fuel prices (the so-called net inflation) amounted to 2.4% in December 2004.

In December 2004, the unemployment rate amounted to 19.1%, confirming the acceleration of its downward trend. It was 0.9 percentage point lower than in December 2003, which confirmed that situation on the labour market had been improving, although the progress was not very impressive. In 2005, we should see a more distinct drop in the registered unemployment rate, particularly in H2 when it may fall to below 18%. In 2004, corporate wages rose only slightly above consumer price index growth.

Money supply growth at the end of 2004 was 8.7% y-o-y. The overall deposits growth in 2004 (8% y-o-y) was fuelled mainly by the growth in deposits held by businesses (by nearly 25% y-o-y), which refrained from launching investments on a wide scale. Firms were keeping a substantial part of their free funds in banking accounts. On the other hand, households sector showed quite a substantial growth in credit appetite (in total by over 13% y-o-y), which was driven mostly by a development of the mortgage market, while it was stagnating on the deposits side (although there was a 0.1% y-o-y growth in 2004 against the drop witnessed in 2003). We can expect money sup-

ply to accelerate in 2005, which will be consistent with a continuation of economic expansion (the nominal GDP growth should be over 8% in 2005).

Inflation, higher than expected after the EU accession, did certainly impact the central bank's interest rate policy and consequently, interest rates grew by 125 basis points between June and August. In the following months of last year, the Monetary Policy Council decided to keep the reference rate at 6.5% and it did so, among others, because the growth in salaries was moderate, while strong zloty appreciation added to the overall restrictiveness of monetary policy. In 2005, the interest rates should stay flat in order to reduce and then maintain inflation at the target level in the medium term.

The fiscal situation still remains unclear, as majority of necessary reforms (proposed among others in the so-called Hausner's Plan) were postponed. Last and this year's budget position seems to be in control in view of the high economic growth which ensures high budget income. It will be difficult, however, to meet fiscal Maastricht criteria (general budget deficit below 3% of the GDP) without implementing changes to public finance after parliamentary elections which have been scheduled for autumn 2005 and which are expected to bring a reshuffle in the ruling coalition. Yet, the uncertainty around the shape of Polish political scene and the post-election fiscal policy is likely to contribute to higher volatility on the Polish financial market.

Main Macroeconomic Indicators		2002	2003	2004	2005F
GDP	% y-o-y	1.4	3.8	5.4	5.0
GDP	PLNbn	781.1	814.7	884.3	958.5
Total consumption	% y-o-y	2.8	2.5	2.8	3.1
- Private consumption	% y-o-y	3.3	3.1	3.2	3.6
Fixed investments	% y-o-y	-5.8	-0.9	5.1	10.7
Industrial production	% y-o-y	1.1	8.4	12.3	7.1
Retail sales (real terms)	% y-o-y	1.9	3.6	7.0	1.7
Unemployment rate *	%	20.0	20.0	19.1	17.7
Gross wages in enterprise sector (real terms)	% y-o-y	1.5	2.0	0.8	1.7
Budget deficit (cumulative) *	PLNbn	-39.4	-37.0	-41.5	-35.0
Budget deficit (cumulative) *	% GDP	-5.0	-4.5	-4.7	-3.7
CPI	% y-o-y	1.9	0.8	3.5	3.3
CPI *	% y-o-y	0.8	1.7	4.4	2.5
PPI	% y-o-y	1.0	2.6	7.0	2.6
Broad money (M3)*	% y-o-y	-2.0	5.6	8.7	8.9
Deposits *	% y-o-y	-4.1	3.7	8.0	8.3
Credits *	% y-o-y	5.2	8.1	2.9	10.1
USD/PLN	PLN	4.08	3.89	3.65	3.06
EUR/PLN	PLN	3.85	4.40	4.53	4.13
PLN Reference rate *	%	6.75	5.25	6.50	6.50
WIBOR 3M	%	9.09	5.69	6.21	6.55

Source: GUS, NBP, own calculations and projections

* at year-end, F – forecast

Forecast as at 09-02-2005

Financial Performance

Profit & Loss Account

The table below presents major developments in key categories of the profit and loss account of the Bank Zachodni WBK Group in 2004 compared with the previous year.

Key profit and loss items

	PLN m		
	2004	2003	Change
Total income ¹	1,893.6	1,730.9	+9.4%
Total costs ²	1,196.0	1,332.0	-10.2%
Profit before tax ³	569.9	260.4	+118.9%
Tax	113.8	123.5	-7.9%
Profit after tax	444.5	128.9	+244.8%

¹ includes other operating income

² includes other operating costs

³ contains profits attributable to minority shareholders, excludes share in net profits (losses) of subordinated entities accounted for using the equity method

In 2004, the Bank Zachodni WBK Group reported after-tax-profit of PLN 444.5 m, which was 244.8% up the 2003 figure. The increase was mainly due to:

- positive business development trend - increase in the savings and deposit base (+9.4%) and in the net retail credit portfolio (+9.2%) with a steady improvement of asset quality (fall in the NPL ratio from 11.9% to 8.5%),
- satisfactory increase in fee and commission income (+9.2%),
- growing net interest income (+5.0%),
- high yield on equity investments (+PLN 63.9 m),
- decrease in total costs (-10.2%),
- lower effective tax rate (20.0% versus 47.4% in 2003) as a result of the tax rate decrease from 27% to 19% effective from the beginning of 2004.

Income

In 2004, the Bank Zachodni WBK Group produced a total income of PLN 1,893.6 m which was by 9.4% higher than last year.

Net interest income amounted to PLN 870.3 m and exceeded the previous year's level by 5%. With market rates increasing, higher interest income was earned from the Group's expanding strategic portfolios, including home mortgages, lease rentals and credit cards.

Compared to 2003, non-interest income increased by 13.5% to PLN 1,023.3 m.

Commission income reached PLN 636.9 m and was higher by 9.2% y-o-y, which is attributable to the increase in both of its constituent elements: net commission income and sales profit. Net commission income of PLN 569.2 m increased by 7% year-on-year. The main contributors here were higher revenues from international settlements, electronic banking, account maintenance, distribution of ARKA funds, lending, credit card fees, insurance, etc. The growth observed in individual business lines is attributable to the stronger banking activity of customers, expansion of the product range and the growing sales. This item was also favourably impacted by the results posted by the subsidiaries: Dom Maklerski BZ WBK S.A. and BZ WBK Faktor Sp. z o.o. Thanks to the dynamic development of their core business, they achieved a higher fee income by PLN 14.6 m and PLN 2.8 m respectively (before consolidation adjustments). The sales profit, containing assets management fees earned by the following subsidiaries: BZ WBK AIB Asset Management S.A., BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. and WBK AIB Fund Management Sp. z o.o., amounted to PLN 67.7 m and was up by 31.7% on the previous year, which is due to the strong growth of investment fund sales (assets increased by 91.2%) and the growing popularity of portfolio management services.

The profit on financial and FX operations added up to PLN 206.3 m and fell by 5.8% driven by reduced interest rate trading (securities and swaps) offset by high FX profit. FX swap income, which in the previous accounting periods was reported as income on financial operations, began to be recognised in FX profit starting from January 2004. For comparison purposes, the FX profit for 2003 was restated upwards by PLN 60.7 m, previously included in the income on financial operations.

Income from equity investments rose by PLN 63.9 m and amounted to PLN 116.3 m. It was boosted by dividends received from the Commercial Union Group (PLN 52.8 m) and the profit on disposal of CardPoint S.A. (PLN 54.9 m). The comparative figure for 2003 includes two corresponding items: dividend from the Commercial Union Group (PLN 23.1 m) and profit earned on disposal of another subsidiary, i.e. Polsoft S.A. (PLN 17.4 m).

Other operating income amounted to PLN 63.8 m and was higher by 35.7% y-o-y.

Costs

After the 12 months of 2004 the total costs of the Bank Zachodni WBK Group amounted to PLN 1,196.0 m and were 10.2% lower than a year before.

The Group's staff and operating costs stood at PLN 943.2 m and were down by 7.6% under the impact of both constituent cost categories. The decline was driven mainly by a 12.1% reduction of operating costs (administrative expenses, services, taxes and charges, contributions to the Banking Guarantee Fund), which fell to PLN 422.7 m. In 2004, a substantial cost decrease was noted in the IT usage, telecommunication, security, building maintenance, clearing, etc. These savings were achieved as a result of improved cost effectiveness of operating processes in the Group, careful selection of suppliers, renegotiation of contracts and rates, etc. Staff costs amounted to PLN 520.5 m, decreasing by 3.7% due to the employment rationalisation conducted within the process of adjusting the Bank's outlets to the local market potential and to the organisational changes implemented under the Segmentation and CRM Programme. Throughout 2004, the employment in the Bank fell by 325 FTEs, while in the consolidated companies it increased by 42 FTEs (excluding the sold CardPoint S.A.).

Other operating costs stood at PLN 50.7 m and were down by 40.6% due to the high cost of the Branch Network and the Business Support Centre rationalisation expensed in 2003, of which PLN 33.1 m were included here. After excluding this amount, the other operating costs in both reporting periods were comparable.

Depreciation decreased by 10.3% to PLN 202.1 m due to, among others, completed depreciation of the restructured branches and the on-going process of the fixed assets base optimisation.

Provisioning charge

Provisioning charge to the profit and loss account was PLN 131 m and was 7.7% lower than in 2003. The decrease in provisioning related to the improving quality of the Group's assets was offset by a few large corporate cases. As announced earlier, in the fourth quarter of 2004 the Bank completed its review of the general risk provision and consequently released PLN 20 m there being no reasonable grounds for continuing to maintain the provision in the full previous amount.

Key Balance Sheet Items

The table below presents major developments in key categories of the balance sheet of the Bank Zachodni WBK Group as at the end of December 2004 versus the corresponding period of 2003.

Key balance sheet items	PLN m		
	31.12.2004	31.12.2003	Change
Total assets	27,587.9	24,157.6	+14.2%
Amounts due from clients ¹	13,642.5	13,713.7	-0.5%
Customer-based financial resources ²	20,243.6	18,498.9	+9.4%

¹ non-financial and public sector

² deposits from non-financial and public sector as well as the own bonds of the bank and its leasing subsidiaries

As at 31 December 2004 the consolidated total assets of the Bank Zachodni WBK Group amounted to PLN 27,587.9 m and were up by 14.2% compared to the previous year. This resulted from the strong growth of customer deposits and consistent presentation of sell-buy back and repo transactions in accordance with the Ordinance of the Minister of Finance dated 23 February 2004 amending the previous ordinance on special principles of recognition, valuation, disclosure and presentation of financial instruments.

Deposit base

The main source of funding the Group's lending business were deposits from non-financial and public sectors, accounting for 69% of the balance sheet total. Deposits from both sectors totalled PLN 19,044.8 at the end of 2004, exceeding the last year's figure by 7.6%. Current account balances increased by 5.8% to PLN 6,932.1 m driven by the growing liquidity of institutional customers. Term deposits increased by 8.6% to PLN 12,112.8 m due to the inflow of funds to business accounts with a maturity of 1 month or less and the increased demand of retail customers for 12M IMPET deposits which carried a high interest rate.

The Group's debt security obligations stood at PLN 1,198.8 m at the end of December 2004, exceeding the last year's level by 51.2% due to the further issues of own bonds by BZ WBK Leasing S.A. and BZ WBK Finanse & Leasing S.A. In 2004, the two subsidiaries issued 12 series of own 3Y bonds totalling PLN 339.3 m. The Group's overall debt security obligations include PLN 639.7 m of bonds of the leasing companies while the remainder of PLN 559.1 m represents the Bank's obligation relating to the sale of own bonds which were issued before the end of 2003. In 2004 the Bank did not issue any own securities.

The Group's total savings and deposits base, including the deposits from the non-financial and the public sector and own bonds, amounted to PLN 20,243.6 m at the end of December and were up by 9.4% on the previous year.

Loan portfolio

At the end of December 2004, total lending to non-financial and public sectors reached PLN 13,642.6 m and was comparable to the last year's figure. Still, loans classified as "normal" and "watch" showed a 3.7% increase in this portfolio. Despite the general stagnation in the lending to the non-financial and the public sectors, the individual net portfolios of strategic loans showed a growing trend: cash loans (+42.5%), leasing (+20%), credit cards (+17.5%) and home mortgages (+7.5%).

Business loans accounted for the biggest portion of the Group's loanbook (non-financial and public sector), representing 70% of the gross portfolio value. 20% is attributable to retail loans and the remainder (10%) is loans to subsidiaries, mainly to the leasing companies.

The Group's loan portfolio was very well diversified. There was no single dominant sector and the biggest share of 9.7% was for the production of groceries and beverages.

The Group's loanbook quality is systematically growing, which reflects the economic recovery in Poland, enhanced lending procedures and more effective credit risk management. At the end of December 2004 the "sub-standard", "doubtful" and "lost" receivables (excluding interest) from the non-financial and public sectors accounted for 8.5% of the gross portfolio with the impaired loan coverage ratio at 51.3%. Last year, these ratios stood at 11.9% and 41.4% respectively.

Interest rates

In 2004, similarly to the previous periods, the interest rates applied by the Bank to business loans and term deposits were linked to the interbank market rates (e.g. WIBOR and WIMEAN). The interest rates for demand and term deposits as well as personal loans were determined by the Bank's Asset and Liabilities Management Committee (ALCO) based on the decisions of the Monetary Policy Council.

Lending Policy

The Bank pursues a policy of maintaining a high quality loan portfolio thanks to credit sanctioning and monitoring rules aimed at minimising credit risk. This is achieved by:

- detailed lending procedures,
- standardised credit grading,
- centralised credit decision-making process for selected groups of customers,
- credit decisions made by officers with Individual Credit Discretions or by the Credit Committee,
- exposure limits for different business lines (e.g. per industry, currency, entity),
- loan portfolio diversification,
- loans secured with marketable assets or guarantees from external institutions (e.g. Bank Gospodarstwa Krajowego, Guarantee Funds),
- consistent and effective debt restructure and recovery policy,
- provisioning adequate to the credit risk,
- monitoring of borrowers' financial and economic standing in accordance with rules and timeframes set forth by the Minister of Finance, and early identification of risk and actions aimed to eliminate the risk.

The Bank Zachodni WBK lending policy is compliant with the AIB Group policy. The Bank leverages its parent's expertise in the Irish market and implements AIB solutions designed to better manage the lending portfolio.

Bank Zachodni WBK Rating

On 5 October 2004, Fitch Ratings Ltd., an international rating agency, confirmed the following ratings for Bank Zachodni WBK S.A.:

- long-term: A
- short-term: F1
- individual: C/D
- support: 1
- long-term rating outlook: stable

Business Development

Bank Zachodni WBK Brand Strategy

To be regarded by our customers, wherever we operate, as outstanding for the quality of our customer proposition and to turn this into superior profit growth.

Mission

In accordance with the mission underpinning the “Po pierwsze klient” strategy, the Bank’s primary objective is to develop a strong brand of an outstanding financial institution striving to enhance relations with its customers and to actively safeguard their interests. In order to create and strengthen this image, the Bank needs to focus on its brand quality, mainly on its three main pillars: Dependable, Engaging and Pioneering.

Based on these priorities, in 2004 the Bank continued to develop foundations of the brand, fostering its image as a dependable organisation. At the same time, actions were undertaken to promote partnership approach in dealings with customers. An engaging Bank is friendly, acts quickly, offers attractive financial conditions and cares about customer satisfaction. These values are incorporated in the new corporate slogan “It’s worth being together” (“Warto być razem”). They are reflected in daily interaction with customers, numerous undertakings designed to ensure that customers’ needs are proactively addressed (Segmentation and CRM, Business Centres, Mobile Sales Teams), the innovative product range and the observance of the stated delivery deadlines.

Service quality management

As part of the service quality enhancement strategy, the Bank implemented the programme named “Let us be distinctive through our superior customer service”. The programme included: service quality survey, remedial actions in branches, implementation of service quality standards and development of a framework to support service quality throughout the organisation.

The information about customer satisfaction was obtained from two surveys conducted by specialist external companies. The results of both surveys confirmed that service quality in the Bank’s branches had improved. As regards external customers, the survey showed that customer satisfaction had increased and that branches were more uniform with respect to the service quality offered. Based on the survey, all branches received their individual customer satisfaction index (CSI) along with a report on identified gaps and customers’ expectations. As a follow-up, branches developed and began to deploy service quality improvement plans. Also steps were taken to eliminate service deficiencies that stemmed from imperfect internal procedures and banking processes.

Another customer satisfaction survey was conducted for the purpose of the annual ranking "Newsweek's Friendly Bank". Compared to the previous edition, the Bank moved up in the ranking from 10th to 6th position, achieving the best ratings out of the biggest domestic banks. The interviewers appreciated the organisation of the Bank's network, its customer service standards and the employees' sales skills.

In order to ensure a distinctive customer proposition, in 2004 the branches were implementing uniform customer contact standards designed to create a positive image of the Bank during the initial conversation with a customer. Also, as part of the Segmentation and CRM Programme, service standards were put in place to support the development of partnership relations with customers.

With a view to successful implementation of changes in service quality, Service Quality Managers were appointed in the branch banking structures to provide support to the management and branch employees in deploying service quality standards and remediation plans. They also seek to ensure the sharing of best practice among the Bank's units.

Bank Zachodni WBK is distinctive in the market in that it has a Customer Care Officer. The role of this person is to act as an "appeal institution" for the customers who are not happy about how their concerns have been dealt with elsewhere in the Bank. The Customer Care Officer is also involved in development of customer service standards.

Segmentation and CRM Programme

By the end of 2004 all the Bank Zachodni WBK branches had implemented the solutions envisaged under the Segmentation & CRM Programme. The Programme involved adaptation of the branch roles and functions, enabling relationship managers to focus on customer service and build relations with customers. Thanks to the proper branch layout, there were favourable conditions created to make and foster better connections with customers. The branch capacity to pro-actively respond to customers' needs improved significantly as a result of the migration of the key banking transactions to automatic channels. All relationship managers in branches were trained in service quality standards and offering addressed to individual market segments. They were also provided with IT tools to help them manage relationship with customers. The IT infrastructure supporting the Segmentation and CRM Programme is being constantly enhanced and ultimately will allow the Bank employees to obtain a better picture of customer needs to be able to respond to them even more effectively.

The existing technical and conceptual solutions facilitate successful identification of customer requirements, development of the optimum offering and application of the most suitable sales techniques and service quality standards.

Strategic proposal

The Bank's strategic products are the fundamental tools used to attract new customers and to build long-term relations with them. The Bank makes all efforts to ensure that the customer proposition is distinctive and competitive in the marketplace. In 2004, the Bank Zachodni WBK strategic proposal for retail customers included: home mortgages, cash loans, credit cards, deposits, ARKA investment funds, 24Prestige account and electronic banking. Strategic products addressed to business customers encompassed: leasing, business loans (including Biznes Hipoteka), factoring, package for professionals, foreign payments, treasury services and electronic banking.

The ongoing and planned actions relating to the development of the strategic and other products are discussed in the sub-chapters below. The sub-chapters correspond to the main segments of the banking market where Bank Zachodni WBK operates.

Key areas of activity

In 2004, the Bank's retail banking activity focused on increasing the profitability of products and pursuing a prudent risk management policy. Also, in line with the adopted strategic approach, the structure and service of selected products continued to be enhanced. Thanks to the close co-operation with the subsidiaries, the Bank included specialist and sought-after products in its offer. To optimise the Group revenues, the Bank became involved in the promotion and the sales of such products. All these actions yielded satisfactory financial results despite increased competition in the retail banking market.

Development of credit offering

With a focus on customers' expectations and the market's requirements, the Bank continued to modify its credit offering for personal customers, in particular mortgage and cash loans. The key modifications covered a review of the pricing policy, increase in credit products availability and introduction of further procedural enhancements.

Mortgage loans

In January 2004, the Bank tied the variable nominal interest rate on home mortgages to 6M WIBOR and 6M LIBOR. Also a margin matrix was introduced which calculates margins depending on the LTV ratio (loan amount to security value) and the loan amount. The promotional interest rate on PLN mortgages applied in the first year of lending was maintained, the rates range was agreed and the final price was determined using the LTV ratio. The new pricing structure, satisfies the expectations of customers, who now can be sure that the price on their loans will change in response to market rates fluctuations.

In addition to amending the pricing policy, various modifications were put in place to improve the mortgage lending parameters and procedures. In the first place, the Bank increased the mortgage loan availability for the customers by reducing the net disposable income, establishing higher levels of DSR (Debt Service Ratio – monthly principal and interest payments to the customer's monthly net income), increasing the maximum LTV ratio, expanding the list of accepted funding purposes and increasing the maximum loan amount relative to the property value. The Bank's offering was further enhanced by: extension of the maximum credit term to 30 years, an option to suspend principal repayments up to 24 months, simplified tranche clearing and relaxation of some formal requirements (e.g. life insurance requirements).

In 2004, the Bank enriched its product range to supplement the home mortgage offering. In collaboration with Commercial Union Towarzystwo Ubezpieczeń na Życie S.A. the Bank began to sell life insurance policies for the main mortgage borrower, which protects the borrower's family against the need to pay off the debt. On 22 December 2004 Bank Zachodni WBK signed the "General Agreement" with Commercial Union Polska Towarzystwo Ubezpieczeń Ogólnych on insurance of houses and apartments, including movables cover and third party liability. In 2005, in addition to the home mortgage borrowers, other customers who have a personal account with the bank will also be able to benefit from this Agreement.

The continuously improved PLN home mortgage offering of the Bank received several positive "reviews" last year. In the research conducted by CBM "Indicator" (Rzeczpospolita daily, 5 February 2004) it received the highest rating in Poland. Bank Zachodni WBK home mortgage also ranked second in a ranking published by the "Wprost"

weekly on 9 September 2004. The evaluation criteria included: the amount of monthly instalments, loan accessibility and level of fees.

In line with the adopted strategy in 2004 the Bank conducted proactive sales of PLN mortgage loans (home loans in particular), pursued a conservative policy of portfolio risk management and maximised the interest revenues thanks to retaining the low level of non-performing loans. In spite of the increased competition on the mortgage loan market, in 2004 the gross portfolio of such loans increased by 6.9% and amounted to PLN 1,947.3m at the end of December. Bank Zachodni WBK mortgage loans are characterised by a good asset quality – the share of non-performing loans in this portfolio amounted to 2.8%. Due to continuation of the policy to reduce the lending in foreign currencies to the borrowers earning in PLN, the share of FX loans in the mortgage portfolio decreased from 46% to 32%.

Cash and credit card loans

In 2004, Bank Zachodni WBK placed great emphasis on development of the cash loans, primarily the loans secured with liquid assets as well as the loans to finance the purchase of shares of the privatised companies (the last ones being reported as a separate portfolio). The expansion of this portfolio was reinforced by intensive focus on the product sales in the branch network, intensive mailing and advertisement campaigns, and the support from Bank Zachodni WBK Communication Centre that conducts phone and internet sales (see the “Electronic Banking” section for more details about the Centre and the Direct Banking).

Along with the promotion and sales actions, the Bank improved its cash loan offering and took steps to centralise, enhance and automate the credit processes.

In 2004, a new pricing policy was deployed, whereby the interest rate and the arrangement fee for cash loans were tied to the Bank’s exposure and the assessment of the Borrower’s credit risk. For loans below PLN 20k a uniform interest rate was applied, irrespective of the credit term. For higher loans, the interest rates remain to be linked to the lending period. The threshold of PLN 20k was also applied for the purpose of fee calculation. Moreover, loan accessibility for the customers was increased by reducing the minimum net disposable income, introducing new scoring cards and setting clear rules for unsecured lending. Modification of the credit process and the scoring card improved the ratio of automatic decisions and led to an increase in credit sanctions.

The actions taken by the Bank were reflected in the sales performance. The value of the cash loans granted in 2004 amounted to PLN 356.1m and was higher than in 2003 by 118.1%. As at the end of December 2004, the gross loan portfolio increased to PLN 343.3 m.

In October 2004 Bank Zachodni WBK, in collaboration with the BZ WBK Brokerage House, launched a cash loan for the purchase of PKO BP shares, which proved to be a market success. The demand for such loans exceeded PLN 3.5 bn, which gave the Bank a 17% market share. The Bank sanctioned a total of 2.8 bn worth of loans for this purpose.

In 2004, there was a strong focus on the development and sales of credit cards. The Bank’s gross credit exposure with respect to card transactions amounted to PLN 199.6m and was 15.7% higher than in 2003 (see the “Electronic Banking” section for more details about credit cards).

Development of deposit offering and savings & investment products

In 2004, the Bank continued to expand its offering to satisfy the customers’ diversified needs in terms of savings and investments. In line with its strategy, the Bank aimed to achieve a balanced growth of its savings and investment

portfolio across its Group. In addition to its own deposit offering, the Bank distributed products of its subsidiaries, with active involvement in their promotion and proactive sales. In the first half of 2004, the promotion and sales actions mainly focused on ARKA funds, whereas in the second half of 2004, particular attention was paid to IMPET time deposits. The steps taken by the Bank increased the savings base Group-wide and contributed to the income outperformance on deposit and investment products.

1. Deposit offering

The core of Bank's deposit offering were 3-, 6-, 12- and 24-month IMPET deposits with threshold interest rates, opened in the branches or via BZWBK24 electronic banking, as well 1-month threshold deposits LOKATA24, available only in electronic channels. In the first half of 2004, the 3-month deposits were particularly popular whereas in the second half of the year the customers preferred 12- and 24-month deposits. The Bank maintained an attractive interest rate for the key term deposits and increased it several times during the year. Under the promotional sale of IMPET term deposits (September-November 2004) the interest rate applied for these products was raised. Particularly intensive promotion included the 12- and 24-month deposits, where the maximum interest rate amounted to 7% (regardless of the deposited amount) and a minimum threshold was reduced from PLN 10 k to PLN 5 k.

The traditional deposit offering is supplemented by the subscriptions for the Guaranteed Investment Deposits aimed at the customers seeking extraordinary profits accompanied by security of the deposited funds. In 2004 there were four issues of Guaranteed Investment Deposits, all of them for a two year term. Twice during 2004 Bank Zachodni WBK customers were presented with GLI AMER INDEX tracker deposits which bear interest dependent on the index reflecting the American stock exchange market volatility (S&P 500). Two subscriptions were also held for GLI EURO KURS tracker deposits which were offered last year for the first time in response to the growing customer interest in foreign currency investments. In addition to the guaranteed principal and interest rate, the product allows investors to make a return on movements in the EURO rate against PLN.

In line with the new Bank Zachodni WBK Group approach to savings products, on 27 September 2004 hybrid sales was introduced in branches, combining a standard deposit with a mutual fund. The products are offered as part of the Special Investment Programme "Savings Plan" in co-operation with BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. The programme participants lodge some funds in a PLN term deposit with a fixed rate interest, and the remaining funds are invested in ARKA BZ WBK Balanced Fund. Those who avail of the savings plans are entitled to a special discount in the distribution fee normally charged on investments in the ARKA BZ WBK Funds.

2. Sale of investment products of subsidiaries

Out of subsidiary products available in the Bank's branch network, ARKA mutual fund (managed by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych) accumulated the most funds. The sales of participation units in the mutual funds was reinforced by promotional campaigns and excellent fund management results. In 2004, the most popular among the Bank customers were the funds which for many months ranked among the top most profitable ones in their categories i.e. ARKA BZ WBK Balanced FIO, ARKA BZ WBK Equity and ARKA BZ WBK Stable Growth Fund FIO. The subscription for the certificates of the first fund in Poland investing in property (ARKA BZ WBK Fundusz Rynku Nieruchomości SFIZ), which took place from 11 May to 9 June 2004, was also a big success. There were buyers interested in the certificates from both retail and corporate tranche (PLN 339.5m in total). Annual sales of the investment fund units in the branches amounted to PLN 1,273.2m and substantially contributed to the increase in the total assets managed by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A., which added up to PLN 2,836.8m at the end of 2004, which is 91.2% higher than a year ago.

In addition to the investment funds, the branch customers actively invested in 3-year bonds of BZ WBK Leasing and BZ WBK Finance & Leasing, which had an attractive interest rate and were issued under public issue programs. In 2004, these subsidiaries offered 12 series of own bonds totalling PLN 339.3m. They were available in the points of sale of BZWBK Brokerage House operating in the Bank's branch network.

Development prospects

In line with the adopted plan, in the first quarter of 2005 the Bank launched the 100% Term Guarantee initiative for home mortgages, cash loans and credit cards. This marks the Bank's commitment to meet the declared deadlines for provision of the sought products and to ensure higher quality of service.

Later on during the year the Bank plans to diversify the home loans offering, linking it to the customer's profile and the delivery channels. The development plan also assumes intensification of actions to improve attractiveness and accessibility of cash loans. Particular emphasis will be placed on better adjustment of the parameters of these products to the customer expectations. The Communication Centre and the external delivery channels will be increasingly often used for the sale personal loans (mortgage and cash loans, credit cards).

As part of its savings and deposit offering, the Bank will continue to offer the Guaranteed Investment Deposits, the bonds of its leasing companies and ARKA funds. The Bank will intensify actions aimed at recruiting new customers and retaining the existing ones, thanks to, among others, a new offer of personal accounts.

SME and Corporate Banking

Key areas of activity

Thanks to consistent implementation of the Segmentation and CRM Program (Customer Relationship Management), throughout 2004, Bank Zachodni WBK branches adjusted their product and service offer to the requirements and business potential of individual companies' segments and they did it with increasing success. Big support in active development of relationships with customers came from the IT infrastructure supporting advisors in the process of managing customer portfolios. In line with the CRM concept adopted in the Bank, Corporate Business Centers - in conjunction with branches - delivered a customized service standard, ensuring comprehensive and individually tailored service for the group of largest enterprises.

In 2004, the credit delivery process was subject to further modifications which enhanced mechanisms securing the Bank's portfolio quality and made its credit offering more attractive to customers. Moreover, the Bank displayed high activity in the EU funds market, trying to consolidate its competitive advantage in line with the objectives of the "Together in the EU" programme.

Development of credit processes and procedures

In accordance with the applicable strategy, in 2004 the Bank's credit activity was subordinated to the priority of maintaining high quality of the loan book. With that goal in mind, a number of undertakings were progressed including detailing of selected lending procedures, development of new and updating the existing credit policies and ensuring access to reliable and high quality movables and immovables valuations which provide the basis for defining the value of the securities established by the bank. What is more, in view of the distinct zloty appreciation trend and threats associated with it, the bank pursued a prudential policy of f/x risk management. Concurrently,

throughout the year, it introduced changes streamlining the credit delivery process and enhancing the attractiveness of the credit offering.

Lending proposal to SMEs

The Bank's offer catered for businesses is distinctive through its wide range of credit products which meet diverse financial needs of companies. Apart from the standard credit products, such as W/C loans, investment loans, banking guarantees or B/E discount, the bank also has a suite of additional proposals which add to the quality of its proposition and boost credit activity. These are, among others, commercial mortgage loans Biznes Hipoteka, SME loans from the EBRD line and refinancing from the EU funds, credit facilities for exporters, etc.

In 2004, a high growth in Biznes Hipoteka loans sales was recorded. They are dedicated to all kinds of investments associated with properties used for business purposes. Last year, the total amount of this type of loans sanctioned was PLN 107.4m, i.e. 51% more than in the previous year. A lot of interest was also sparked by loans from the EBRD line. As at the end of December 2004, total utilization of the EBRD credit line was EUR 37.8m. Noteworthy is also the growing number of loans for the delivery of investments refinanced under the available EU funds (more information to be found in section "Together in the EU Strategy"). The Bank customers are more and more willing to avail of the guarantees offered by the Credit Guarantee Fund POLFUND S.A. which operates in the Bank Zachodni WBK Capital Group. Guarantees sanctioned by the Fund to date contributed to increasing the Bank's credit activity by over PLN 153m. In August 2004, the credit offering was extended to include a new product for exporters – credit limit for financing exports receivables.

"Together in the EU" Strategy

In 2004, the Bank continued the "Together in the EU" programme and was increasingly effective in facilitating customers' access to the EU aid funds. The Bank provided the required advice to the borrowers, ensured support in effective funds allocation and participated in funding. The Bank's branches across Poland offered professional and knowledgeable support of the European Advisors.

The Bank continued to provide loans under the Phare and Sapard programmes towards the investments financed from the pre-accession funds. In view of Poland's entering the European Union, Bank Zachodni WBK prepared a special credit offer to finance the investments supported by the structural funds. An important element of this offer is the investment loan towards investments re-financed under the Sectoral Operational Programme for Improvement of Competitiveness of Companies, Action 2.3. The Bank received authorisation from the Polish Agency for Enterprise Development to sanction loans under this Action. The funding is provided not only towards the part of the investment which is funded from the EU subsidies but also towards other expenditure related to the project, with an attractive pricing offered.

Bank Zachodni WBK has been building its competitive advantage in the EU funds market since 2003, thus earning a reputation of an EU-friendly bank. Among other things, this reputation is owed to the cycle of nation-wide seminars named "Your Company In Europe", the activities of the Bank's European Advisors, the various promotional actions and the relationship with the key distributors of structural funds in Poland.

The growth rate of these "EU loans" depends on the availability of EU funds for the Borrowers. At the end of December 2004, the total value of the loans towards the projects refinanced from the EU pre-accession and structural funds amounted to PLN 117m.

Corporate Business Centers

The Bank's distribution infrastructure covers five Corporate Business Centers based in Warsaw, Wrocław, Poznań, Kraków and Gdańsk. Their key task is servicing corporate customers with efficient business strategy, management and adequate repayment capacity. The operational model adopted by the Centers is based on CRM principles and it assigns to the advisors the key responsibility for customer relationship management. It also assumes close co-operation with the Bank's branches which provide operational service of corporate customers. Apart from the credit decisions regarding corporate customers, the Corporate Business Centers take decisions with regard to SMEs which exceed the branches' and Credit Center's discretions.

In line with the adopted strategy, the Corporate Business Centers strive for maximizing income delivered by way of providing comprehensive services to customers. This means that customers seeking a loan receive the Bank's full offer resulting from a comprehensive diagnosis of their needs. Apart from the credit proposals, it also includes Treasury products, international trade finance transactions, investment banking services, staff packages, etc.

In 2004, despite a high GDP growth, corporate banking business in Poland was stagnant. One of the reasons for the slow down in development dynamics were cash surpluses generated by exporters which limited appetite for the banking loan. In spite of the unfavourable external conditions, the corporate loans portfolio managed by Bank Zachodni WBK Corporate Business Centres grew to reach PLN 7.1bn.

Development prospects

The Bank's 2005 strategy assumes maintaining the leader's position in the EU funds market through constant upgrades of the offering to ensure the customers' needs are satisfied to the fullest extent and the potential of the EU funds is effectively used. In its relationship with SMEs the Bank plans to use more extensively the capacity of direct banking (Bank Zachodni WBK Communication Center) and to cooperate with external delivery channels. The number of Mobile Sales Teams will be increased in view of their confirmed sales efficiency. The Bank is expecting to consolidate its position in the banking services market by introducing – as of 1 January 2005 – a new complex offer for SMEs. This is the so-called BUSINESS PACKAGE available in three options addressed to precisely defined market segments. To achieve a higher customer satisfaction level, the Bank will be adjusting its credit processes and procedures to the requirements of SMEs. In the Corporate Business Banking Area, ambitious business objectives will be delivered, which have been adopted for 2005 in view of the expected investment growth.

Investment Banking

Key areas of activity

In 2004, Bank Zachodni WBK continued to be very active in the area of investment banking. The favourable stock exchange climate promoted the growth of customers' interest in financial consultancy and capital market funding. The Bank also completed a number of major initiatives connected with ownership supervision and development of the investment portfolio in accordance with the adopted corporate policy.

Operations mandated by customers

In 2004, the Bank continued to co-operate with its leasing subsidiaries, providing them with support in acquisition of funding for their dynamically developing core business. The Bank participated in the preparation and execution of issue of 8 series of BZ WBK Leasing bonds, with a total nominal value of PLN 239.2m. The issues were conducted

as part of a public bonds issue programme launched in 2003 with a view to obtaining a total funding up to PLN 1 billion. In April 2004, as a result of joint efforts of the Bank and the BZ WBK Brokerage House, the Securities & Stock Exchange Commission admitted to public trading the bonds of another leasing company - BZ WBK Finanse & Leasing – which were offered under the issue programme with the maximum value of PLN 2 billion. By the end of the year, 4 public issues of the BZ WBK Finanse & Leasing S.A. bonds, with a total nominal value of PLN 100.1m had been completed.

The Bank also arranged debt securities issues for 5 other external clients. The value of these issues added up to PLN 35.7m. The issued securities were taken up in full by the entities indicated by the issuers.

Bank Zachodni WBK also participated in 4 public share issues. The Bank acted as an advisor and an investment sub-issuer for the public offer of the C series shares of PBG S.A. with a value of PLN 96m. The Bank also acted as a service sub-issuer for D series shares of PBG S.A., which were issued as part of a management options scheme of the company. Furthermore, the Bank was an advisor in the public offer of the shares of ComArch S.A., Wielkopolska Wytwórnia Żywności PROFI S.A. and Firma Chemiczna DWORY S.A. In the case of DWORY S.A., the Bank also acted as an investment sub-issuer, with the Bank's commitment amounting to PLN 270m. The Bank did not take up any shares under its sub-issue commitment.

Own account trading

On 23 June 2004, BZ WBK acquired 154,639 series A investment certificates in a new investment fund ARKA BZ WBK Fundusz Rynku Nieruchomości SFIZ (managed by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A.) for a total of PLN 15m. At the beginning of August, the certificates were recorded in the Bank's account with the National Depository of Securities.

Development of investment portfolio

In January 2004, an increase in the share capital of BZ WBK Nieruchomości S.A. by PLN 150k was registered. The new shares were fully acquired by Bank Zachodni WBK. The resolution to increase the share capital in 2004 was also passed by the General Meeting of Shareholders of BZ WBK Finanse & Leasing and BZ WBK Leasing, which issued new shares of PLN 5 m and PLN 37m respectively. All the shares were taken up by Bank Zachodni WBK. The share capital increase was registered in March 2004. In October 2004, the Bank made a capital contribution of PLN 2m to the share capital of BZ WBK Faktor Sp. z o.o.

On 22 April 2004, the Bank sold all of its 100% shareholdings in its subsidiary CardPoint S.A. to Nova Euroconex Holdings B.V., Holland, for a total amount of PLN 68m. In the last quarter of 2004, the wind-up of WESTFUND Ltd., Dublin, Ireland, in which the Bank had a 33.67% stake, was completed. On 5 November 2004 the company was removed from the Irish register of businesses. On 29 December 2004, the Bank sold its full shareholding in Kupcy Gdyrńscy SA for PLN 2m, with PLN 1.8m falling due for payment on 30 December 2004, while the remainder will be paid on 31 March 2005.

The General Meetings of the companies included in the Bank's investment portfolio declared PLN 66m worth of dividends (gross) for the Bank. The biggest share in that pool was represented by dividends paid by the Commercial Union Group.

Lending to subsidiaries

On 30 December 2004 Bank Zachodni WBK S.A. signed 4 credit agreements with its Group companies. The agreement with BZ WBK Inwestycje Sp. z o.o. provides for an investment loan of PLN 390m, maturing on 9 December

2008. The funds will be used to fund the company's statutory activities and its working capital requirements, including the purchase of 2- and 5-year bonds of Bank Zachodni WBK and investment certificates of ARKA BZ WBK Global Index. The first tranche of the loan of PLN 115k was drawn by the end of 2004. Another credit agreement was signed with BZ WBK Faktor Sp. z o.o. The agreement provides for an overdraft of PLN 412m repayable by 30 December 2014. Two subsequent agreements were signed with BZ WBK Finanse & Leasing and BZ WBK Leasing. They provided for multi-currency credit lines of PLN 370m and 270.4m, respectively. The purpose of these lines is to fund the companies' leasing activities and other working capital requirements.

Electronic Banking

Key areas of activity

In 2004, the Bank continued to operate its previously adopted electronic banking strategy. As part of the strategy, transactions were migrated to automatic channels and actions were taken to increase the number of electronic transactions. The electronic banking services were enhanced by adding solutions that complied with the highest quality and security standards. Also, the credit cards offering was expanded to include new product proposals.

Development of electronic channels

In 2004, the functionality of the Bank's electronic banking application (BZWBK24) was significantly enriched with new features.

In February 2004, Bank Zachodni WBK was the first bank in Poland to implement the smsKod service designed for the BZWBK24 users who are also mobile owners. By having transaction authorisation codes sent to their mobiles, customers can make remote transactions in the scope that so far has been exclusively available to the holders of tokens. In the opinion of the experts from the "Chip" magazine, the transactions carried out with the use of the Bank Zachodni WBK smsKod service are 100% safe. Also, the Bank's electronic banking services were ranked highest among Polish internet banks in terms of the quality of safeguards offered ("Chip", December 2004).

Since June 2004, the users of BZWBK24 have been able to independently monitor the status of their registers with ARKA funds as well as to open new registers and purchase, redeem and convert participation units. In the last quarter of the year the following innovative and technologically advanced services were implemented: Alerty24 (alerts) and Przelew24 (transfers). The alerts are a new way of communication between the Bank and the customers whereby short text messages are sent to the indicated mobile phone number or e-mail address to inform about the Bank's offering and any events relating to the customer's accounts. Przelew24 is a new method of Internet payments which allows the customer to make settlements with shops or institutions directly from his or her bank account. The solution is both convenient and safe as the beneficiary does not have any access to the customer's identification data or to the balance of their account. The new features of BZWBK24 also include: ordering international payments, making FX transfers to own accounts (in connection with foreign currency dealings), presentation of account history for the last 6 months, overview of historical FX rates, ordering paper confirmations of transactions, access to the details of individual credit accounts as well as set-up and repayment of revolving loans.

Electronic banking users

Thanks to the constant expansion of functionality, effective security features and diversified authentication methods, the Bank's electronic banking solutions have ranked among the best such products available in Poland. The growing scope, quality and security of services offered by BZWBK24 allowed the Bank to acquire new users.

In 2004, the electronic banking customers base grew by 136.9 k users to reach 578.1 k users at the end of the year. Most of these users are retail customers (83%). 419.7 k personal and business customers had access to the Internet, which is the most frequently used channel in remote banking.

In 2004, the number of Minibank24 installations (office banking) increased by 515 and the total number of Minibank24 applications at the end of December was 4.4 k with 13.5 k users. By the end of June the Bank had completed the upgrade of Minibank24 to 3.0, a process which took 6 months. The next upgrade to 4.1 is expected at the end of January 2005.

Migration of transactions and customer service to automatic channels

In 2004, the Bank made a significant progress in migrating banking transactions to electronic channels. 83% of all the transactions mandated by customers were effected through electronic channels, which allowed branches to use the free potential to service and manage relations with the customers with more sophisticated needs. The increase in this ratio is primarily attributable to the Migration Programme, which was launched in 2003 and fully rolled out across the branch network in mid-2004. The Programme encompassed a number of coordinated initiatives which were aimed at increasing the sales of electronic services and at intensifying user activity in the automatic channels. Particular focus was placed on interaction with customers in branches, especially with respect to individual training where demonstration terminals were used.

Direct banking

The year 2004 was the first year of converting Bank Zachodni WBK Communication Centre from a cost generating back office unit into a profit making business unit committed to direct banking sales. Operating on the basis of improved and customer friendly banking procedures, the Communication Centre launched a telephone-based distribution channel dedicated to the sale of the leading retail banking products; i.e. personal accounts, credit cards accompanied by insurance packages, cash loans and instalment loans (RATIO) embedded in a credit card limit. Our round-the-clock call centre (0-801-666-444) provides customers with professional advice and offers to buy banking products. There are also dedicated call centres where customers may seek professional advice on particular products, i.e. mortgage loans, credit cards, investment deposits, individual pension funds, Western Union transfers and new credit facilities. In 2004, the direct banking channels allowed us to fully perform the plan of the sale of RATIO instalments loan and travel insurance attached to credit cards. The channels also appeared an effective medium for the sale of credit cards as 7% of all credit cards were sold through this very channel (in the second half-year, an average share of the Communication Centre in the sale of credit cards amounted to 10%).

In the fourth quarter of 2004, the bank launched an electronic channel of sales of credit facilities available on the Bank Zachodni WBK portal and through the web-based transactional system. With the on-line application forms that customers can download and send over to the Communication Centre, formal requirements accompanying on-line purchase of products are limited to the necessary minimum.

In addition to transaction processing and pro-active sales, the Communication Centre also became involved in acquiring new customers and delivering sales with the use of external databases.

Development of card products

Bank Zachodni WBK offers a wide range of cards of the two biggest payment systems (Visa International and MasterCard) with options adjusted to the needs and capacity of the basic customer segments. Apart from the stand-

ard debit and credit cards, the Bank's offering includes an FX card to a Euro account as well as affinity, partnership and gift cards.

In the second half of 2004, the Bank's credit card offering was supplemented to include several new items. In co-operation with the Gdańsk University of Technology the Bank introduced the first VISA Electron card with a photo. In the pre-Christmas period the Bank started to sell pre-paid bearer cards, which made an elegant and modern gift that could replace cash or vouchers. At the end of 2004, the Bank also issued a regional partnership card in co-operation with Leszczyńskie Stowarzyszenie Handlowców Starówka. This is the first card of such a type in the Bank's offering which is provided as part of the new procedural solutions that allow the Bank's Regions to start relationship with their local partners to issue partnership credit cards.

The cards issued by Bank Zachodni WBK are covered by insurance protection. Throughout 2004, the credit card holders could use the insurance package "Your Security", which provides cover against, e.g. death following an accident, unemployment or inability to work due to health problems. On 1 May 2004, the Bank introduced an optional Financial Insurance Package for debit cards issued to personal accounts. The package provides cover against unauthorised use of the card, robbery of cash withdrawn from the ATM or damage to the goods purchased with the card.

Development of card services

In 2004, the Bank was successively enhancing its card issuance and service procedures, encouraging its customers to use these instruments more actively.

Besides, due to the increased usage of VISA cards in the Economic and Monetary Union, the Bank decided to change the currency used to settle VISA card transactions made abroad. As a result, on 29 April 2004, the US dollar was replaced with Euro, which decreased the cost of currency conversions and made the Bank's card offering more attractive. With the customers' convenience in mind, the Bank launched a new service called CashBack. Cashback allows customers to withdraw cash at POS terminals handled by CardPoint whilst paying with a card in a shop.

Due to the strong competition in the credit cards market, in 2004 the Bank undertook a number of actions to boost the credit card sales and decrease the number of customers opting for competitors' cards. The key initiatives undertaken in this area include a pilot run of a programme designed to prevent customers from resigning from the Bank's cards. Also, in order to increase the attractiveness of its offering and improve its sales performance, the Bank modified its credit card handling processes and shortened the turnaround time in preparation for the 100% Term Guarantee initiative, which sets the time limit of 6 days for issuing respective cards (following receipt of a complete application from customers). Throughout the year efforts continued to get the Bank ready for the mass migration of credit cards to the chip technology scheduled for 2005. A pilot was run for Bank Zachodni WBK employees, who received new chip credit cards.

Payment cards portfolio

At the end of December 2004, the number of active debit cards held by Bank Zachodni WBK customers totalled 1 million and was by 2.1% lower than at the end of 2003. The slight decrease in the portfolio is connected with the process of personal accounts database cleansing and the growing popularity of credit cards, which offer a higher functionality. In 2004, there were 55.4k new credit cards issued, which contributed to the growth in the credit cards portfolio to 165.2k. This signifies a 22.9% growth compared to the end of last year.

Card services for other banks

Bank Zachodni WBK issues cards and offers card-related services for other entities and is one of the market leaders in this area. The Bank offers its clients modern IT infrastructure and real-time access to transaction data. In 2004, the Bank handled 261k cards and 117k transactions for third parties. The Bank's clients include: Lukas Bank, Nordea Polska, Dominet Bank and co-operative banks. Last year, Bank Zachodni WBK also began to provide services to mBank and Multibank whose customers can now use BZWBK ATM network on preferential conditions.

Outlooks for electronic banking development

For 2005 the Bank plans a further intensive growth of electronic banking.

The Bank's development strategy assumes a dynamic increase in sales via the Internet and over the phone. Telephone banking functionality will be supplemented with a possibility to make standard transactions with the assistance of an advisor, while in the field of electronic banking a wider co-operation with external financial portals is planned. The Bank also intends to rely more heavily on the external delivery channels.

2005 will see a mass card migration to the chip technology, which will align the Bank's offer with the world standards, ensure its competitiveness and minimise fraud-related losses. The Bank's card range will be gradually expanded to include new products in response to customer needs and market developments (e.g. pre-paid bearer cards with a top-up option). Efforts will also be continued to increase the use of cards in payment transactions.

Co-operation with International Financial Institution

Bank Zachodni WBK co-operates with major banks and financial institutions of the world. The closest business relations are maintained with a network of correspondent banks, which ensures comprehensive handling of international transactions. Bank Zachodni WBK's correspondents include: Deutsche Bank AG, Dresdner Bank AG, Bank of New York plc, Royal Bank of Scotland plc, Baden-Wuerttembergische Bank AG, Banca Nazionale del Lavoro. The Poland's EU accession did not bring about any changes in the number or scope of its contracts with international banks. It also did not impede the growth of international transactions or the related revenues.

International payments

Owing to its position in the interbank market, professional service and advanced technologies, the Bank is ranked among the top Polish financial institutions in terms of cross-border turnover. In 2004, it settled 746.2k payment orders for a total of PLN 33.3 billion, i.e. 44.6% more than last year in terms of the number and 24.1% more in terms of the value. A positive trend could also be observed in the structure of international payments. Due to the concluded contracts and the quality of the service offered, the Bank's correspondents were channelling more and more payments for third banks' customers through Bank Zachodni WBK. In 2004, the number of respective transactions increased by 92%. Thanks to the availability of order-placing functionality via the internet, the share of electronic payments was growing. E-banking users and other customers had access to the Internet Calculator which computes the precise cost of the ordered and received payments in a variety of options.

Bank Zachodni WBK attaches a great importance to the high quality of its payment order services. The automation of payments and the quality of formatting outgoing messages is very high. This was recognised by Deutsche Bank AG, the Bank Zachodni WBK's partner, which once again honoured the Bank with the STP Excellent Award.

Apart from the correspondent banks, an important partner for Bank Zachodni WBK is Western Union Financial Services. On 1 January 2004, the Bank started co-operation with Western Union as a direct agent, whereby it obtained a higher share in fees with a possibility to generate income from FX conversions and to establish its own network of agents. In 2004, 264.5k WU payments were processed.

Trade Finance

In 2004 the Bank processed 17.7 k trade finance transactions totalling 663.5m, i.e. 14% more than last year. This period also saw a substantial increase in the value and number of processed cheques. The value of Export Letters of Credit handled by the Bank increased significantly as well. The biggest growth however was observed in the foreign trade instruments, especially forfeiting and discount of export receivables which attract an increasing number of customers each year.

Custodian Services

Bank Zachodni WBK offers custodian services on the basis of a licence issued by the Securities and Stock Exchange Commission on 9 August 1999. The Bank's offering is addressed both to private individuals and legal entities (including mutual funds) in Poland as well as to foreign institutional investors present in the Polish capital market. The Bank's custodian activities include: operating securities accounts, settlement of securities transactions, handling dividend and interest payments and representing customers at General Meetings of Shareholders. The Bank also acts as a depository for investment funds, such as: ARKA Obligacji FIO (Bonds Fund), ARKA GLOBAL INDEX 2007 FIZ and LUKAS Fundusz Stabilnego Wzrostu FIO (Stable Growth Fund), which is managed and represented by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych. As part of its custodian services, the Bank also maintains asset registers and calculates the net value of assets per participation unit held.

Thanks to the consistent actions aimed at consolidating its position in the custodian service market, in 2004 Bank Zachodni WBK recorded a noticeable growth in assets deposited by customers in securities accounts. At the end of 31 December 2004, the value of these assets totalled PLN 3.2 bn which represented an 18% growth against the end of 2003.

Companies consolidated with Bank Zachodni WBK S.A.

Dom Maklerski BZ WBK S.A. (BZ WBK Brokerage House)

In 2004, economic conditions were good in each brokerage services segment, but it was the stock exchange equity market which grew the fastest. Under the influence of the huge growths in Q1 and Q4 the turnover on this market reached record high to exceed the 2003 level by 65.2%. The increased investor activity in early 2004 was promoted by GDP growth, improvement in performance of listed companies and Poland's approaching accession to the EU. The rapid acceleration in turnover in the last quarter is attributable to stock exchange floatation (including PKO BP) and increased activity of foreign institutional investors.

In those conditions, Dom Maklerski BZ WBK outperformed the industry growth pace on the equity market by 43.4 pp to generate turnover of PLN 11,649.6m. These results allowed the company to grow its equity market share from 8.4% at the end of 2003 to 10.6% a year later. The high level of the equity-related turnover was more than pure reflection of favourable macroeconomic factors or high demand for shares of newly floated companies. To a great

extent it was a result of consistent actions taken by the Brokerage House with a view to increasing the volume of orders placed by Polish and foreign institutional customers.

On the futures market, Dom Maklerski BZ WBK acted as an agent for conclusion of 800.8k transactions which translated into a market share of 11.1%. In view of lower activity of retail investors, the turnover was 19.9% down on the previous year.

The Dom Maklerski's turnover on the equity market and the futures market, which are the primary areas of activity on the Polish Stock Exchange, gives it the third position among entities with similar profile of operations.

Following the discontinuation of Treasury bonds sales on the primary market in August 2003, the company's turnover on the bonds secondary market fluctuated much. The customers were able to spend the funds arising from the bonds purchased by the State Treasury to buy bonds issued by BZ WBK Leasing and BZ WBK Finance & Leasing. On the primary market, the bonds were available in points of sales of Dom Maklerski BZ WBK. In addition, they were traded on the secondary CeTO market.

Good stock exchange climate promoted interest in the possibility of issuing shares on the primary market among institutional customers. In H1 2004, Dom Maklerski BZ WBK acted as the offering party in public offerings of PBG, JC Auto, ComArch and Betacom. In September, it was a member of the syndicate which successfully completed the public offering of CompRzeszów. Along with other entities, it was involved in the sales of PKO BP shares to achieve a very high 17% share in the sales under the retail customers tranche. At the end of the year, Dom Maklerski carried out subsequent three offerings on the primary market (PROFI, Cinema City, DWORY), of which one (DWORY) was finalised. The two other offerings were not carried out because of an extensive number of offerings on the primary market and high issuer demands as regards the share price.

After 12 months 2004 Dom Maklerski BZ WBK retained its leading position in terms of the number of operated Internet accounts. Their number throughout the year grew by 85% and exceeded 18.7k. Both the revival on the market before and after the sales of PKO BP shares as well as the competitive proposition of the brokerage house contributed to the growth in the number of those accounts. The company achieved further successes in the process of migrating retail customers to remote delivery channels, the Internet in particular. On the equity market, over 80% of the retail customers turnover was generated based on orders placed via the Internet or over the phone, while on the futures market the share was as high as 90%. The telephone services are provided to Polish and foreign institutional investors by designated teams.

BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A.

After 12 months of 2004, net assets of mutual funds operating in Poland grew by 13.5% and the growth was much slower than in the previous year (49.5%). In the better part of the year, marginal growths in the assets were recorded and only the last months saw a substantial acceleration in the growth rate. This change was triggered by the flow of funds left in the investment accounts following the reduction in the subscriptions for PKO BP shares. Last year, the structure of customer investments also changed. As a result of favourable stock exchange climate, the increased interest in equity funds was recorded.

Against the market, the assets of funds managed by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych are characterised by a very high growth rate. In 2004, their value grew by 91.2% to reach PLN 2,836.8m at the end of December. In line with the market trend, the assets of funds investing on the stock exchange equity market who offer high return at considerable risk (ARKA BZ WBK Akcji FIO, ARKA BZ WBK Zrównoważony FIO, ARKA BZ WBK Stabilnego Wzrostu FIO and Lukas Fundusz Stabilnego Wzrostu FIO) grew the fastest. The total value of funds accumulated by these funds increased by 360.3% to PLN 1,603.6m. The equity fund sale campaign was supported by very

good management performance. Fundusz ARKA BZ WBK Akcji FIO and Fundusz ARKA BZ WBK Zrównoważony FIO proved most effective in building up entrusted funds. The two funds were the best on the market in their categories in terms of yield for 12 months 2004. The generated rates of return were 35.8% and 23.9% respectively ("Where performance counts" – Rzeczpospolita, dated 27/01/2004, "Polish Securities better than Foreign" - Gazeta Prawna, dated 07/01/2004, "Better Return on Equities" - Życie Warszawy 07/01/2005).

Out of the investment funds managed by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych, ARKA BZ WBK Ochrony Kapitału FIO, who accumulated PLN 732.6m, was traditionally the best. Following a quick inflow of funds to ARKA BZ WBK Zrównoważony FIO and ARKA BZ WBK Akcji FIO, they were ranked 2nd and 3rd respectively with assets totalling PLN 644.4m and PLN 424.0m.

In 2004, BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych was the first institution in Poland to launch property fund called ARKA BZ WBK Fundusz Rynku Nieruchomości SFIZ. The fund invests in the highest class office, storage, commercial and residential properties. The growth in the value of fund is generated based on income from commercial properties, growth in the value of the purchased commercial properties, development and sales of residential properties. The subscription of the fund's investment certificates was held at the turn of May and June in two tranches: for retail customers and institutional investors. All certificates offered for sale were sold and their total value was PLN 339.5m.

Last year, BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych continued to collaborate with Bank Zachodni WBK to look together for more effective methods of distributing ARKA funds and growing sales. The example of the joint actions is launch of hybrid sales, carrying out the fund promotional campaign among the Bank's customers or enabling the customers to conclude ARKA funds-related transactions in electronic channels (all the products and services are outlined in section "Retail Banking" or "Electronic Banking").

Thanks to the taken actions and high sales dynamics, the market share of BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych grew from 4.5% at the end of December 2003 to 7.5% a year later.

BZ WBK AIB Asset Management S.A.

High customer interest in stock exchange investments drove sales of the equity portfolios offered by BZ WBK AIB Asset Management to promote a 47.6% growth in the total assets (entrusted by customers) on an annual basis. In terms of the management performance, the portfolios managed by the company were as distinctive as the investment funds. Equity Portfolio (Fundamental) and the Balanced Portfolio (Fundamental) were ranked high in their categories to achieve rates of return of 60.2% and 26.2%, respectively ("Parkiet" 05/02/2005).

As at the end 2004, the value of assets managed by BZ WBK AIB Asset Management, including the investment funds of BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych, totalled PLN 3,137.4m.

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

Bank Zachodni WBK Group operates on the leasing market through two leasing companies who specialise in funding two different asset categories. BZ WBK Finance & Leasing focuses on the lease of two product groups: machines and equipment ("Maszyneria" package) as well as computers and office equipment ("Biuromania" package) for businesses, while BZ WBK Leasing specialises in finding vehicles for businesses ("Autostrada" and "Autotrans") and personal customers ("Autostart" package).

The proposition of the two companies is reviewed on an ongoing basis to ensure it meets customer needs. Since September 2004, customers of the two leasing companies have been able to use the grants received under

the "Sectoral Operational Programme Growth in Business Competitiveness (Activity 2.3.)" for financing investments carried out with the use of leasing. The role of the companies is to provide products and assistance on settling the grants which are disbursed after the lease term. At the end of November 2004, the two companies introduced a special leasing proposition for doctors and vets. The proposition envisages possibility to fund medical equipment, PCs or a car up to the limit of PLN 300k. The product is primarily sold by vendors (authorised dealers or producers collaborating with the leasing companies) and leasing advisors.

In 2004, the companies continued the close relationship with Bank Zachodni WBK as regards the sale of leasing facilities in the Bank's branch network. AUTOSTRADA application which facilitates the decision making process and conclusion of agreements was implemented in branches. Furthermore, both BZ WBK Finance & Leasing and BZ WBK Leasing were consistently growing sales through their own leasing advisors and external delivery channels i.e. car dealers and fixed assets suppliers. During the year, 30 new staff members joined the leasing advisors teams.

Following the dynamic growth in their core business, the companies raised funds by way of own bond issues. While continuing the public issue programme up to PLN 1bn, in 2004, BZ WBK Leasing carried out eight issues of three-year bonds with the total nominal value of PLN 239.2m. Pursuant to the approval of the SEC dated 26 April 2004 for admitting to public trading (as part of Bond Issue Programme 1) bonds of up to PLN 2bn, BZ WBK Finance & Leasing issued four series of 3-year bonds with nominal value of PLN 100.1m.

In 2004, the two companies leased net assets totalling PLN 821.4m i.e. 14.5% up on the previous year. The performance was driven by macroeconomic factors, primarily changes in the legal environment (VAT Act) and Poland's accession to the EU. They broke the seasonal trend typical of the leasing industry and fuelled the high growth in demand for leasing services in H1 2004. Vehicle lease which recorded the highest growth early in the year as a result of the expected rise in prices after the accession prevailed in the lease structure. The value of passenger cars and trucks leased in 2004 was PLN 565.7m which represented a 23.4% growth against the previous year.

BZ WBK Faktor Sp. z o.o.

Pursuant to its corporate strategy, BZ WBK Faktor fully took over factoring services provided within Bank Zachodni WBK Group. In 2004, the company provided recourse factoring, including purchase of trade receivables due to the debtor's customers, management of the portfolio of purchased receivables, financing customers' working capital requirements, monitoring of repayments and pursuit of claims. Since October, the company has been also offering non-recourse factoring. Next, the company's offering will be expanded with international factoring.

Thanks to the relationship with BZ WBK branches, the company has one of the largest distribution network on the market. In 2005, it intends to achieve full sale capacity in the bank branches and to commence building an external delivery channel.

In 2004, BZ WBK Faktor's factoring turnover was PLN 354.3m and was by PLN 325.3m higher against the previous year when the company had commenced operations. The exposure arising from the provided funding increased by over 10-times and totalled PLN 43.6m. The growth in turnover and credit exposure was possible thanks to recruitment of new customers and higher activity.

BZ WBK Inwestycje Sp. z o.o.

The company's business is purchasing and selling shareholdings in commercial companies and other securities as well as seeking investors for companies and providing consultancy/advisory services.

In 2004, BZ WBK Inwestycje focused on searching for investors interested in buying the shares and interests it holds. The result of these actions was the sale of the shareholdings in the following companies: Huta Szczecin S.A., Tomtex S.A., Gildia Poznańska "GP" S.A. (former Poznań Exchange "GP" S.A.).

AIB WBK Fund Management Sp. z o.o.

In 2004, AIB WBK Fund Management continued the relationship with three funds: Narodowy Fundusz Inwestycyjny Magna Polonia S.A., Nova Polonia PEF and Prospect Poland Fund.

BZ WBK Nieruchomości S.A. i Wspólnicy Spółka Komandytowa

The company's core business is handling leasing of vehicles which were leased for 10 years pursuant to the leasing agreements concluded in 2001.

Organisation and Infrastructure Development

Bank Zachodni WBK Ownership Structure

According to the data held by the Management Board of Bank Zachodni WBK, as at 31 December 2004, the shareholder with at least 5% of the voting power at the Bank's AGM was AIB European Investments Ltd., Dublin.

Shareholder	Number of shares held	Share in the share capital	Number of votes at AGM	Voting power at AGM
AIB European Investments Ltd.	51,413,790	70.5%	51,413,790	70.5%

Governing Bodies

General Meeting of Shareholders

On 20 April 2004, the Annual General Meeting of Shareholders of Bank Zachodni WBK was held, which approved single and consolidated financial statements for 2003 submitted by the Management Board and the Management Board's report on the Bank's and the Group's operations in 2003. The AGM also approved distribution of profit and dividend payments, and gave discharge to the Management Board and Supervisory Board members on their duties in the past year. The AGM appointed a new member of the Supervisory Board, Mr Don Godson. The AGM also reviewed and approved the Supervisory Board's report on its operations in 2003 and the Management Board's report on implementation of EGM Resolution no. 1 of 12 June 2000 approving the sale of selected properties owned by the Bank and requiring the Management Board to submit reports on the transactions.

Extraordinary General Meeting of Shareholders

On 17 December 2004, an Extraordinary General Meeting of Shareholders of Bank Zachodni WBK S.A. was held, which decided that from 2005 onwards the Bank will be producing its financial statements in line with the International Financial Reporting Standards.

Supervisory Board

As at 31 December 2004, the composition of the Bank Zachodni WBK Supervisory Board was as follows:

Function	Name
Supervisory Board Chairman	Marian Górski
Supervisory Board Vice-Chairman	Gerry Byrne
Supervisory Board Members:	Waldemar Frąckowiak
	Aleksander Galos
	Don Godson
	Declan McSweeney
	John Power
	Aleksander Szwarc
	Jacek Ślotała

Compared to the end of December 2003, the following changes took place in the Supervisory Board: on 31 December 2003 Mr Dermot Gleeson completed his assignment on the Bank's Supervisory Board due to his appointment as the Chairman of the AIB p.l.c. Board. On 20 April 2004 Mr Marek Grzegorzewicz resigned from the Supervisory Board. On the same day the AGM passed a resolution appointing Mr Don Godson as the Bank's Supervisory Board Member.

On 17 December 2004, the Bank announced Mr Marian Górski's decision not to run for another term of office.

Management Board

As at 31 December 2004, the composition of the Bank Zachodni WBK Supervisory Board was as follows:

Function	Name
Management Board President	Jacek Kseń
Management Board Vice-President	Cornelius O'Sullivan
Management Board Members:	Declan Flynn
	Michał Gajewski
	Justyn Konieczny
	Janusz Krawczyk
	Jacek Marcinowski
	Mateusz Morawiecki
	James Murphy
	Feliks Szyszkowski

In 2004, the Management Board composition was reduced by one member. On 14 January 2004, Mr Maciej Węgrzyński submitted his resignation from the Board.

At the end of June 2004 another change took place in the Management Board composition. On 30 June 2004, Mr Michael Keegan resigned from the Management Board following his appointment to a new role in the Allied Irish Banks p.l.c. He was succeeded by Mr James Murphy, whom the Supervisory Board appointed to the office on 1 July 2004.

On 4 March 2005, the Bank announced Mr Cornelius O'Sullivan's decision to resign from the Management Board effective from 30 April 2005 due to retirement.

The table below shows the number and nominal value of the shares of Bank Zachodni WBK held by the Management and the Supervisory Board members as at 31 December 2004.

Shareholder	Shares held	Nominal value of shares (in PLN)
Supervisory Board		
Marian Górski	52	520
Waldemar Frąckowiak	278	2780
Management Board		
Jacek Kseń	450	4500

The other members of the Supervisory or the Management Board did not have any holdings in the Bank Zachodni WBK shares.

Corporate Governance and Business Ethics

Corporate governance

According to its statement issued on 30 December 2002, Bank Zachodni WBK complies with the corporate governance principles defined in "Best Practice in Public Companies in 2002" and introduced by force of Resolution No. 58/952/2002 of the Stock Exchange Board, dated 16 October 2002. The contents of the document as well as its recommended application in the Bank were approved by the Management Board and the Supervisory Board, and subsequently accepted by the General Meeting of Shareholders held on 10 April 2003.

The Bank also has additional internal procedures designed to support the monitoring of compliance with the good practices. Relevant changes were also introduced to the Statutes of Bank Zachodni WBK and to the terms of reference of the AGM, the Supervisory Board and the Management Board. As required by corporate governance principles, more than a half of the Supervisory Board directors have a status of an independent member. Also, at the Bank's web site there is a special folder named "Investor Relations", where all the current and periodic reports as well as corporate documents and other relevant information are published.

Code of Business Ethics

In January 2004, the Bank implemented the Code of Business Ethics, which applies across the AIB Group. The Code sets out the general standards of behaviour which underpin the Group's corporate culture. The application of these standards is supported by detailed regulations contained in relevant policies and procedures.

According to the Code, in all the aspects of its activities the Bank complies with the business ethics requirements, conforms with the law and acts in accordance with the best corporate governance and risk management models. The Bank seeks to create a climate of trust in its dealings with customers, employees, shareholders and other stakeholders, promoting such values as integrity, professionalism, prudence and competence. The opinion of a dependable organisation is perceived as a pre-requisite for further development and success, but the Bank also has the ambition to be recognised for being engaging and pioneering. As a socially responsible organisation, the Bank assumes environmental protection duties and supports corporate-giving and sponsorship programmes in such areas as: environment, education, sport and art.

The introduction of the Code of Business Ethics came after a wide-ranging informational campaign. A number of meetings were held with managers and staff to brief them on the importance of ethical conduct in the banking business. To increase awareness of the Code of Business Ethics, a special e-learning course was prepared for all staff.

Key areas of activity

In 2004, the Bank's training activity was focused on initiatives supporting the execution of the corporate strategy and the development of managers, lenders and relationship officers. An important stream of HR actions was the preparation and delivery of the Staff Opinion Survey followed by an analysis of its results. During the year the Bank continued to implement the comprehensive system for personnel management. The employment restructuring has been significantly curtailed and resulted from the current business requirements.

Human Resources

As at 31 December 2004, the number of FTEs in Bank Zachodni WBK S.A. was 7,092 i.e. by 325 lower as compared to the end of the previous year. In the companies consolidated with the Bank, the employment increased by 42 FTEs up to 375 FTEs (excluding CardPoint S.A., which has been sold). The decrease in employment results from the units effectiveness optimisation process carried out in the bank through adjusting relevant resources and structures to potential local markets. It arises also from the organisational changes associated with the implementation of a new branch model in line with the CRM programme guidelines. The HR processes in the Business Support Centre were related mainly to the development of the organisational structure and the growing quality requirements in relation to staff members.

In 2004, intensive preparations were made for the implementation of an IT platform supporting comprehensive HR management - SAP e-HR. The new tool will modernise the currently applied technology and trigger a profound transformation of HR-related processes and services through introducing many elements of the self-service of managers and employees. The implementation of new IT infrastructure is carried out in stages and will be continued in 2005. Last year a central HR and payroll service model was delivered, and in 2005, the full implementation of training services and modules related to the self-service, work effectiveness and remuneration management is planned.

In 2004, a role of Staff Relations Manager was established in Bank Zachodni WBK S.A., whose main task is to create the bank's image as a trustful employer among staff. The delivery of this objective requires the development and consistent implementation of a long-term strategy for the development of staff relations based on the best practices in AIB Group and the regulations applicable in the European Union. The person performing this function is also responsible for managing the staff attitude survey.

The first staff attitude survey in the bank's history was conducted in September 2004 and covered all the staff employed in Bank Zachodni WBK S.A. The objective of this survey was to identify key factors which impact staff's commitment and motivate them to achieve the set objectives, to assess the HR management quality by their line managers and the effectiveness of mutual communication at all levels in the organisation as well as to obtain feedback on Performance Management, incentive systems, training sessions, team work, etc. The survey results were analysed and communicated to staff members. Among the good information we received, there was a confirmation that the strategy and corporate behaviours were well understood and highly assessed by the employees who additionally demonstrate high commitment to the delivery of Group's objectives. The lower rated areas will be improved due to the implementation of rehabilitation programmes.

Training

In 2004, the training sessions and development programmes organised by the Bank were attended by 43.2k participants, i.e. 38% more than in the previous year. The majority (69%) were trained in the e-learning system which is becoming increasingly popular due to its speed, efficiency and low costs of information transfer. The Bank also introduced the method of mixed training sessions, which requires the staff to prepare theoretically in the e-learning mode before participation in the traditional training sessions focused on broadening the knowledge and developing practical skills. The main thematic blocks of the training sessions conducted in 2004 related to the following topics: strategic products, sales techniques oriented on the team work and service quality, financing SMEs and the security of banking operations. The training initiatives were addressed, first of all, to the branch staff. In order to increase the effectiveness of training sessions and ensure the highest service quality to customers, front desk staff are offered comprehensive training only. It means that each training project designed for this group must cover not only an individual product but also all the related processes, procedures and sales techniques.

In 2004, the Bank also completed the annual "Successful Managers Programme". Within this initiative, a number of training sessions were held to develop leadership skills of the 55 participants of the programme. The young managers also work with experienced managers who act as their mentors. In this manner the first group of highly skilled, outstanding employees were prepared to perform key functions at the low and medium managerial level.

Infrastructure

Branch network

At the end of 2004 the Bank's distribution network comprised 387 branches and was divided into three macro-regions (Wrocław, Poznań and Warsaw) and 14 regions. Compared to the end of December 2003, the number of branches decreased by 13.

The Bank continued the process of review, restructuring and rationalisation of the branch network. Throughout 2004, 14 branches were restructured, which involved transferring their business to better performing outlets, with a higher development potential.

The Bank opened another branch near Warsaw, thus consolidating its position in the Warsaw market. Consequently, at the end of December 2004 the Bank Zachodni WBK branch network in Warsaw and its surroundings comprised 41 branches.

In 2004, efforts continued to re-focus branch operations in accordance with the Segmentation and CRM Programme (for more details see, the section on Segmentation and CRM).

Corporate Business Centres

In 2004, Bank Zachodni WBK provided services to corporate customers through five Corporate Business Centres based in Warsaw, Wrocław, Poznań, Kraków and Gdańsk. They are separate from the divisional structure of the Business Support Centre and report directly to the First Vice-President of the Management Board (for more details see, the section on Commercial and Corporate Banking).

Electronic Banking Infrastructure

In 2004, the Bank searched for attractive locations for its ATMs and installed new machines. As at the end of December, the network of Bank Zachodni WBK ATMs consisted of 578 machines, i.e. by 21 more than at the end of the previous year.

The functionality of Bank Zachodni WBK ATMs is very extensive and constantly developed. Apart from the withdrawals, customers can use additional services, such as checking the account balance, specification of transactions, transfer to the Bank Zachodni WBK credit card, PIN change, card activation, topping up "pre-paid" mobiles for all the operators, paying bills for the Idea subscriber's mobile, etc.

With regard to the planned mass migration of the Bank's credit cards to the chip technology, in 2004, the project of adjusting Bank Zachodni WBK's ATMs to the service of EMV technology was progressed. The work will be completed in 2005.

Communication Centre

The Bank Zachodni WBK Communication Centre based in Środa Wielkopolska was opened in 2001 to facilitate the Bank's direct banking activities. Initially, it fulfilled only operational functions. In 2004, the Centre started phone and Internet-based sales and acquisition activities, also with the use of external commercial databases (for more details see, the section on Direct Banking).

Capital Expenditure

In 2004, the capital expenditure of Bank Zachodni WBK totalled PLN 60.6 m and was 29% lower than last year. The decrease was caused by the high expenditure incurred in 2003 due to the completion of the last stage of the B1 Programme (PLN 23.9 m). The initiative was finalised in the first quarter of 2003 after full roll-out of ICBS and its supporting projects in the Branch Network. After excluding this item from the 2003 capital expenditure, the investment figures in both periods are comparable.

In 2004, the IT spend totalled PLN 49.2 m. One of the key IT initiatives was the implementation of a uniform decision platform for a group of credit products (project commenced in 2003). The new solutions are designed to accelerate, automate and simplify the relevant credit processes. As part of implementation of the comprehensive HR management system, an HR and Payroll module was deployed in 2004. Subsequent modules will be launched in 2005. Last year also saw commencement of the process of card migration to the microchip technology in order to align the Bank's offer to the world standards and to increase transaction security. Furthermore, efforts were continued to prepare the Bank's systems to capture and process data required by Basel, IFRS and other external institutions. The remaining IT projects covered implementation of central solutions to enable reduction of the cost of system maintenance and to prepare these systems to cater for the new business requirements.

The Bank's investments in properties and other fixed assets amounted to PLN 11.4m. A portion of these investments was used to adjust branches to the new customer service model compliant with the Segmentation and CRM Programme. There was also a project delivered whose purpose was to increase branch security by implementation of modern security systems.

In 2004, the subsidiaries of Bank Zachodni WBK incurred capital expenditure of PLN 5 m versus PLN 7.1 m incurred in the previous year.

Key Risk Areas

Bank Zachodni WBK S.A.

One of the key objectives of Bank Zachodni WBK is to create strong and stable value for shareholders, while safeguarding customer deposits. To this end, the Bank must employ proper mechanisms for identification, control and management of the various risks to which the Bank is exposed.

The following three risk areas may be identified in Bank Zachodni WBK S.A: market risk (including but not limited to interest rate risk, liquidity risk and FX risk), credit risk and operational risk.

Market Risk Management

Management structure

As part of the Bank's risk management policy, the Bank's Management Board designated the Assets and Liabilities Committee (ALCO) as a body responsible for strategic balance sheet management and for ensuring compliance with the policies covering the liquidity risk, interest rate risk and FX risk.

At the monthly meetings, ALCO monitors the Bank's exposure against its capital base and the limits defined by the external regulators (e.g. governmental or banking supervision bodies), AIB Group or the Bank's authorities.

ALCO members are senior managers from individual divisions which generate and manage the market risk.

The market risk is managed centrally in the Treasury Division. With a direct access to the financial market (including the money market and derivatives market), this unit effects relevant purchase/sale transactions in order to maintain – within the binding limits – the market risk associated with the Bank's retail, commercial or corporate operations.

The Treasury Division receives support from the Assets and Liabilities Management Department, which is responsible for ongoing identification and measurement of the market risk arising from retail, commercial and corporate operations of the Bank and for transferring this risk to the Treasury Division.

Liquidity risk

Bank Zachodni WBK manages liquidity risk in accordance with its liquidity policy.

The policy is to counter-balance the contracted or contingent outflows with expected / contracted inflows or realisation of liquid assets (mainly debt securities) to resist any extraordinary or crisis situations triggered both by internal factors (e.g. sudden increase in the value of facilities drawn under the sanctioned credit lines) or external ones (e.g. material drop in liquidity on the FX swaps market).

The policy covers all assets and liabilities as well as off-balance sheet items (both PLN and FX – denominated) impacting the liquidity level. Contractual and behavioural maturity is also taken into account, based on the statistical analysis of stability of the deposit base and the credit portfolio.

Daily reports present the liquidity risk as liquidity gaps both in individual time periods and in a consolidated form. There is also a contingency plan in place to cater for critical liquidity problems. A multi-pronged plan sets forth clearly defined guidelines and scope of responsibilities in the case of critical liquidity problems arising from either internal or external factors.

Interest rate risk

Bank Zachodni WBK pursues an interest rate risk management policy in order to reduce the Bank's exposure to adverse fluctuations.

The risk is measured as the Potential Maximum Loss (PML) resulting from negative interest rate changes. PML is estimated at the 99% trust level, based on the 3-year fluctuation history, while assuming a 1-month period of maintaining the FX position.

FX risk

The FX risk policy of Bank Zachodni WBK serves as the major document regulating the management of FX risk. The policy reduces the Bank's exposure to adverse fluctuations of the FX rates which might affect the value of the FX portfolio.

The FX risk is measured as the Potential Maximum Loss (PML) resulting from open FX positions and negative FX rate movements. PML is estimated at the 99% trust level, based on the 3-year fluctuation history.

In addition to the limits that curtail the Potential Maximum Loss for individual currencies, total positions and intra-day and overnight positions, there are also stop-loss limits applied.

There is also a contingency plan in place to cater for critical FX problems

Management of structural balance sheet risk

Within the mainstream of its active balance sheets management, Bank Zachodni WBK identified balance sheet items which resist general interest rate fluctuations. The Bank's books show a surplus of liabilities over assets resistant to general interest rate fluctuations. The resultant net position generates a variable revenue stream shaped by the level of interest rates.

In order to limit the fluctuations arising from the balance sheet structure, Bank Zachodni WBK follows the policy of managing net liabilities resistant to interest rate movements. In compliance with this policy, the ALCO Committee monitors positions of transactions hedging risk posed by the structure of balance sheets.

Own funds management

In order to ensure sufficient equity to match the current and future size of the Bank Zachodni WBK operations and to eliminate the related risks, the Bank's policy will endeavour to maintain a strong capital base.

As at 31 December 2004, the Bank's own funds added up to PLN 3,011.8m with a solvency ratio at 12.46%. The respective figures for Bank Zachodni WBK Group amounted to PLN 3,021.9m and 12.92%.

The effectiveness of the Bank's funds is safeguarded through the management of the structural balance sheet risk.

Credit Risk Management

Bank Zachodni WBK credit delivery activities focus on increasing a high quality loan book with a good yield and customer satisfaction.

Credit risk arises mainly from lending activities on the retail, corporate and inter-bank markets. This risk is managed as part of the policy approved by the Management Board on the basis of the adopted credit delivery processes and procedures as well as on the basis of discretionary limits allocated to individual credit officers based on their knowledge and experience. The Bank's internal system of credit grading and monitoring enables the staff to identify likely defaults that might impair the loan book.

Credit Forum

To effectively manage credit risk, Bank Zachodni WBK established a decision making body known as Credit Policy Forum whose key role is to develop and approve credit policies, best practices, sectoral analyses, credit grading systems and credit risk assessment addressed to the Branch Network and BSC units directly responsible for business growth and support. The Credit Policy Forum is a platform for arrangements and communication with the use of best practices of the Poland Division and the AIB Group with regard to managing risk-weighted assets. The Credit Policy Forum is composed of senior representatives of individual Bank Zachodni WBK divisions.

Credit policies

Credit policies contain guidelines for identification and assessment of areas where specific types of risks manifest themselves, also providing for the methods of limiting those risks to a level acceptable to the Bank (e.g. FX risk in the case of foreign currency loans). Credit policies comply with the AIB Group standards and are adapted to the specificity of the lending activities of Bank Zachodni WBK.

In 2004 Bank Zachodni WBK performed a periodical review of its key credit policies (e.g. policy on lending to the clients classified in the 'watch' grade), taking into consideration the assumptions of the adopted strategy and changes in the external conditions.

Credit grading

In 2004, Bank Zachodni WBK aligned its credit grading system with the new legislative developments in Poland and preserved its conservative approach to risk assessment.

Also, intensive work has been undertaken to develop internal scoring / rating systems dedicated to the biggest loan books which conform to the New Capital Accord and the Capital Requirement Directive. These efforts are accomplished in close liaison with external, internationally recognized advisors and are being coordinated by AIB Credit Risk Management.

Provisioning

Bank Zachodni WBK creates provisions in line with the applicable laws. Because of amendments to these laws (Ordinance of the Finance Minister dated 10 December 2003 regarding creation of provisions against risks associated with banking activities, Journal of Laws no. 218, section 2147), in 2004 the Bank decided to review its NPL portfolio, assuming a conservative approach to the valuation of those collateral items which may reduce the provisioning basis. At the same time, Bank Zachodni WBK was working towards adoption of the new provisioning rules compliant with IFRS 39 starting from January 2005.

Ensuring adequate level of specific provisions is the responsibility of the Provisions Committee.

Risk return

Bank Zachodni WBK continues to implement risk based methods of grading loans, allocating capital and measuring returns.

Credit decision making process

The process of credit decision making as embedded in the risk management policy is based upon discretionary limits vested in lending officers, commensurate with their knowledge and experience relating to particular activities (corporate banking, commercial banking and retail banking). Credit exposures in excess of PLN 15,000,000 are referred to the Credit Committee composed of senior managers and top executives of Bank Zachodni WBK.

Bank Zachodni WBK continually strives to ensure best quality credit service to meet the borrowers' expectations and relevant risk policy standards. To this end, the Bank created the roles of Chief Credit Officer and Credit Directors whose job is to make credit decisions and ensure good quality of the loan books. This approach will allow to segregate the sales process from the credit risk approval function.

In terms of retail banking products, Bank Zachodni WBK has been implementing scoring systems. The process started two years ago when decision making systems capable of assessing retail customers' requests for selected products were implemented. This year will bring harmonisation of decision platforms and implementation of application scoring for further retail banking products as well as behavioural scoring for bank accounts. Scoring will also be applied to smaller companies. This action aims at improving the quality of risk management across the retail loan book, accelerating decision making processes and ensuring compliance with the Basel requirements. There are also plans to use scoring towards calculation of provisions under IFRS 39. Scoring is being implemented with the assistance of internationally recognized consulting firms.

Credit reviews

Demonstrating the utmost care about the loan book quality, Bank Zachodni WBK performs regular reviews to ensure conformity with the best credit practices, to determine the actual quality of the credit portfolio, to confirm that adequate credit grading and provisioning processes are in place and to objectively assess professionalism in credit management. The reviews are performed by the Credit Quality Assurance Department which is a function independent of the risk-taking units.

In 2004, Bank Zachodni WBK aligned its credit grading system with the new changes arising from the Finance Ministry's Ordinance and preserved its conservative approach to risk assessment. The loan book was also reviewed in relation to impairment of particular credit exposures in line with IFRS 39.

Operational risk is exposure to losses related to the failure of internal processes, human and system errors and external factors.

Operational risk management in the Bank Zachodni WBK Group is operated at the following three levels of responsibility:

- All organizational units are responsible for operational risk that may manifest itself in the area of their operations (identification of risk across conducted activities and implemented changes, assessment of controls, risk ratio monitoring, loss reporting, learning lessons from operational losses so as to eradicate any imperfections which contributed to their occurrence and to rule out reoccurrence of such incidents in the future);
- The Operational Risk Management (ORM) Team is responsible for coordination of the whole process (creation of policies, systems, new tools, providing support to other units, reporting, analysis, maintenance of databases containing ORM related information, initiating the lessons-learned process);
- Internal Audit is responsible for overseeing and assessing the quality of operational risk management (independent assessment of the process, review of risk identification standards and assessment of control mechanisms).

Furthermore, there is an Operational Risk Management Committee in the Bank, which provides a forum for official discussions about operational risk issues, sets and monitors ORM objectives and prioritizes high risk issues that are presented to the Bank's Management Board.

In accordance with the "Bank Zachodni WBK Information Security Policy" and its supporting standards, the Bank is pursuing an active risk management policy in this respect. A risk analysis is being performed across IT systems. All projects are being reviewed for compliance with the existing standards and any information confidentiality, integrity or availability threats are being followed up.

Bank Zachodni WBK has adopted Business Continuity Management policies and standards to analyze its needs with regard to business continuity management. There are also relevant plans in place, which are developed and updated.

Other operational risk areas the Bank focuses on include prevention of money laundering and fraud and personal data protection.

Bank Zachodni WBK Group is also developing an ORM methodology compliant with AIB standards and reflecting NBP and Basel recommendations.

Selected subsidiaries of Bank Zachodni WBK S.A.

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

The purchase of fixed assets for leasing purposes requires access to adequate funding sources with the concurrent fulfilment of targets set out in the companies' financing policy:

Timely settlement of companies' liabilities, minimisation of settlement risk and supplier risk

The timely settlement of companies liabilities is understood first of all as making payments to lease assets suppliers at the dates allowing for the quick collection of the asset by its user. The loans raised by the companies and the bonds issued by them serve this purpose. In the view of the Management Boards of the companies, the design of the loans agreements as well as the management of the short- and long-term liquidity prevent the threat of failure to meet their liabilities.

Minimisation of the liquidity risk

As at 31 December 2004, the companies had agreements concluded with three banks offering credit lines to finance the leasing business. Apart from loans, the companies had liabilities arising from the bonds issued in 2003-2004.

Minimisation of the interest rate risk

The companies actively manage their position as regards interest rate risk. Both fixed rate- based assets and liabilities are hedged by IRS transactions.

Minimisation of the FX risk

The companies minimise the FX risk by applying the principle of financing lease contracts with matched currency liabilities. Additional instruments supporting the FX position management are forward FX transactions.

Minimisation of the operational risk

In view to mitigate material operational risks associated with business operations, the companies have followed through the following actions:

- they have liaised with Bank Zachodni WBK on a on-going basis as regards implementation of best practices and policies of operational risk mitigation,
- they have implemented policies and standards re. operational risk, data protection, information security and money laundering prevention.

BZ WBK Faktor Sp. z o.o.

The Management Board of BZ WBK Faktor Sp. z o.o. responsible for managing the company's risk passed its powers to the following Departments: Risk Assessment Department and Operational Department. These departments are responsible for managing individual risk areas, monitoring the company's general risk on a on-going basis and for shaping the current policy within the framework set by the Management Board.

Market risk management

The Management Board of BZ WBK Faktor Sp. z o.o. is responsible for the strategic management of the balance sheet. Its main areas of activity include management of capital, funding sources and liquidity as well as market risk identification and its management. BZ WBK Faktor Sp. z o.o. manages its liquidity within the framework set out by AIB Group and the company's Supervisory Board.

Liquidity risk management

BZ WBK Faktor Sp. z o.o. monitors its liquidity position on an on-going basis. This involves the need to take account of the funds paid out by the company and client funding within the financing limit set by Bank Zachodni WBK. On a daily basis, the Operational Department monitors the pay outs to clients related to their financed invoices and repayments made by their debtors.

Factoring (credit) risk management

The factoring activity of the company focuses on the growth in the factoring turnover and the resultant growth of the factoring portfolio, ensuring at the same time top quality, good profitability and customer satisfaction.

The factoring risk is managed based on the policies defined by the Management Board, accepted factoring processes and procedures as well as based on the discretionary limits system adjusted to the knowledge and experience of the management staff. The internal monitoring and customer grading systems applied by BZ WBK Faktor Sp. z o.o. allow for early recognition of threats to the quality of the factoring book.

Operational risk management

In each of operational risk management areas (external IT providers, back-office outsourcing through Bibby Factors Polska, fraud prevention, business continuity), BZ WBK Faktor Sp. z o.o. has identified key risks, which are monitored and controlled on an on-going basis.

As part of the operational risk management, Faktor co-operates closely with Bank Zachodni WBK, in particular, in reference to counteracting money laundering, operational risk self-assessment and analysis, fraud prevention, personal data protection, etc.

Signatures of the Members of Bank Zachodni WBK Management Board:

Date	Name and surname	Position	Signature
04-03-2005	Jacek Kseń	President of the Management Board	signed on the Polish original
04-03-2005	Cornelius O'Sullivan	First Vice President of the Management Board	signed on the Polish original
04-03-2005	Declan Flynn	Member of the Management Board	signed on the Polish original
04-03-2005	Michał Gajewski	Member of the Management Board	signed on the Polish original
04-03-2005	Justyn Konieczny	Member of the Management Board	signed on the Polish original
04-03-2005	Janusz Krawczyk	Member of the Management Board	signed on the Polish original
04-03-2005	Jacek Marcinowski	Member of the Management Board	signed on the Polish original
04-03-2005	Mateusz Morawiecki	Member of the Management Board	signed on the Polish original
04-03-2005	James Murphy	Member of the Management Board	signed on the Polish original
04-03-2005	Feliks Szyszkowiak	Member of the Management Board	signed on the Polish original



Consolidated Financial Statements

Opinion of the Independent Auditor

To the General Meeting of Bank Zachodni WBK S.A.

We have audited the accompanying consolidated financial statements of the Capital Group of Bank Zachodni WBK S.A. seated in Wrocław, ul. Rynek 9/11, 50-950 Wrocław, consisting of the introduction to the consolidated financial statements, the consolidated balance sheet as at 31 December 2004, with total assets and total liabilities and equity of PLN 27,587,874 thousand, the capital adequacy ratio, the statement of consolidated contingencies and commitments granted as at 31 December 2004 amounting to PLN 4,739,854 thousand, the consolidated profit and loss account for the year then ended with a net profit of PLN 444,452 thousand, the statement of changes in consolidated equity for the year then ended, with an increase in equity of PLN 479,236 thousand, the consolidated cash flow statement for the year then ended with a decrease in cash amounting to PLN 151,546 thousand, and the supplementary information and explanations.

Management Board of Bank Zachodni WBK S.A. is responsible for the true and fair presentation of the accompanying consolidated financial statements and the accuracy of the consolidation documentation. Our responsibility is to audit and express an opinion on the true and fair presentation of the consolidated financial statements and whether the financial statements are derived from proper consolidation documentation.

We conducted an audit of consolidated financial statements in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants, section 7 of the Polish Accounting Act dated 29 September 1994 (Official Journal published 2002, No 76, item 694 with subsequent amendments) and the professional standards established by the Polish National Council of Certified Auditors. These standards require that we plan and perform the audit to obtain reasonable basis for expressing an opinion on the consolidated financial statements. An audit, in particular, includes assessing the accounting principles applied by entities of the Capital Group and examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statement, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements of Bank Zachodni WBK S.A. Capital Group have been prepared from the proper consolidation documentation and present fairly, in all material aspects, the financial position of the Capital Group as at 31 December 2004 and the results of its operations in accordance with the accounting standards as set out in the Polish Accounting Act dated 29 September 1994, the Resolution of Minister of Finance dated 10 December 2001 regarding special accounting principles for banks (Official Journal No 149 from 2001, item 1673 with amendments), the Resolution of Minister of Finance dated 12 December 2001 regarding the preparation of the consolidated financial statements of banks and financial holdings (Official Journal published 2001, no 152, item 1728), the requirements relating to issuers of publicly traded securities and are in compliance with the respective laws and regulations that apply to the financial statements.

As required under the Polish Accounting Act dated 29 September 1994 we also report that the Report on the Capital Group's activities includes the information required by Art. 49 Paragraph 2 of the Accounting Act and requirements of the Resolution of Ministry of Finance dated 16 October 2001 on current and periodic information provided by issuers of publicly traded securities (Official Journal from 2001, No 139, item 1569 with amendments) and the information is consistent with the consolidated financial statements.

signed on the Polish original

.....

Certified Auditor nr 4979/2575
Hanna Fludra

signed on the Polish original

.....

For KPMG Audyt Sp. z o.o.
ul. Chłodna 51, 00-867 Warsaw
Certified Auditor nr 9941/7390,
Bożena Graczyk,
Member of the Management Board

signed on the Polish original

.....

For KPMG Audyt Sp. z o.o.
ul. Chłodna 51, 00-867 Warsaw
Richard Cysarz,
Member of the Management Board

Warsaw, 4 March 2005

Report Supplementing the Opinion

on the consolidated financial statements
for the year ended 31 December 2004

1	General	61
1.1	General information on the Capital Group	61
1.2	Information on the entities of Capital Group	61
1.3	Auditor information	62
1.4	Legal status	62
1.5	Prior period consolidated financial statements of the Capital Group	64
1.6	Audit scope and responsibilities	64
1.7	Information about audits of financial statements of entities included in consolidated financial statements	65
2	Financial Analysis of the Capital Group	66
2.1	Summary of the consolidated financial statements	66
2.2	Selected financial ratios	68
2.3	Interpretation of selected financial ratios	68
3	Detailed Report	68
3.1	Accounting principles	68
3.2	Basis for preparation of the consolidated financial statement	68
3.3	Principles of prudence applied by the Capital Group and the capital adequacy ratio	69
3.4	Materiality levels applied by the auditor to consolidated financial statement	69
3.5	Additional information on consolidated financial statement	69
3.6	Report of the Management Board of parent entity on the Capital Group activities	69
3.7	Information on independent auditor's opinion	69

1 General

1.1 General information on the Capital Group

1.1.1 Capital Group name

Bank Zachodni WBK S.A. Capital Group

1.1.2 Registered office of parent entity

ul. Rynek 9/11
50-950 Wrocław

1.1.3 Commercial registration

Seat of the court: Wrocław
Date: 27 April 2001
Registration number: 0000008723

1.1.4 Tax Office and Provincial Statistical Office registration of parent entity

NIP: 896-000-56-73
REGON: 930041341

1.2 Information on the entities of Capital Group

1.2.1 Entities included in the consolidated financial statement

As at 31 December 2004 the following entities of the Capital Group were consolidated:

Parent entity:

- Bank Zachodni WBK S.A.

Subsidiaries consolidated under full consolidation method:

- Dom Maklerski BZ WBK S.A.
- BZ WBK Finanse & Leasing S.A.
- BZ WBK Leasing S.A.
- BZ WBK AIB Asset Management S.A.
- BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. – subsidiary of BZ WBK Asset Management S.A.
- AIB WBK Fund Management Sp. z o.o.
- BZ WBK Inwestycje Sp. z o.o.
- BZ WBK Faktor Sp. z o.o.
- BZ WBK Nieruchomości S.A. i Wspólnicy Spółka Komandytowa
- CardPoint S.A. (till 22 April 2004)

1.2.2 Entities not included in consolidated financial statement

As at 31 December 2004 following entities of Bank Zachodni WBK S.A. Capital Group were not included in the consolidated financial statement:

- BZ WBK Nieruchomości S.A.
- Brytyjsko-Polskie Towarzystwo Finansowe WBK-CU Sp. z o.o.

The above mentioned entities were not consolidated based on the Art. 57 point 1 and Art. 58 point 1 of the Accounting Act (Official Journal from 2002, No 76, item 694 with amendments).

1.3 Auditor information

KPMG Audyt Sp. z o.o.

Ul. Chłodna 51

00-867 Warsaw

KPMG Polska Audyt Sp. z o.o. (until 9 May 2004 registered as KPMG Polska Audyt Sp. z o.o.) is registered as an authorised company to audit financial statements (number 458).

1.4 Legal status

1.4.1. Share capital

The parent entity was established on 13 June 2001 for an indefinite period as a result of a merger of Bank Zachodni S.A. and Wielkopolski Bank Kredytowy S.A. under Resolution No 30/KNB/01 of Commission of Banking Supervision dated 7 March 2001.

The share capital of the parent entity amounted to PLN 729,602,840 as at 31 December 2004 divided into 72,960,284 ordinary shares with a nominal value of PLN 10 each.

As at 31 December 2004, the shareholders' structure was as follows

Name of the Shareholder	Number of shares	Voting power (in %)	Book value of shares PLN	Percentage of share capital (in %)
AIB European Investments Limited	51,413,790	70.5%	514,138	70.5%
Other Shareholders	21,546,494	29.5%	215,465	29.5%
	72,960,284	100.0%	729,603	100.0%

1.4.2. Management of the parent entity

The Management Board is responsible for management of the parent entity.

At 31 December 2004, the Management Board of the parent entity was comprised of the following members:

President	Jacek Kseń
First Vice-president	Cornelius O'Sullivan
Board Members	Declan Flynn
	Michał Gajewski
	Justyn Konieczny
	Janusz Krawczyk
	Jacek Marcinowski
	Mateusz Morawiecki
	James Murphy
	Feliks Szyszkowiak

Compared to 31 December, 2003 the following changes took place in the composition of the Management Board.

On 14 January 2004 Mr. Maciej Węgrzyński resigned as a Member of the Management Board of the parent entity.

On 30 June 2004 Mr. Michael Keegan completed his assignment with the parent entity and took up a new position in the Allied Irish Banks p.l.c. capital group. On 1 July 2004, according to the decision of Supervisory Board, Mr. James Murphy took up the position in the Management Board.

Additionally on 4 March 2005 the parent entity was informed by Mr. Cornelius O'Sullivan, the First Vice President of the parent entity, about his resignation as a Member of the Management Board due to retirement, effective 30 April 2005.

1.4.3. Activities of the entities

The business activities listed in the parent entity's statute include the following:

- receiving and maintaining current and term deposits, including accepting and placing cash deposits in domestic and foreign banks,
- maintaining other bank accounts,
- granting loans,
- granting and confirming guarantees and letters of credit,
- issuing banking securities,
- performing cash settlements,
- issue of electronic money instrument,
- granting cash advances, and consumer loans in the meaning stipulated in the relevant legislation
- performing cheque and bill of exchange operations,
- issuing payment cards and processing card operations,
- performing term financial operations,
- trading in receivables,
- safekeeping of goods and securities as well as providing access to safe deposit-boxes,
- agency services in making money transfers by residents abroad and settlements with non-residents in Poland,
- granting civil law guarantees,
- performing operations related to the issue of securities,
- acting as the representative of bond holders,
- purchase and sale of foreign exchange values.

Additionally the parent entity is authorised to perform the following activities:

- acquiring shares, rights from shares and participations of another corporate entity and contributions to limited partnerships or limited joint stock partnerships, or units and investment certificates in investment funds; making contributions to limited liability companies within the limits specified by the Banking Law,
- incurring liabilities related to the issue of securities,
- trading in securities on Bank's own account or on other parties' account,
- exchanging debts for debtor's assets,
- acquiring and disposing of real estates and debts secured by a mortgage,
- providing consultancy and advisory services in relation to financial matters,
- providing certification services in line with regulations on an electronic signature, excluding qualified certificates,

- providing other financial services,
- selling pension funds,
- acting as a depositary under the definition of organization and functioning of pension funds act,
- acting as a depositary under the definition of investment funds act,
- acting as sales agent of insurance, leasing, factoring, forfeiting, franchising products and participation units and certificates of investment funds.

Additionally the parent entity may perform the above activities on the instruction of another bank. In accordance with the parent entity's strategy, it may also cooperate with the domestic, foreign and international banks and financial institutions and perform services of transportation of goods.

The main activities of the subsidiaries include:

- intermediation in trading in securities,
- leasing,
- asset/fund management,
- distribution of insurance services,
- trading in shares and interests of the commercial law companies,
- factoring services.

1.5 Prior period consolidated financial statements of the Capital Group

The consolidated financial statements of the Capital Group of Bank Zachodni WBK S.A. (hereinafter referred to as the consolidated financial statements) for the period ended 31 December 2003 were audited by KPMG Polska Audyt Sp. z o.o. and received an unqualified opinion.

The consolidated financial statements of the Capital Group for the year ended 31 December 2003 were approved at the General Meeting on 20 April 2004.

The consolidated financial statement was submitted to the Regional Court for Wrocław on 5 May 2004 and published in the "National Journal B" No. 857, dated 26 August 2004.

The closing balances as at 31 December 2003 have been properly recorded as the opening balances of the audited year.

1.6 Audit scope and responsibilities

This report of the independent auditor was prepared for the General Meeting of Bank Zachodni WBK S.A., seated in Wrocław, ul. Rynek 9/11 and relates to the consolidated financial statement, comprising: introduction to the consolidated financial statements, consolidated balance sheet as at 31 December 2004 with the total assets and liabilities of PLN 27,587,874 thousand, the capital adequacy ratio, the statement of consolidated contingencies and commitments granted as at 31 December 2004 amounting to PLN 4,739,854 thousand, the consolidated profit and loss account for the year then ended with a net profit of PLN 444,452 thousand, the statement of changes in consolidated equity for the year then ended, with an increase in equity of PLN 479,236 thousand, the consolidated cash flow statement for the year then ended with a decrease in cash amounting to PLN 151,546 thousand, and the supplementary information and explanations.

The consolidated financial statements have been audited on the basis of the decision of the Supervisory Board of Bank Zachodni WBK S.A. dated 15 June 2004 on the appointment of the auditor.

The consolidated financial statements have been audited in accordance with the contract dated 1 October 2004.

We conducted the audit of consolidated financial statement in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants, section 7 of the Polish Accounting Act dated 29 September 1994 (Revised Text, Official Journal from 2002, no 76, item 694 with amendments) and the professional standards established by the Polish National Council of Certified Auditors.

We have audited the consolidated financial statements in the parent entity head office during the period from 18 October 2004 to 4 February 2005.

We have conducted an independent audit of consolidated financial statements in order to express an opinion thereon and present this, together with a written report of the independent auditor, to the General Meeting.

On 4 March 2005, the Management Board of the parent entity submitted a statement as to the completeness, fairness, clarity and accuracy of the consolidated financial statements presented for audit which confirmed that there were no undisclosed matters which could significantly influence the information presented in the consolidated financial statements for the audited year.

All our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

KPMG Audyt Sp. z o.o., the Management Board and Supervisory Board members of KPMG Audyt Sp. z o.o. and other persons related to the audit of the consolidated financial statements of the Capital Group meet the independence requirements relating to all Capital Group entities. The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of KPMG Audyt Sp. z o.o.

1.7 Information about audits of financial statements of entities included in the consolidated financial statements.

Financial statements of Bank Zachodni WBK S.A. for the year ended at 31 December 2004 were audited by KPMG Audyt Sp. z o.o., the company authorized to audit financial statement (number 458) and received an unqualified opinion.

Financial statements of the following subsidiaries:

- Dom Maklerski BZ WBK S.A.
- BZ WBK Finanse i Leasing S.A.
- BZ WBK Leasing S.A.
- BZ WBK AIB Asset Management S.A.
- BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A.
- AIB WBK Fund Management Sp. z o.o.
- BZ WBK Faktor Sp. z o.o.

prepared for the year ended at 31 December 2004, have been audited by KPMG Audyt Sp. z o.o., the company authorized to audit financial statement (number 458) and received an unqualified opinion.

Financial statement of BZ WBK Inwestycje Sp. z o.o. prepared for the year ended at 31 December 2004 has been audited by Wielkopolskie Centrum Audytorsko-Księgowe Sp. z o.o., the company authorized to audit financial statement (number 2394) and received an unqualified opinion.

Financial statements of BZ WBK Nieruchomości S.A. i Wspólnicy Spółka Komandytowa for the year ended 31 December 2004 were not subject to the audit.

2 Financial Analysis of the Capital Group

2.1 Summary of the consolidated financial statements

2.1.1 Consolidated balance sheet

ASSETS

	31.12.2004	31.12.2003
	PLN'000	PLN'000
Cash in hand, operations with Central Bank	1,200,154	1,161,497
Loans and advances to financial sector	3,228,056	1,073,107
Loans and advances to non-financial sector	13,176,448	13,145,365
Loans and advances to State budget sector	466,059	568,291
Reverse repo transactions	25,697	5,806
Debt securities	6,695,869	6,139,401
Loans and advances to subordinated entities valued under equity method	9	14
Shares or interests in subsidiaries	838	651
Shares or interests in associates	76,943	70,283
Shares or interests in other entities	266,531	260,848
Other securities and financial assets	884,823	161,148
Intangible assets and legal values	238,212	301,353
Tangible fixed assets	595,851	695,547
Other assets	234,404	259,630
Prepayments	497,980	314,626
Total assets	27,587,874	24,157,567

LIABILITIES AND EQUITY

	31.12.2004	31.12.2003
	PLN '000	PLN '000
Liabilities		
Due to financial sector	1,514,168	1,507,420
Due to non-financial sector	17,898,642	16,640,771
Due to budget sector	1,146,234	1,065,538
Repo transactions	732,690	-
Debt securities issued	1,198,767	792,574
Other financial instruments	804,501	259,409
Due to subordinated entities valued under equity method	60,564	72,465
Special funds and other liabilities	377,922	511,775
Accruals and deferred income	403,163	489,545
Negative goodwill of subordinated entities	8,600	11,196
Provisions	390,000	248,592
Minority capital	30,675	15,570
	24,565,926	21,614,855
Equity		
Share capital	729,603	729,603
Statutory reserves	385,193	381,373
Revaluation reserves	215,454	159,992
Reserve capital	1,256,491	1,167,176
Loss from previous years	(9,245)	(24,305)
Net profit for the current year	444,452	128,873
	3,021,948	2,542,712
Total equity & liabilities	27,587,874	24,157,567

	31.12.2004	31.12.2003
Capital adequacy ratio	12.9%	12.0%

OFF BALANCE SHEET

	31.12.2004	31.12.2003
	PLN'000	PLN'000
Liabilities granted	4,739,854	4,374,730
Liabilities received	614,239	533,857
Commitments arising from purchase / sale transactions	65,253,989	41,251,865
Other	30,082	47,087
Total off balance sheet	70,638,164	46,207,539

2.1.2 Consolidated profit and loss account

	01.01.2004 - 31.12.2004	01.01.2003 - 31.12.2003
	PLN '000	PLN '000
Interest income	1,495,033	1,422,099
Interest expense	(624,724)	(593,033)
Net interest income	870,309	829,066
Fee and commission income	694,816	641,686
Fee and commission expense	(125,603)	(109,704)
Net fee and commission income	569,213	531,982
Net income from sales of products, goods and materials	67,681	51,381
Profit/loss on sales	67,681	51,381
Income from shares and other securities and other financial instruments with variable yield	116,281	52,403
Profit on financial operations	9,213	13,567
Foreign exchange profit	197,108	205,404
Profit on banking operations	1,829,805	1,683,803
Other operating income	63,836	46,962
Other operating expenses	(50,658)	(85,344)
Costs of Bank's operations and general management	(943,247)	(1,021,273)
Amortisation of fixed assets and intangible assets	(202,089)	(225,433)
Allocations to provisions	(446,100)	(731,781)
Release of provisions	315,064	589,765
Net provisions	(131,036)	(142,016)
Operating result	566,611	256,699
Extraordinary profits/ losses	-	506
Amortization of negative goodwill of subordinated entities	3,325	3,165
Gross result (loss)	569,936	260,370
Income tax	(113,790)	(123,476)
Other taxes and charges decreasing the profit (increasing the loss)	-	(20)
Share in net profits of subordinated entities valued using an equity method	6,122	270
Profit / (loss) of minority shareholders	(17,816)	(8,271)
Net profit	444,452	128,873

2.2 Selected financial ratios

	2004	2003
Total assets (PLN thousand)	27,587,874	24,157,567
Profit before taxation (PLN thousand)	569,936	260,370
Net profit (PLN thousand)	444,452	128,873
Consolidated equity (PLN thousand)*	2,577,496	2,413,839
Return on equity	17.2%	5.3%
Capital adequacy ratio of the Capital Group	12.9%	12.0%
Net receivables to total assets	61.2%	61.2%
Income earning assets to total assets	85.5%	86.7%
Cost bearing liabilities to total liabilities	81.5%	82.8%

*excluding current year net earnings

2.3 Interpretation of selected financial ratios

Changes in the most significant items of the balance sheet and the profit and loss account are discussed below:

The balance sheet of the Capital Group increased by 14% in comparison to the previous year. The increase in liabilities was due to higher level of customer deposits, debt securities issued and financial instruments and repo transactions. On the assets side there was substantial growth in interbank placements, debt securities and other securities and financial assets.

Profit before tax more than doubled in 2004 when compared to the previous year. The growth was mainly driven by an increase in non interest income and a decrease in operating cost.

Profit after tax increased in 2004 mainly due to a decrease in tax rates from 27% in 2003 to 19% in 2004.

3 Detailed report

3.1 Accounting principles

The Capital Group holds current documentation describing the applied accounting principles, approved by the Management Board of the parent entity. The applied principles of accounting policy were described in the introduction to the consolidated financial statements, to the extent required by the Accounting Act and regulations issued on the basis of the Act as well as regulations concerning entities issuing securities admitted to public trading, which are applied on a consistent basis.

The entities of the Capital Group, in all material aspects, apply the same accounting principles as the parent entity.

The financial statements of the consolidated entities were prepared on the same balance sheet date as financial statements of the parent entity – namely 31 December 2004.

3.2 Basis for preparation of the consolidated financial statement

The consolidated financial statements of the Capital Group of Bank Zachodni WBK S.A. have been prepared in accordance with the Accounting Act dated 29 September 1994, regulations issued on the basis of the Act as well as regulations concerning entities issuing securities admitted to public trading, which are applied on a consistent basis.

The basis for preparation of the consolidated financial statement was the consolidation documentation, compliant with the Resolution of Minister of Finance dated 12 December 2001 regarding the preparation of the consolidated financial statements of banks and financial holdings (Official Journal published 2001, no 152, item 1728).

The method of consolidation has been presented in detail in the "Introduction to the consolidated financial statements" as at 31 December 2004.

3.3 Principles of prudence applied by the Capital Group and the capital adequacy ratio

In the context of the audit of the financial statements, no material exceptions have been noted in the principles of prudence applied by the Bank. The Capital adequacy ratio was calculated properly.

3.4 Materiality levels applied by the auditor to consolidated financial statement

In order to issue the audit opinion on the consolidated financial statements treated as a whole, materiality levels applied by the auditor were adequate to the materiality and the risk assessment of particular items of the consolidated financial statements.

3.5 Additional information on consolidated financial statement

All information included in the notes to the consolidated financial statements is presented accurately and completely by the parent entity. The introduction to the consolidated financial statements comprising introduction to the consolidated financial statement and additional information and explanations is an integral part of the consolidated financial statement.

3.6 Report of the Management Board of the parent entity on the Capital Group activities

The report of the Management Board on Capital Group's activities includes information specified in Article 49 Paragraph 2 of the Accounting Act and requirements of the Ministry of Finance Resolution dated 16 October 2001 on current and periodic information provided by issuers of publicly traded securities (Official Journal from 2001, No 139, item 1569 with amendments) and the information is consistent with the consolidated financial statements.

3.7 Information on independent auditor's opinion

Based on our audit of the consolidated financial statements of Capital Group of Bank Zachodni WBK S.A. as at 31 December 2004 we issued unqualified auditor's opinion.

signed on the Polish original

.....
Certified Auditor nr 4979/2575

Hanna Fludra

signed on the Polish original

.....
For KPMG Audyt Sp. z o.o.

ul. Chłodna 51, 00-867 Warsaw

Certified Auditor nr 9941/7390,

Bożena Graczyk,

Member of the Management Board

signed on the Polish original

.....
For KPMG Audyt Sp. z o.o.

ul. Chłodna 51, 00-867 Warsaw

Richard Cysarz,

Member of the Management Board

Warsaw, 4 March 2005

Introduction to the Consolidated Financial Statements

of Bank Zachodni WBK Group
for the period from 1 January 2004 to 31 December 2004

Bank Zachodni WBK S.A. is the parent entity of Bank Zachodni WBK Group. The Bank was established following the merger of Bank Zachodni S.A with Wielkopolski Bank Kredytowy S.A. The new Wrocław-based entity was entered into the business register in the National Court Registry on 13 June 2001.

Bank Zachodni WBK S.A. is a member of Allied Irish Banks Group. The main shareholder of the Bank is Dublin-based AIB European Investments Ltd., a subsidiary of Allied Irish Banks plc.

1. Basic information and core business of Bank Zachodni WBK S.A., key segments of the Group's operations and description of the Bank's role in the Group

Bank Zachodni WBK S.A.

The District Court for Wrocław-Fabryczna, VI Economic Unit of the National Court Registry, issued a decision on entering the Bank to the register of businesses under the name "Bank Zachodni WBK Spółka Akcyjna" and number KRS 0000008723. The Bank's registered office is Wrocław, ul. Rynek 9/11.

Pursuant to the industry classification applied by the Warsaw Stock Exchange, Bank Zachodni WBK S.A. represents the national economy sector of "banks" in the section of "finance". According to the Polish Business Classification, the Bank's core business is "other banking operations" marked as 65.12 A.

In line with the Bank's Statutes, the scope of operations performed by Bank Zachodni WBK S.A. includes

- 1) the following banking activities:
 - accepting money deposits payable on demand or at a due date as well as operating accounts for these deposits, including accepting and depositing cash in domestic and foreign banks,
 - operating other bank accounts,
 - granting loans,
 - granting and confirming bank guarantees and opening letters of credit,
 - issuing banking securities,
 - performing financial settlements,
 - issuing electronic money instrument,
 - granting cash advances and consumer loans and advances as defined by a separate act,
 - performing check and B/E operations,
 - issuing payment cards and processing card operations,
 - performing term financial transactions,
 - trading in receivables,

- safekeeping of objects and securities as well as providing access to safe deposit boxes,
 - agency in making money transfers by residents abroad and settlements with non-residents in Poland,
 - granting and confirming guarantees,
 - performing mandated operations related to the issue of securities,
 - performing mandated operations related to the issue of securities,
 - purchasing and selling FX values.
- 2) other operations consisting in:
- taking up or acquiring stocks and shares and rights thereto, including shares in another corporate entity and contributions to limited partnerships or limited joint stock partnerships or participation units and investment certificates in investment funds and making contributions to limited liability companies within the limits specified by the Banking Law,
 - incurring liabilities related to the issue of securities,
 - trading in securities on the bank's own accounts or at the order of third parties,
 - performing swaps of debts
 - acquiring and disposing of real estates and debts secured with mortgage,
 - providing consultancy and advisory services in relation to financial matters,
 - providing certification services in line with regulations on an electronic signature, excluding qualified certificates,
 - providing other financial services, including:
 - operating securities accounts,
 - providing agency and co-operation in obtaining loans and advances
 - providing agency and co-operation in obtaining loans and advances,
 - concluding and effecting agreements with businesses, including foreign entities, on agency in lodge-ments to bank accounts,
 - financial and operational participation in international projects and undertakings,
 - performing custodian activities,
 - providing leasing, factoring, forfeiting, franchising services as well as stand-by and firm commitment underwriting,
 - trading in transferable property rights from securities and in transferable property rights, the price of which directly or indirectly depends on the price of securities (derivatives) – either on its own account or for a third party,
 - performing activities, as requested by the Minister of Treasury and set forth in the Act on commerciali-zation and privatization of state owned enterprises dated 30.08.1996,
 - accepting the management of shares held by the State Treasury,
 - providing sales-related services for pension funds,
 - performing the function of a custodian as specified in regulations on organization and functioning of pension funds,
 - performing the function of a custodian as specified in regulations on investment funds,
 - agency in selling insurance, lease, factoring, forfeiting, franchising products, participation units and invest-ment certificates of investment funds
- 3) performing upon the request of other banks, the operations referred to in Sections 1 and 2, when these op-erations fall within the scope of the mandating bank's activities,
- 4) co-operating with domestic, foreign and international banks and financial institutions,
- 5) providing services in the area of cash transport.

Bank Zachodni WBK Group

Entities composing Bank Zachodni WBK Group are mainly participants in the financial services market. They represent the following types of business operations:

- intermediation in trading in securities,
- leasing,
- asset/fund management,
- distribution of insurance services,
- trading in shares and interests of the commercial law companies,
- factoring services.

A list of Bank Zachodni WBK subsidiaries and description of their operations are presented in point 9 of this "Introduction".

Bank Zachodni WBK S.A. exercises control over the companies with which it composes a Group. The Bank's role as a parent entity stems from the fact of having a prevailing number of votes in the supervisory bodies of its subsidiaries. The exceptions are BZ WBK AIB Asset Management S.A. and BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. which are recognized as subsidiaries on the basis of other factors.

In the case of BZ WBK AIB Asset Management S.A., its co-owners are Bank Zachodni WBK S.A. and AIB Capital Markets plc. Both owners of BZ WBK AIB Asset Management S.A. are members of Allied Irish Banks Group and each holds an equal stake of 50% in the company's share capital. In practice, Bank Zachodni WBK S.A. exercises control over the company and its subsidiary, BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A., because through its agency the ultimate parent (Allied Irish Banks) pursues its policy in Poland. The Irish owner treats products and services of both these companies as supplementary to the Bank's offering and the entities themselves as members of Bank Zachodni WBK Group.

2. Duration of Bank Zachodni WBK S.A. and its Group members

Both Bank Zachodni WBK S.A. and its Group members were established for undefined period of time.

3. Periods covered by the consolidated statements and comparative consolidated financial data

Bank Zachodni WBK S.A. as a parent entity and a significant investor - presents the consolidated financial statements for the accounting period beginning on 1 January 2004 and ending on 31 December 2004. The comparative consolidated data relate to the corresponding period of 2003.

4. Composition of the Supervisory Board and Management Board of Bank Zachodni WBK S.A.

Supervisory Board

As at 31 December 2004, the BZ WBK Supervisory Board consisted of the following persons:

Marian Górski	- Chairman of the Supervisory Board
Gerry Byrne	- Deputy Chairman of the Supervisory Board
Waldemar Frąckowiak	- Member of the Supervisory Board
Aleksander Galos	- Member of the Supervisory Board
Don Godson	- Member of the Supervisory Board
Declan Mc Sweeney	- Member of the Supervisory Board
John Power	- Member of the Supervisory Board
Aleksander Szwarc	- Member of the Supervisory Board
Jacek Ślotała	- Member of the Supervisory Board

Compared to 31 December 2003, the composition of the Supervisory Board changed as follows:

- Mr Dermot Gleeson completed his assignment on the Bank's Supervisory Board on 31 December 2003 due to his appointment as Chairman of the AIB Board.
- On 20 April 2004, Mr Marek Grzegorzewicz resigned from the Supervisory Board. On the same day the AGM passed a resolution appointing Mr Don Godson as Supervisory Board Member.

On 17 December 2004, Bank Zachodni WBK S.A announced Mr. Górski's decision not to run for another term of office.

Management Board

As at 31 December 2004, the BZ WBK Management Board consisted of the following persons:

Jacek Kseń	- President of the Management Board
Cornelius O'Sullivan	- First Vice President of the Management Board
Declan Flynn	- Member of the Management Board
Michał Gajewski	- Member of the Management Board
Justyn Konieczny	- Member of the Management Board
Janusz Krawczyk	- Member of the Management Board
Jacek Marcinowski	- Member of the Management Board
Mateusz Morawiecki	- Member of the Management Board
James Murphy	- Member of the Management Board
Feliks Szyszkowski	- Member of the Management Board

Compared to 31 December 2003, the composition of the Management Board changed as follows:

- On 14 January 2004, Mr. Maciej Węgrzyński submitted his resignation.
- On 30 June 2004, Mr. Michael Keegan resigned from the Management Board following his appointment

to a new role in AIB Group. He was succeeded by Mr. James Murphy, whom the Supervisory Board appointed to the position on 1 July 2004.

On 4 March 2005, Bank Zachodni WBK announced Mr Cornelius O'Sullivan's decision to resign from the Management Board effective from 30 April 2005 due to retirement.

5. Internal organizational units of Bank Zachodni WBK Group and the organization of the Group's accounting

There are no internal organizational units in the Bank's structures which produce stand alone financial statements. All accounting activities are centralized in the Finance Division in the Bank's Business Support Centre. Subsidiaries of Bank Zachodni WBK Group do not have such units, either.

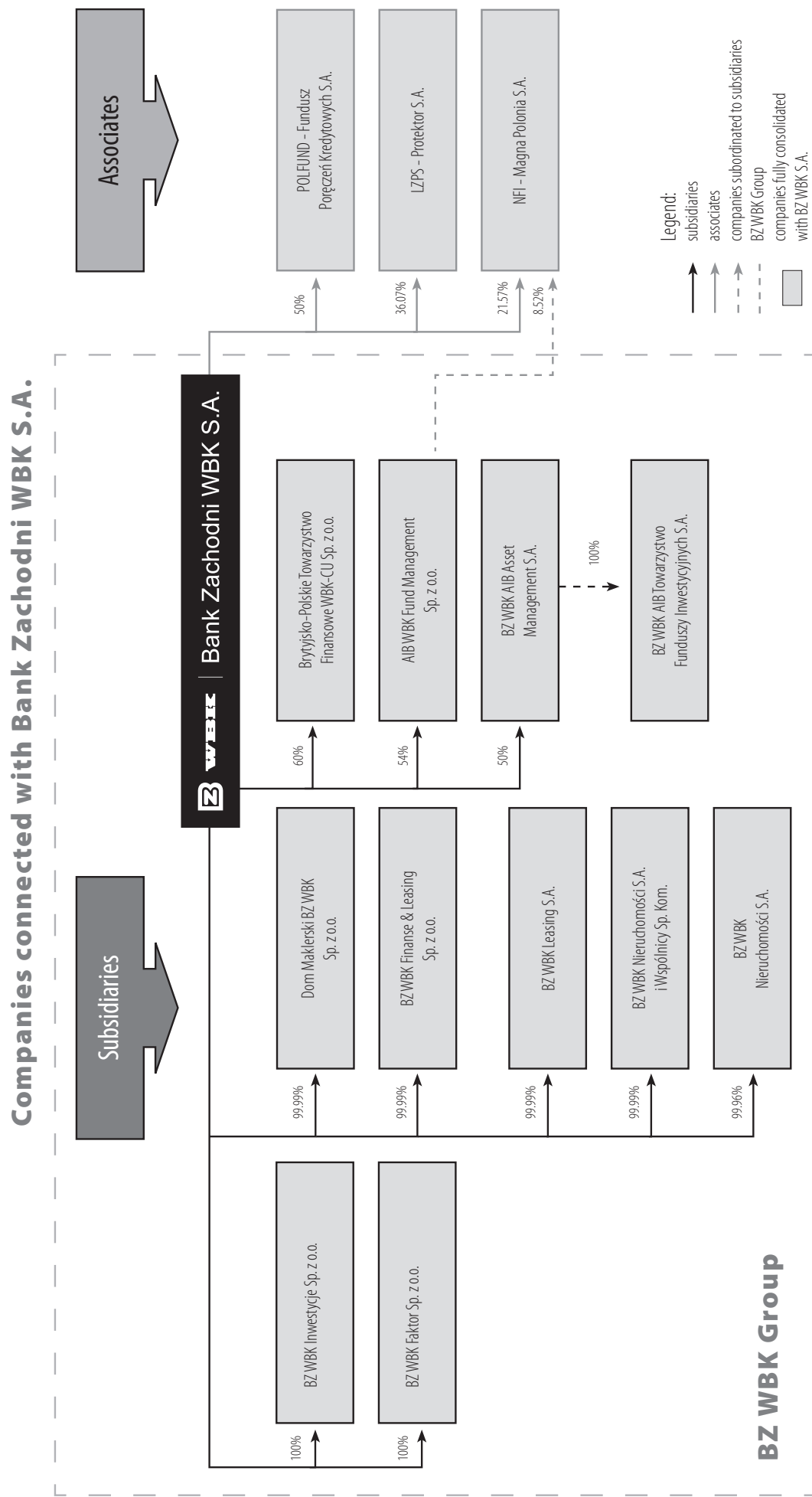
6. Mergers

In 2004, neither Bank Zachodni WBK S.A. nor its Group members merged with any entity.

7. Continuation of operations (going concern)

The consolidated financial statements of Bank Zachodni WBK Group as at 31 December 2004 were produced based on the assumption that the Bank and its Group members will continue business operations in the foreseeable future. There are no circumstances that might indicate that the ability of the parent entity or its subsidiaries to continue as a going concern is threatened in any way.

8. Graphic representation of organizational structure of companies connected with Bank Zachodni WBK and information on the type of connections between them (as at 31 December 2004)



9. List of companies subordinated to Bank Zachodni WBK S.A. subject to line-by-line consolidation or valuation under the equity method in the consolidated financial statements for the period from 1.01.2004 to 31.12.2004.

No.	Subordinated entity	Registered office	Business	Shareholding [%] as at 31.12.2004	Voting power [%] at AGM as at 31.12.2004	Registration details	Accounting method
I. Subsidiaries							
1.	BZ WBK Faktor Sp. z o.o.	Warsaw	factoring services including comprehensive management of the acquired receivables, financing W/C requirements, monitoring of repayments and pursuing receivables	100.00	100.00	District Court for the City of Warsaw XIX Economic Unit KRS: 0000148117	Line-by-line consolidation
2.	BZ WBK Inwestycje Sp. z o.o.	Poznań	trading in equity of commercial law companies as well as in other securities on its own and third parties' account, searching for investors for companies	100.00	100.00	District Court in Poznań XXI Economic Unit KRS: 0000069070	Line-by-line consolidation
3.	CardPoint S.A. *	Poznań	lease of equipment for inputting and processing data about cards and transactions details, processing data from merchants, settling transactions through Bank Zachodni WBK S.A.	100.00	100.00	District Court in Poznań XXI Economic Unit KRS: 000016171	Line-by-line consolidation
4.	Dom Maklerski BZ WBK S.A. (Brokerage House)	Poznań	offering securities in primary trading, buying or selling securities on behalf of customers, trading in securities on its own account in order to progress tasks related to the organization of the regulated market, operating securities accounts and securities clearing accounts	99.99	99.99	District Court in Poznań XXI Economic Unit KRS: 0000006408	Line-by-line consolidation
5.	BZ WBK Finanse & Leasing S.A.	Poznań	operating and finance lease of machines and equipment excluding vehicles	99.99	99.99	District Court in Poznań XXI Economic Unit KRS: 0000008924	Line-by-line consolidation
6.	BZ WBK Leasing S.A.	Poznań	operating and finance lease of vehicles excluding machines and equipment	99.99	99.99	District Court in Poznań XXI Economic Unit KRS: 0000026084	Line-by-line consolidation
8.	BZ WBK Nieruchomości S.A. i Wspólnicy Spółka Komandytowa	Poznań	lease operations	99.99	99.99	District Court in Poznań XXI Economic Unit KRS: 0000024728	Line-by-line consolidation
7.	BZ WBK Nieruchomości S.A.	Poznań	organization and provision of catering and hotel services, agency in providing tourist services	99.96	99.96	District Court in Poznań XXI Economic Unit KRS: 0000081788	Equity method
9.	Brytyjsko-Polskie Towarzystwo Finansowe WBK –CU Sp. z o.o.	Poznań	distribution of insurance products	60.00	60.00	District Court in Poznań XXI Economic Unit KRS: 0000056938	Equity method

10.	AIB WBK Fund Management Sp.	Warsaw	management of VINIF Magna Polonia S.A., management of other funds in Poland	54.00	54.00	District Court in Warsaw XIX Economic Unit KRS: 0000033694	Line-by-line consolidation
11.	BZ WBK AIB Asset Management S.A.	Poznań	brokerage operations – management of securities admitted or non-admitted to public trading at a request of third party	50.00	50.00	District Court in Poznań XXI Economic Unit KRS: 0000000920	Line-by-line consolidation
12.	BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A.	Poznań	establishment of investment funds, their management and representation to third parties	wholly owned by BZ WBK AIB Asset Management S.A.	100% of votes held by BZ WBK AIB Asset Management S.A.	District Court in Poznań XXI Economic Unit KRS: 0000001132	Line-by-line consolidation
II. ASSOCIATES							
1.	POLFUND – Fundusz Poręczeń Kredytowych S.A.	Szczecin	sanctioning loan guarantees, depositing entrusted monies and their management	50.00	50.00	District Court in Szczecin XVII Economic Unit KRS: 0000045150	Equity method
2.	Lubelskie Zakłady Przemysłu Skózanego Protektor S.A.	Lublin	production of military, working and protection footwear	36.07	36.07	District Court in Lublin XI Economic Unit KRS: 0000033534	Equity method
3.	NFI Magna Polonia S.A.	Warsaw	purchase of securities issued by the State Treasury, buying or taking up interests or shares in entities registered and operational in Poland, purchase of other securities issued by those entities, sanctioning advances to companies and other entities registered and operational in Poland, raising advances and loans for the Fund's purposes	21.57**	21.57**	District Court in Warsaw XIX Economic Unit KRS: 0000019740	Equity method

*On 22 April 2004, all the CardPoint shares held by BZ WBK (100% of share capital) were sold to Nova Euroconex Holdings B.V., Holland. Consolidated financial statements of Bank Zachodni WBK Group for 2004 factor in the Company's financials until the moment of sale.

** Bank Zachodni WBK direct shareholding in the associated undertaking and its voting power at the AGM. The total shareholding of the parent entity amounts to 30.09%.

Consolidated financial data for 2004

Pursuant to art. 55 sec. of the Accounting Act, dated 29 September 1994 (Journal of Laws No. 76, item 694 with subsequent amendments), the following subsidiaries were fully consolidated in the financial statements of Bank Zachodni WBK Group in 2004:

- 1) AIB WBK Fund Management Sp. z o.o.
- 2) BZ WBK AIB Asset Management S.A.
- 3) BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. – subsidiary of BZ WBK AIB Asset Management S.A.
- 4) BZ WBK Inwestycje Sp. z o.o.
- 5) BZ WBK Faktor Sp. z o.o.
- 6) BZ WBK Finanse & Leasing S.A.
- 7) BZ WBK Leasing S.A.
- 8) BZ WBK Nieruchomości S.A. i Wspólnicy Spółka Komandytowa
- 9) CardPoint S.A. consolidated financial statements for 2004 factors in financials until the moment of sales
- 10) Dom Maklerski BZ WBK S.A. (Brokerage House)

Two of Bank Zachodni WBK subsidiaries were excluded from consolidation:

- 1) BZ WBK Nieruchomości S.A.
- 2) Brytyjsko-Polskie Towarzystwo Finansowe WBK –CU Sp. z o.o.

The basis underlying the elimination of the above mentioned companies is art. 57 and art. 58 section 1 of the Accounting Act. These regulations provide for exclusion from consolidation of the entities with a different type of operations and the entities whose financials are immaterial for the purposes of true and fair presentation of the Group's financial standing. In accordance with art. 59 sec. 2 of the Accounting Act, both entities were accounted for using the equity method.

Pursuant to art. 59 section 3 of the Accounting Act, in the consolidated financial statements for 2004 associated undertakings were accounted for using the equity method. This applies to the following companies:

- 1) POLFUND – Fundusz Poręczeń Kredytowych S.A.
- 2) Lubelskie Zakłady Przemysłu Skórzanego Protektor S.A.
- 3) NFI Magna Polonia S.A.

Consolidated comparative data for 2003

Consolidated comparative data for 2003 were prepared using the line-by-line consolidation method for the same subsidiaries which were presented in this way in the consolidated financial statements for the period from 1 January 2004 to 31 December 2004.

Taking into account the list of subsidiary and associated undertakings valued under the equity method in 2004, the consolidated comparative data cover one more company. This additional entity is International Westfund Holdings Ltd (dormant entity), Ireland, which was liquidated and deleted from the register of Irish businesses in November 2004.

10. Modifications in the financial statements ensuring comparability of data

The comparative data for 2003 included in the consolidated financial statements as at 31 December 2004 were prepared based on the same accounting principles which were used for presenting financial data for 2004.

Information on the changes in the composition of units accounted for using the equity method in the periods covered by consolidated financial statements and comparative financial data are presented in point 9. The changes in the presentation of data which were made to ensure comparability of the financials are specified in point 32 of Additional Notes.

11. The auditor's opinion on the examination of financial statements for the previous periods

The consolidated financial statements of Bank Zachodni WBK Group for the period ended 31 December 2003 were audited by KPMG Polska Audyt Sp. z o.o. The auditor issued an unqualified opinion. Accordingly, consolidated financial statements of the Bank Zachodni WBK Group for the period ended 31 December 2004 do not contain any adjustments from the previous reporting periods.

12. Accounting principles applied in Bank Zachodni WBK Group

1) Legal grounds

Consolidated financial statements for 2004 were produced in line with the following legal acts:

- Accounting Act, dated 29 September 1994 (Journal of Laws No. 76, item 694 with subsequent amendments),
- Banking Law Act, dated 29 August 1997 (Journal of Laws No. 72, item 665 with subsequent amendments),
- Corporate Tax Act, dated 15 February 1992 (Journal of Laws dated 2002 No. 54, item 654 with subsequent amendments),
- Law on Public Trading in Securities Act, dated 21 August 1997 (Journal of Laws No. 49, item 447 with subsequent amendments),
- Ordinance of the Cabinet, dated 16 October 2001 with regard to current and periodic information submitted by issuers of securities (Journal of Laws No. 139, item 1569 with subsequent amendments),
- Ordinance of the Cabinet, dated 11 August 2004 with regard to detailed conditions, a prospectus and abbreviated prospectus should meet (Journal of Laws No. 186, item 1921),
- Ordinance of the Minister of Finance, dated 10 December 2001, on special accounting principles for banks (Journal of Laws 149, item 1673 with subsequent amendments),
- Ordinance of the Minister of Finance, dated 10 December 2003, on creating provisions for risk related to banking operations (Journal of Laws No. 218, item 2147),
- Ordinance of the Minister of Finance, dated 12 December 2001, on special principles of recognition, valuation methods, disclosure scope and manner of presenting financial instruments (Journal of Laws No. 149, item 1674 with subsequent amendments),
- Ordinance of the Minister of Finance, dated 12 December 2001, on principles of producing consolidated financial statements by banks and consolidated financial statements by a financial holding (Journal of Laws No. 152, item 1728),

- Ordinance of the Minister of Finance, dated 18 December 2001, on special accounting principles for brokerage houses and banks' organizational units running brokerage operations (Journal of Laws No. 153, item 1753 with subsequent amendments),
- Ordinance of the Minister of Finance, dated 10 December 2001, on special accounting principles for investment funds (Journal of Laws No. 149, item 1670).

2) Consolidation methods

Consolidated financial statements of Bank Zachodni WBK Group are produced on the basis of financial statements of the parent entity and subordinated entities using line-by-line consolidation or equity method. Subsidiaries acquired by the Bank with a view to exercising control and conducting similar operations on the financial services market are consolidated on line-by-line basis. Subsidiaries with a different business profile or whose financial data are immaterial as well as associated undertakings are accounted for using the equity method.

Accounting principles applied by the units consolidated using the line by line or equity methods materially conform to the principles followed by the parent entity.

| Line-by-line consolidation

Line-by-line consolidation of subsidiaries consists in summing up individual items in the companies' and the Bank's financial statements in their full amounts as well as making relevant adjustments and consolidation exclusions. Line-by-line consolidation of balance sheet consists in summing up all assets and liabilities of the parent entity and its subsidiaries, up to their full value, regardless of the size of the parent entity's shareholding.

Afterwards, adjustments and consolidation exclusions are made. The net result is adjusted for profit/loss attributable to minority shareholders of subsidiaries.

Exclusion applies to the value of the Bank's interest in subsidiaries carried at cost with the part of the net assets of subsidiaries, carried at fair value, which corresponds to the Bank's share in subsidiaries as at the date of commencement of exercising the control over them. If the value of interests held and the part of net assets in subsidiaries carried at fair value differ, then:

- goodwill is disclosed under assets of the consolidated balance sheet in a separate item of fixed assets as "goodwill of subordinated entities",
- negative goodwill is disclosed under liabilities of the consolidated balance sheet in a separate item as a "negative goodwill of subordinated entities".

The following are also fully excluded:

- mutual receivables and liabilities as well as other similar settlements of consolidated entities,
- revenues and costs arising from business operations conducted among the consolidated entities,
- profits or losses originated as a result of business operations conducted among the consolidated entities and included in the value of assets subject to consolidation,
- dividends accrued or paid by subsidiaries to the bank and other consolidated entities.

| Equity method

When applying the equity method, there is a separate item "Interests in subordinated entities accounted for using the equity method" included in the financial fixed assets of the consolidated balance sheet. The interests are

disclosed at cost adjusted for the difference between the purchase price of interests and the value of interests in the equity of these entities. This difference is established and disclosed under a separate line of the consolidated balance sheet and is reflected in the consolidated profit and loss account.

The adjusted purchase price established as at the date of acquiring a significant influence or as at the date of commencing the control or joint control is increased or decreased by increases or decreases in equity of the subordinated entities allocated to a parent entity or another consolidated entity where those increases or decreases took place as from the date of obtaining a significant influence or the date of commencing the control or joint control by the balance sheet date (including decreases arising from settlements with the owners).

When applying the equity method, the Bank's share in the financial result of a subordinated entity is disclosed in the consolidated profit and loss account. Profits or losses arising from transactions concluded between entities subject to consolidation and a subordinated entity are excluded from the results of this subordinated entity.

3) Principles of asset and liability valuation and financial result calculation

Based on the a.m regulations, Bank Zachodni WBK Group applies the following principles for asset and liability valuation, calculation of the financial result and presentation of data in the financial statements:

| Credit receivables

As at the balance sheet date, credit receivables are stated at the amount due, which is the nominal debt along with any interest payable at the day of measurement.

In line with the prudence principle, the receivables are restated taking account of the likelihood of repayment of those receivables by creating specific provisions.

The Group raises specific provisions in line with the principles outlined in the Ordinance of the Ministry of Finance dated 10 December 2003 on raising provisions for risk related to bank operations.

The Group makes write-offs, write-downs or central write-downs of receivables in compliance with the binding law, including Ordinance of the Minister of Finance, dated 10 December 2001 on detailed accounting principles for banks (with subsequent amendments).

The write-offs or write-downs apply when:

- the principal debt intended for the write-off or write-down is fully provided for,
- the debt collection process is ineffective.

The write-off consists in reversing the debt against provision following the debtor's release from the debt.

The write-down means reversing the debt against its provision immediately followed by posting the receivable in an off-balance sheet account.

The write-offs and write-downs have their respective tax implications.

Central write-downs may apply to the debts that meet the two following conditions:

- they have been classified as "doubtful" or "lost" for at least a year;
- the existing specific provision is equal to the outstanding principal (net value of the debt is nil).

Central write-down entails transfer of the debt and the relevant specific provision to an off-balance sheet account.

The central write-down does not release the debtor from the obligation nor has it any tax implications.

| Other receivables

Other receivables are disclosed at the amount due. The receivables are restated taking account of the likelihood of repayment of those receivables by making a revaluation charge. The amounts of revaluation charges are taken to other operating costs.

Receivables and claims which meet the criteria of a finance lease are presented in the balance sheet as receivables arising from finance lease, however, for tax purposes, pursuant to the Corporate Income Tax Act, they are treated as receivables from operating lease.

| Securities

Securities are accounted for as at the day of concluding the contract, at the purchase price, i.e. the fair value of the incurred expenses or assets transferred in return for other assets, taking account of the incurred costs of the transaction.

Debt securities

Bank Zachodni WBK Group classifies securities on the day of their purchase or origination to one of the following categories:

- *securities held for trading* – securities purchased with a view to obtaining economic benefits arising from short term movements in prices and fluctuations in other market factors. They are stated at their market value, and securities for which there is no active market, at their fair value established in some other way. The difference in the market or fair value is taken to income or costs of financial operations, respectively.
- *securities held to maturity* – securities with specified or possible to specify payments or with a set maturity which the Group intends to hold to their maturity. They are stated at the purchase price adjusted by accrued interest, discount and premium and taking account of impairment charges. The valuation effects are taken to income or costs of financial operations, respectively.
- *securities available for sale* – other securities which do not fall under any of the above categories. They are stated at their fair value, while the results of the change in the fair value have an impact on the revaluation reserve. Any impairment charges are recognized in costs of financial operations.
- commercial bills, commercial bonds and other debt securities issued pursuant to the Civil Code are registered and disclosed as other receivables. They are stated at the amount due which also includes the interest on the receivables taken to interest income and any accrued discounts or premiums. Impairment charges are taken to costs of financial operations.

Debt securities for which the fair value cannot be reliably established are stated at amortized cost. The valuation effects are taken to income or costs of financial operations, respectively.

Interest on securities including coupon interest, discount and premium are presented as interest income and expense and taken to the profit and loss account. An exception is interest on impaired securities. This interest is presented as suspended interest. This principle does not apply to securities disclosed as receivables.

Shares and interests

Shares in subordinated entities (except entities consolidated line-by-line) are accounted for using the equity method and the revaluation effects triggering increase or decrease in their value are taken to the profit and loss account.

In line with the equity method, interests in a subordinated unit's net assets are valued taking account of the company's goodwill or negative goodwill, as at the day of assuming control, joint control or significant influence over the entity. The initial value of the interest is updated on the balance sheet day for which a financial statement is produced by way of taking into account the changes in the value of a subordinated unit's net assets which took place in the reporting period, resulting from the financial result adjusted for goodwill charges or negative goodwill charges falling on a given accounting period as well as any other changes.

Dividend payment is not reflected in the Group's profit and loss account, it impacts only the carrying value of interests in the units valued under equity method.

Minority shareholdings representing long term investments can be classified as follows, depending on the purchase intention:

- *Shares available for sale* – stated at fair value whereby changes in the fair value are taken to the revaluation reserve. Impairment charges are taken to profit and loss account.
- *Shares held for trading* – are stated at fair value or purchase price adjusted for any impairment charges which are taken to the profit and loss account.

Repo/reverse repo transactions

A repo/reverse repo contract covers both sell-buy back transactions and repo transactions.

Securities traded under such transactions remain on the Group's balance sheet and are measured in accordance with the rules adopted for, as applicable:

- *securities held for trading,*
- *securities available for sale.*

At the same time, in the repo transaction accounts there is a liability recognized, which has a nature of a deposit on which interest is accrued.

| Derivatives

Derivatives are classified as held for trading and stated at fair value. Embedded derivatives are recognized and stated separately from the underlying instrument.

The Group deals in the following derivatives: interest rate SWAPs, FX SWAPs, FX Forwards, dual currency interest rate SWAPs and Forward Rate Agreements, stock exchange index options and FX options.

• FX transactions (FX SWAP, FX Forward)

Currency inflows and outflows arising from FX transactions, calculated based on an average NBP exchange rate as at the balance sheet day, are presented in off-balance sheet items as "liabilities related to sell/buy transactions." FX transactions are marked to market based on discounted future cash flows and the results of this measurement are

posted in the balance sheet under "other assets/other liabilities arising from financial instruments" and in the profit and loss account under "Foreign exchange profit".

The rates are taken from the Reuters' web sites and from the fixing sites of NBPO.

- **Interest rate transactions**

Interest rate derivatives include SWAP transactions, hereinafter referred to as IRS (including multi-currency ones) and FRAs. IRSs and FRAs are marked to market based on future discounted cash flows (NPV). Fair value adjustments are recognised in the balance sheet as "other financial assets/other liabilities arising from financial instruments" in correspondence with the "profit/loss on financial operations".

The rates applied to generate the zero-coupon yield curve are taken from Reuters' web site.

- **Options**

Fair value is determined using the market quotations and the options valuation models as appropriate. The effects of the measurements are reflected in the balance sheet. Any fair value changes are recognised in the profit and loss account.

Hedge accounting

The Group applies hedge accounting to hedge the fair value of own bonds, third party bonds from available-for-sale portfolio and loans. For the purpose of fair value hedging IRS transactions are used.

In the case of fair value hedges, the effects of the hedge's fair value measurement are recognised in the profit and loss account as "profit/loss on financial operations".

| Tangible fixed assets

Fixed assets are stated at the historical cost (purchase price or production cost or revaluation) reduced by write-off charges and impairment charges. Impairment occurs if there is high possibility that in the future an asset controlled by an entity will not bring any or a substantial part of the anticipated economic benefits. As at the balance sheet date, the Group reviews its assets to look for any identification that an asset may be impaired.

Fixed assets under construction are valued at the total of costs related directly to their purchase or production, reduced by impairment charges.

The initial value of fixed assets is reduced by the depreciation write offs, reflecting the loss in their value, as a result of the wear-and-tear or lapse of time. The net book value of a fixed asset calculated as a result of a revaluation should not exceed its fair value, the write-off of which in the period of anticipated life is economically warranted.

The depreciation charges for a fixed asset are made by spreading its initial value over a defined period of time in a systematic and planned manner.

The period, rate and method of depreciation are set on the day when the asset is put into use. The applied depreciation period and rate are reviewed periodically, resulting in relevant adjustments to the depreciation charges in subsequent years. Tangible fixed assets also include perpetual leasehold of land. It is subject to depreciation as well.

Land and fixed assets under construction are not depreciated.

Profits or losses from the sale of tangible fixed assets are set based on their book value and recognised in the profit/loss on operations. The costs of upgrade and repair are taken to the profit and loss account on an "as-incurred" basis.

Assets which meet all the criteria to be classified as tangibles but whose initial value (purchase price or production cost) is low, i.e. below PLN 3,500 (except PC sets) are classified as low value fixed assets. They are recorded off-balance sheet. In the case of such assets, the Group makes one-off write-offs against the profit and loss account.

| Intangible fixed assets

Intangible fixed assets are stated at their purchase price and are amortized over their useful life so as to reflect their reduced value.

Intangible assets also include the company's goodwill as well as the costs of completed development work.

The development cost related to the development and implementation of IT systems (developed internally or delivered by external providers) are taken to the profit and loss account unless all of the criteria listed below are met:

- there is a clearly defined project,
- the costs related to the project can be identified separately,
- the project deliverable is firm in terms of its technological feasibility and commercial usefulness in view of the existing market conditions,
- it is expected that the future economic benefits arising from the project will exceed the aggregated or spread- over-time costs of the system's development.

In such a case the costs are capitalized in the balance sheet and depreciated for no longer than 5 years.

Fixed assets under construction are valued at the total of costs related directly to their purchase or production, reduced by impairment charges.

| Tangible and intangible fixed assets subject to finance lease contracts

In case the lease contract meets at least one of the conditions specified below:

- the contract stipulates the transfer of the ownership of the leased asset onto the user after the end of the contractual period,
- it includes a right of the user to purchase the leased asset, after the end of the contractual period, at the price lower than the market price as at the date of its purchase,
- the period for which it was concluded matches, to a major extent, the expected period of economic useful life of the fixed asset or a property right, however, it cannot be shorter than $\frac{3}{4}$ of that period; the proprietary right of the leased asset can be, after the expiry of the contractual period, transferred onto the user,
- discounted value of the lease rentals exceeds 90% of the market value of the fixed asset as at the day of entering into the contract,
- the contract includes a promise of the financing party to enter into a subsequent contract with the user or to extend the existing contract based on more favourable terms and conditions,
- the contract assumes a possibility of its termination, provided, however, that all costs and losses incurred by the financing party and arising from this termination are covered by the user,
- the leased asset was tailored to the user's individual needs; it can be used exclusively by the user and no material changes can be introduced to it,

the value of the leased asset is recognized as tangible or intangible asset by the lessor and as liability by the lessee. The value of the leased asset set upon initiation of the lease is equal to its purchase price. The leasing payments comprise the underlying liability and the financial costs. Depreciation and amortisation are measured and recognised using the approach adopted for tangible and intangible fixed assets respectively.

| **Assets taken over for debts**

Assets taken over for debts are stated at fair value. A specific provision is raised for the difference between the amount of the debt and the fair value of the repossessed assets or else a relevant revaluation charge is made. If the fair value of the taken over assets is higher than the debt, the difference constitutes an obligation towards the borrower.

| **Liabilities**

Liabilities are disclosed in the amount of the due payment. Financial liabilities, which in line with an agreement are settled by way of releasing other financial assets than cash or exchanging into financial instruments are stated at fair value.

| **Negative goodwill**

Negative goodwill, up to the fair value of the purchased fixed assets, except for long-term investments quoted on regulated markets, is recognized as an accrued income for the period calculated as weighted average economic life of the purchased assets subject to amortization. Negative goodwill in excess of the fair value of fixed assets, except for long-term investments quoted on the regulated markets, is taken to revenue as at the consolidation date.

| **Equity**

Equity comprises capitals and funds created in accordance with applicable law, acts and the Statutes. Equity also includes retained earnings and prior year losses carried forward.

Share capital is stated at its nominal value in accordance with the Statutes and the entry in the court register. Supplementary capital is created from profit allocations and premiums from share issues.

Reserve capital is created from profit allocations and is earmarked for covering balance sheet losses.

Revaluation reserve comprises:

- differences from the valuation of financial assets available for sale,
- differences from the valuation of fixed assets,
- impairment charges for fixed assets subject to the revaluation pursuant to separate regulations up to the amount of a valuation stated earlier.

Revaluation reserve is not distributable.

On the day of excluding all or part of financial assets available for sale from accounting books total effects of periodical change in the fair value reflected in the revaluation reserve are reversed. Total or part of the previous revaluation charge increases or decreases the value of a given financial asset available for sale.

General risk reserve is created from after tax profit to cover unidentified banking risks.

Net financial result for the accounting year is the profit disclosed in the income statement. Net profit reflects the corporate tax charge.

| **FX assets and liabilities**

FX assets and liabilities are carried at the average NBP rate applicable at the balance sheet date. Transactions in foreign currencies are posted at the rate applicable on the transaction day. The FX revaluation differences are reflected in the foreign exchange profit.

| **Net interest income**

Interest income and expense are recognized in the income statement on an accrual basis.

Interest income includes:

- not received income over the accounting period in respect of:
 - interest receivable, including discount and capitalized interest on receivables categorized as “normal” and “watch”,
 - interest income received in previous periods, including discount, which falls in the current accounting period,
- interest income received in the current period, which falls due in the current accounting period,
- expenses in respect of interest accrued and of interest due but not paid on the Group's liabilities for the accounting period,
- interest income received from securities

Net interest income does not include interest accrued and interest due but not paid, including capitalized interest, on “impaired” receivables and debt securities being subject to impairment charges, which by the time of its receipt or write down is recorded in the balance sheet as suspended income. Nor does it include discount or interest received in advance, which falls due for future accounting periods.

| **Net commission income**

Commissions comprising, among others, amounts received in connection with the granting of loans, advances and banking guarantees are recognized in the P&L account at the moment of granting a loan or a guarantee. This does not apply to loans and off-balance sheet items which simultaneously meet the following three conditions: the minimum loan amount is PLN 1 million and the repayment period is longer than 12 months and the fee is in excess of PLN 10,000. The related fees are settled in a straight-line manner over the life of the loan.

| **FX profit and profit on financial operations**

Result on SPOT transactions taken to the FX profit is calculated by way of comparing the transaction exchange rate with the average NBP rate as at the balance sheet date.

Result on and valuation of FX Swap and Forward transactions is disclosed in “Foreign exchange profit”.

The effects of valuation of the FX off balance sheet items are recognized in the balance sheet and the profit and loss account at the transaction date.

Profit on financial operations includes the fair valuation of securities held for trading and the valuation of derivative transactions. It also comprises profit on securities and derivatives trading. It also comprises profit on securities and derivatives trading.

| Dividends and income from shares

Dividends are recognized in the profit and loss account upon the bank obtaining the right to them except for the dividend from shares in subsidiaries (they are described in "Shares and interests representing financial fixed assets"). Profit on the sale of minority interests is set as a difference between the carrying value of the securities and their sale price. In the case of subordinated entities, the profit is disclosed according to the equity method.

| Other operating income and costs

Other operating income and costs include operating income and costs which are not related directly to the core business of the Group. These are primarily incomes and costs arising on sale and liquidation of fixed assets, income from the sale of other services, paid and received damages, penalties and fines.

| Provisions

Specific provisions for exposures are raised in accordance with the Finance Minister's Ordinance of 10 December 2003 on providing for risks related to the banking operations as amended.

Pursuant to art. 130 of the Banking Law, dated 29 August 1997, provision for general risk is charged to costs of the current year in order to cover risks related to the banking operations.

The Bank raises provisions for one-off retirement payments for employees. When raising the provision, the amount of current liabilities resulting from services rendered and the related present employee costs are determined based on the actuarial valuation method (projected individual entitlements).

The Bank raises provisions for unused employee holiday entitlements and discloses them in periodical cost settlements.

| Income Tax

On 19 December 2003, on the basis of art. 1a of the Corporate Income Tax Act, the Wrocław Tax Office for Stare Miasto registered the agreement establishing a tax group between Bank Zachodni WBK S.A. and its subsidiary – BZ WBK Inwestycje Sp. z o.o. The agreement was concluded for 3 tax years, i.e. from 1 January 2004 to 31 December 2006.

Accordingly, in 2004, Bank Zachodni WBK S.A. was a payer of CIT for the tax group established with BZ WBK Inwestycje Sp. z o.o while the other entities of the BZ WBK Group paid CIT separately.

Corporate income tax consists of current and deferred tax.

Current tax is calculated based on the gross accounting income/loss adjusted by revenues which in line with tax regulations are not taken to taxable income and by costs which tax regulations do not recognize as tax deductible costs. Moreover, for tax purposes, the gross accounting income/loss is adjusted for income and costs from previous years realized for tax purposes in a given accounting period, and for deductions from income, e.g. donations.

The Group creates deferred corporate tax provisions which arise from the timing difference in recognition of income as earned and costs as incurred under the tax and accounting regulations. The amount of deferred tax is set on the basis of assets and liabilities which are due to be settled in the future, using the tax rate prevailing in the year when the tax becomes payable. Deferred tax is calculated taking into account unrealized interest income and expense, unrealized liabilities related to derivatives, non-tax deductible provisions for loans as well as tax-driven losses which are tax deductible and determined in compliance with the prudence principle.

In compliance with art. 38a of the CIT Act, in the consolidated financial statements of the Bank Zachodni WBK Group for 2004, the parent company disclosed in deferred assets an additional discounted amount representing 8% of specific provisions raised to cover loans classified as doubtful or lost, which as of 31 December 2002 were not recognised as tax deductible costs and will reduce the Bank's tax charge in the years 2007-2009.

13. EUR rates in the period covered by the consolidated financial statements and the comparative consolidated financial data

The average EUR rate expressed in the zloty set by the National Bank of Poland and applicable on the last day of individual months in 2004 and 2003 was as follows:

Month	EUR/PLN	
	2004	2003
January	4.7614	4.1286
February	4.8746	4.2083
March	4.7455	4.4052
April	4.8122	4.2755
May	4.6509	4.3915
June	4.5422	4.4570
July	4.3759	4.3879
August	4.4465	4.3588
September	4.3832	4.6435
October	4.3316	4.6826
November	4.2150	4.7127
December	4.0790	4.7170

The average EUR rate in 2004 and 2003 calculated as the arithmetic mean of the average National Bank of Poland exchange rates from the last day of each month of the given year, was as follows:

Period	EUR/PLN
2004	4.5182
2003	4.4474

The highest and lowest EUR rates quoted by NBP in 2004 and 2003 are as follows:

EUR/PLN	2004	2003
Min. exchange rate	4.0518	3.9773
Max. exchange rate	4.9149	4.7170

The rates quoted above come from the average exchange rates archive of the National Bank of Poland available on the Internet at: <http://www.nbp.pl/kursy/archiwum/2004.xls> and <http://www.nbp.pl/kursy/archiwum/2003.xls>

14. Key items of the 2004 consolidated financial statements expressed in EUR

Principles of converting the selected items of the financial statements from PLN into EUR

Selected financial data for 2004 and the corresponding period of 2003 presented in the consolidated financial statements of the Bank Zachodni WBK Group for the period ended 31 December 2004 were translated into EUR according to the following principles:

- the balance sheet items and the book value per share - according to the EUR average rate translated into the zloty and announced by the National Bank of Poland as at the balance sheet date.
- profit and loss account and cash flow items - according to the exchange rate calculated as the arithmetic mean of average EUR exchange rates announced by the National Bank of Poland and applicable on the last day of each month in the accounting year.

Selected items of the balance sheet, profit and loss account and cash flow from the consolidated financial statement

Selected items of the consolidated financial statement of Bank Zachodni WBK Group for the year ended 31 December 2004:

Selected financial highlights		PLNk		EURk*	
		2004	2003	2004	2003
I.	Interest income	1 495 033	1 422 099	330 891	319 760
II.	Commission income	694 816	641 686	153 782	144 283
III.	Profit on banking operations	1 829 805	1 683 803	404 985	378 604
IV.	Profit on operations	566 611	256 699	125 406	57 719
V.	Gross profit (loss)	569 936	260 370	126 142	58 544
VI.	Net profit (loss)	444 452	128 873	98 369	28 977
VII.	Net cash flows from operations	(740 996)	(406 941)	(164 002)	(91 501)
VIII.	Net cash flows from investments	126 350	(198 973)	27 965	(44 739)
IX.	Net cash flows from financial operations	463 100	156 555	102 497	35 201
X.	Net cash flows	(151 546)	(449 359)	(33 541)	(101 039)
XI.	Total assets	27 587 874	24 157 567	6 763 392	5 121 384
XII.	Amounts due to the Central Bank	-	-	-	-
XIII.	Amounts due to the financial sector	1 514 168	1 507 420	371 211	319 572
XIV.	Amounts due to the non-financial sector and public sector	19 044 876	17 706 309	4 669 006	3 753 722
XV.	Equity	3 021 948	2 542 712	740 855	539 053
XVI.	Share capital	729 603	729 603	178 868	154 675
XVII.	Number of shares (items)	72 960 284	72 960 284		
XVIII.	Book value per share (in PLN and EUR)	41.42	34.85	10.15	7.39
XIX.	Solvency ratio (in %)	12.92	12.01		
XX.	Profit (loss) per ordinary share (in PLN and EUR)	6.09	1.77	1.35	0.40
XXI.	Declared or paid dividend per share (in PLN and EUR)	2.43	0.32	0.54	0.07

* The principles of calculating selected financial data have been described above.

15. Key differences in the value of financial data disclosed and differences between Polish Accounting Principles and International Financial Reporting Standards (IAS/IFRS)

In accordance with §18, section 2 point 5 of the Council of Ministers' Ordinance of 11 August 2004 on detailed requirements of the share prospectus and the short share prospectus (Journal of Laws no. 186 item 1921), the Bank Zachodni WBK Group did not indicate any differences in the value of the disclosed data which would arise should the consolidated financial statements for 2004 be prepared in line with IAS/IFRS. Despite best efforts, the Bank Zachodni WBK Group has not completed the business validation of the solutions to allow presentation of the required data. Below are the key areas where there are differences between the measurement and presentation methods applied by the Bank Zachodni WBK Group and those envisaged by IAS/IFRS.

- ***Amortised cost measurement of originated credit receivables using the effective interest rate***

Due to the wide range of the credit facilities subject to such measurement, by the time the consolidated financial statements for 2004 were prepared, the Bank Zachodni WBK Group had not yet finished the last stage of the business validation of the solutions supporting the updated principles of measuring the Group's credit exposure. For this reason, the Bank Zachodni WBK Group did not determine the impact of this difference, in terms of value, on the consolidated financial statements for 2004. The Management Board of the parent entity envisages that the process of adjusting the existing methods of measurement and presentation to the IAS/IFRS requirements described above will be completed at the date of the first interim financial report for 2005.

- ***Identification of impairment of credit receivables (provisions) by comparing the balance sheet value of receivables with the current value of the expected future cash flows discounted at the effective interest rate***

As explained above, by the time the consolidated financial statements for 2004 were prepared, the BZ WBK Group had not yet finished the last stage of the business validation of the solutions supporting the new requirements. For this reason, also in this area the Group did not determine the impact of this difference, in terms of value, on the consolidated financial statements for 2004. The Management Board of the parent entity expects that the change process will be completed at the date stated above.

- ***Recognition of interest income for impaired credit receivables in the profit and loss account using the effective interest rate and discontinuation to recognise interest accrued on these receivables at the nominal rate as suspended income***

This difference is a methodological consequence of introduction of the changes described above. The Bank Zachodni WBK Group is going to change its accounting policy in this respect on implementation of these changes.

- ***Recognition of general risk provision in liabilities of the consolidated balance sheet***

Due to the lack of corresponding IAS/IFRS standards relating to the general risk provision, the Bank will release the existing provision. At the same time the Bank will create a provision against the credit risk connected with the time shift between the impairment trigger and the recognition of impairment. The provision will be presented as a reduction of the balance sheet value of the originated loans. Determination of the level of this provision is a part of the process of credit receivables impairment assessment (described above), which at the date of the 2004 consolidated financial statements was not complete yet.

- ***Change of classification of financial instruments***

In accordance with the interim provisions of IFRS 1, paragraph 25A, the Bank Zachodni WBK Group will reclassify the selected financial instruments. The change will apply to the debt securities classified as “held to maturity”, which will be reclassified as instruments “available for sale”. In addition, the selected equity instruments previously classified as “held for trading” will now be classified as “available for sale”. These changes will require adjustments to the revaluation reserve and, with regard to the instruments previously classified as “held for trading”, also adjustments to the retained profit / uncovered loss from previous years.

- ***Change in goodwill accounting***

In accordance with the IAS 38 requirements, the Bank Zachodni WBK Group will change the method of accounting for goodwill. The change consists in discontinuation to amortise goodwill on a systematic basis as goodwill will be periodically tested for impairment in accordance with IAS 36. As a result of the analysis performed, the goodwill recognised in the Bank Zachodni WBK Group was subject to 100% impairment.

- ***Recognition of costs of the option programme for executives***

As required by IFRS 2 Share-based Payment, the Bank will recognise the costs of the share option programme arranged by the parent entity. The executives of the Bank Zachodni WBK Group participate in this programme as part of the incentive scheme. The cost of this programme will not have any significant impact on the consolidated profit and loss account (remuneration costs).

At the date of preparation of the consolidated financial statements of the Bank Zachodni WBK Group, no significant differences were identified between the present accounting policies and IAS/IFRS that would impact on the Group's equity or net profit.

The impact of all the significant changes in the measurement and presentation methods connected with adoption of IAS/IFRS will be reflected in the first interim financial report in 2005.

Where permitted by IFRS 1, paragraph 36A, the Bank Zachodni WBK Group will implement the changes described above without adjusting the comparable data.

Signatures of the Members of Bank Zachodni WBK Management Board:

Date	Full name	Position	Signature
04-03-2005	Jacek Kseń	President of the Management Board	signed on the Polish original
04-03-2005	Cornelius O'Sullivan	First Vice President of the Management Board	signed on the Polish original
04-03-2005	Declan Flynn	Member of the Management Board	signed on the Polish original
04-03-2005	Michał Gajewski	Member of the Management Board	signed on the Polish original
04-03-2005	Justyn Konieczny	Member of the Management Board	signed on the Polish original
04-03-2005	Janusz Krawczyk	Member of the Management Board	signed on the Polish original
04-03-2005	Jacek Marcinowski	Member of the Management Board	signed on the Polish original
04-03-2005	Mateusz Morawiecki	Member of the Management Board	signed on the Polish original
04-03-2005	James Murphy	Member of the Management Board	signed on the Polish original
04-03-2005	Feliks Szyszkowiak	Member of the Management Board	signed on the Polish original

Consolidated Balance Sheet

ASSETS

	NOTE	PLN k	
		2004	2003
I. Cash and balances with the central bank	1	1 200 154	1 161 497
II. Debt securities eligible for rediscounting with the central bank		-	-
III. Loans and advances to financial sector	2	3 228 056	1 073 107
1. Short-term		2 894 629	478 260
a) in current accounts		464 190	225 315
b) other short-term		2 430 439	252 945
2. Long-term		333 427	594 847
IV. Loans and advances to non-financial sector	3	13 176 448	13 145 365
1. Short-term		5 252 474	5 154 363
a) in current accounts		1 428 947	1 419 646
b) other short-term		3 823 527	3 734 717
2. Long-term		7 923 974	7 991 002
V. Loans and advances to public sector	4	466 059	568 291
1. Short-term		99 466	146 796
a) in current accounts		688	26 350
b) other short-term		98 778	120 446
2. Long-term		366 593	421 495
VI. Reverse repo transactions	5	25 697	5 806
VII. Debt securities	6	6 695 869	6 139 401
VIII. Loans and advances to subordinated entities valued under equity method	2, 3	9	14
1. Subsidiaries		9	14
2. Joint-ventures		-	-
3. Associates		-	-
IX. Shares or interests in subsidiaries valued under equity method	7, 10	838	651
X. Shares or interests in joint-ventures valued under equity method	8, 10	-	-
XI. Shares or interests in associates valued under equity method	9, 10	76 943	70 283
XII. Shares and interests in other entities	11	266 531	260 848
XIII. Other securities and other financial assets	12	884 823	161 148
XIV. Intangible assets, of which:	14	238 212	301 353
- goodwill		1 457	4 353
XV. Goodwill of subordinated entities	15	-	-
XVI. Tangible fixed assets	16	595 851	695 547
XVII. Other assets	17	234 404	259 630
1. Assets taken-over - for sale		317	474
2. Stocks		-	-
3. Other		234 087	259 156
XVIII. Prepayments	18	497 980	314 626
1. Deferred income tax assets		470 699	290 724
2. Other pre-payments		27 281	23 902
TOTAL ASSETS		27 587 874	24 157 567

LIABILITIES

I. Deposits from the central bank		-	-
II. Deposits from financial sector	21	1 514 168	1 507 420
1. Short-term		1 084 802	1 017 193
a) in current accounts		497 604	629 116
b) other short-term		587 198	388 077
2. Long-term		429 366	490 227
III. Deposits from non-financial sector	22	17 898 642	16 640 771
1. Short-term		16 953 976	15 591 692
a) in current accounts, of which:		6 056 405	5 778 037

- savings accounts		-	-
b) other short-term, of which:		10 897 571	9 813 655
- savings accounts		-	-
2. Long-term, of which:		944 666	1 049 079
- savings accounts		-	-
IV. Deposits from public sector	23	1 146 234	1 065 538
1. Short-term		1 142 043	1 064 039
a) in current accounts		875 705	775 783
b) other short-term		266 338	288 256
2. Long-term		4 191	1 499
V. Repo transactions	24	732 690	-
VI. Debt securities in issue	21,22,23,25	1 198 767	792 574
1. Short-term		-	-
2. Long-term		1 198 767	792 574
VII. Other liabilities arising from financial instruments		804 501	259 409
VIII. Amounts due from subordinated entities valued under equity method	21,22,23	60 564	72 465
1. Subsidiaries		1 251	475
2. Joint-ventures		-	-
3. Associates		59 313	71 990
IX. Special funds and other liabilities	26	377 922	511 775
X. Accrued and suspended income and expenses	27	403 163	489 545
1. Accruals		150 885	132 425
2. Negative goodwill		-	-
3. Other deferred and suspended income		252 278	357 120
XI. Negative goodwill of subordinated entities	28	8 600	11 196
XII. Provisions	29	390 000	248 592
1. Provision for deferred income tax		301 472	138 810
2. Other provisions		88 528	109 782
a) short-term		-	-
b) long-term		88 528	109 782
XIII. Subordinated liabilities	30	-	-
XIV. Minority interests	31	30 675	15 570
XV. Share capital	32	729 603	729 603
XVI. Due contributions to share capital (negative value)		-	-
XVII. Bank's own shares (negative value)	33	-	-
XVIII. Supplementary capital	34	385 193	381 373
XIX. Balance of revaluation reserve	35	215 454	159 992
XX. Other reserve capital	36	1 256 491	1 167 176
XXI. Foreign exchange differences arising from valuation of subordinated entities		-	-
1. Positive foreign exchange differences		-	-
2. Negative foreign exchange differences		-	-
XXII. Profit (loss) from previous years		(9 245)	(24 305)
XXIII. Net profit (loss)		444 452	128 873
TOTAL LIABILITIES		27 587 874	24 157 567
Solvency ratio (%)	37	12.92	12.01
Book value		3 021 948	2 542 712
Number of shares		72 960 284	72 960 284
Book value per one share (PLN)	38	41.42	34.85
Diluted number of shares		-	-
Diluted book value per one share (PLN)	38	-	-

Off-balance Sheet Items

	Note	PLN k	
		2004	2003
I. Contingent liabilities granted and received		5 354 093	4 908 587
1. Granted:	39	4 739 854	4 374 730
a) financial		4 035 037	3 786 813
b) guarantees		704 817	587 917
2. Received:	40	614 239	533 857
a) financial		491 150	377 963
b) guarantees		123 089	155 894
II. Commitments arising from purchase / sale transactions		65 253 989	41 251 865
III. Other, of which		30 082	47 087
- assets taken-over		-	13 454
- other liabilities		30 082	33 633
Total off-balance sheet items		70 638 164	46 207 539

Consolidated Profit and Loss Account

	Note	PLN k	
		2004	2003
I. Interest income	41	1 495 033	1 422 099
II. Interest expense	42	(624 724)	(593 033)
III. Net interest income (I-II)		870 309	829 066
IV. Commission income	43	694 816	641 686
V. Commission expense		(125 603)	(109 704)
VI. Net commission income (IV-V)		569 213	531 982
VII. Net income from sales of products, goods and materials		67 681	51 381
VIII. Costs of sold products, goods and materials		-	-
IX. Sales costs		-	-
X. Profit/loss on sales (VII-VIII-IX)		67 681	51 381
XI. Income from shares or interests, other securities and other financial instruments with variable yield	44	116 281	52 403
1. From subsidiaries		55 136	18 161
2. From joint-ventures		-	-
3. From associates		2	-
4. From other entities		61 143	34 242
XII. Profit on financial operations	45	9 213	13 567
XIII. Foreign exchange profit		197 108	205 404
XIV. Profit on banking operations		1 829 805	1 683 803
XV. Other operating income	46	63 836	46 962
XVI. Other operating expense	47	(50 658)	(85 344)
XVII. Costs of Bank's operations and general management	48	(943 247)	(1 021 273)
XVIII. Depreciation /amortization of tangible fixed assets and intangible assets		(202 089)	(225 433)
XIX. Allocations to provisions	49	(446 100)	(731 781)
1. Write-offs to specific provisions and general banking risk provisions		(445 989)	(723 164)
2. Revaluation of financial assets		(111)	(8 617)
XX. Release of provisions	50	315 064	589 765
1. Write-backs of specific provisions and general banking risk provisions		314 564	589 598
2. Revaluation of financial assets		500	167
XXI. Balance of provisions (XIX - XX)		(131 036)	(142 016)
XXII. Profit on operations		566 611	256 699
XXIII. Profit / loss on extraordinary operations		-	506
1. Extraordinary gains	52	-	506
2. Extraordinary losses	53	-	-
XXIV. Amortization of goodwill of subordinated entities	54	-	-

XXV. Amortization of negative goodwill of subordinated entities	55	3 325	3 165
XXVI. Gross profit (loss)		569 936	260 370
XXVII. Income tax	56	(113 790)	(123 476)
1. Current tax		(145 138)	(95 551)
2. Deferred tax		31 348	(27 925)
XXVIII. Other taxes and charges decreasing the profit (increasing the loss)	57	-	(20)
XXIX. Share in net profits (losses) of subordinated entities valued under equity method		6 122	270
XXX. (Profits) losses of minority shareholders		(17 816)	(8 271)
XXXI. Net profit (loss)	58	444 452	128 873
Net profit (loss) (annualized)		444 452	128 873
Average weighted number of ordinary shares		72 960 284	72 960 284
Profit (loss) per one ordinary share (PLN)	59	6.09	1.77
Average weighted diluted number of ordinary shares		-	-
Diluted profit (loss) per one ordinary share (PLN)	59	-	-

Movements in Consolidated Equity

	PLN k	
	2004	2003
I. Shareholders' equity at the beginning of the period (OB)	2 542 712	2 515 907
a) changes in adopted accounting principles (policy)	-	-
b) corrections of fundamental errors	-	-
I.a. Shareholders' equity at the beginning of the period (OB) after reconciliation with comparable data	2 542 712	2 515 907
1. Share capital at the beginning of the period	729 603	729 603
1.1. Movements in share capital	-	-
a) increase (due to)	-	-
- issue of shares	-	-
b) decrease (due to)	-	-
- redemption of shares	-	-
1.2. Share capital at the end of the period	729 603	729 603
2. Due contributions to share capital at the beginning of the period	-	-
2.1. Movement in due contributions to share capital	-	-
a) increase (due to)	-	-
b) decrease (due to)	-	-
2.2. Due contributions to share capital at the end of the period	-	-
3. Own shares at the beginning of the period	-	-
a) increase (due to)	-	-
b) decrease (due to)	-	-
3.1. Own shares at the end of the period	-	-
4. Supplementary capital at the beginning of the period	381 373	375 425
4.1. Movements in the balance of supplementary capital	3 820	5 948
a) increase (due to)	3 820	5 948
- issue of shares in excess of their nominal value	-	-
- distribution of profit (statutory)	3 820	1 258
- transfer of capital	-	595
- other	-	4 095
b) decrease (due to)	-	-
4.2. Supplementary capital at the end of the period	385 193	381 373
5. Revaluation reserve at the beginning of the period	159 992	192 506
5.1. Movements in revaluation reserve	55 462	(32 514)
a) increase (due to)	149 079	44 878
- valuation of assets	149 079	44 878
b) decrease (due to)	(93 617)	(77 392)
- disposal of fixed assets	(2 615)	(3 476)
- valuation of assets	(90 149)	(73 916)
- impairment loss	(853)	-

5.2. Revaluation reserve at the end of the period	215 454	159 992
6. General banking risk fund at the beginning of the period	439 810	339 810
6.1. Movements in the general banking risk fund	60 000	100 000
a) increase (due to)	60 000	100 000
- profit allocation	60 000	100 000
b) decrease	-	-
6.2. General banking risk fund at the end of the period	499 810	439 810
7. Other reserve capital at the beginning of the period	727 366	598 419
7.1. Movements in other reserve capital	29 315	128 947
a) increase (due to)	29 315	129 542
- disposal of fixed assets	2 615	3 476
- distribution of profit	26 700	126 066
b) decrease (due to)	-	(595)
- transfer of capital	-	(595)
7.2. Other reserve capital at the end of the period	756 681	727 366
8. Foreign exchange differences from revaluation of subordinated entities	-	-
9. Profit (loss) from previous years at the beginning of the period	104 568	280 144
9.1. Profit from previous years at the beginning of the period	104 568	280 144
a) changes in adopted accounting principles (policy)	-	-
b) correction of fundamental errors	-	-
9.2. Profit from previous years at the beginning of the period after reconciliation with comparable data	104 568	280 144
9.3. Change in the profit from previous years	(113 813)	(304 449)
a) increase (due to)	22 173	8 860
- distribution of profit from previous years	-	-
- valuation of assets	-	8 860
- other	199	-
- transfer of loss from previous years	21 974	-
b) decrease (due to)	(113 986)	(313 309)
- allocation to reserve capital	(26 700)	(126 066)
- allocation to general risk fund	(60 000)	(100 000)
- allocation to other supplementary capital	(3 820)	(1 258)
- allocation to dividend	(23 347)	(53 991)
- valuation of assets	(145)	(31 994)
- transfer of loss from previous years	(21 974)	-
9.4. Profit from previous years at the end of the period	(9 245)	(24 305)
9.5. Loss from previous years at the beginning of the period	-	-
a) changes in adopted accounting principles (policy)	-	-
b) correction of fundamental errors	-	-
9.6. Loss from previous years at the beginning of the period after reconciliation with comparable data	-	-
9.7. Change in loss from previous years	-	-
a) increase (due to)	-	-
b) decrease	-	-
9.8. Loss from previous years at the end of the period	-	-
9.9. Profit (loss) from previous years at the end of the period	(9 245)	(24 305)
10. Net profit/loss	444 452	128 873
a) net profit	444 452	128 873
b) net loss	-	-
II. Shareholders' equity at the end of the period (CB)	3 021 948	2 542 712
III. Shareholders' equity after the proposed profit distribution (loss cover)	2 844 655	2 519 365

Consolidated Cash Flow Statement

	PLN k	
	2004	2003
A. Cash flow from operating activities		
(indirect method)		
I. Net profit (loss)	444 452	128 873
II. Total adjustments:	(1 185 448)	(535 814)
1. Profits (losses) of minority shareholders	17 816	8 271
2. Share in net (profits) losses of subordinated entities valued under equity method	(6 122)	(270)
3. Amortization, including:	199 575	247 845
– amortization of goodwill and negative goodwill of subordinated entities	(3 325)	(3 165)
4. (Profits) losses on foreign exchange differences	(12 212)	14 580
5. Interest and profit sharing (dividends)	23 796	2 845
6. (Profit) loss on investing activities	(63 536)	(300)
7. Movements in the balance of provisions	(19 357)	(695)
8. Movement in the balance of stocks	–	–
9. Movement in the balance of debt securities	(550 588)	(174 788)
10. Movement in the balance of amounts due from financial sector	(1 850 074)	1 280 796
11. Movement in the balance of amounts due from non-financial and public sectors	49 829	(1 268 741)
12. Movement in the balance of receivables arising from reverse repo transactions	(19 891)	32 188
13. Movement in the balance of shares, interest, other securities and other financial assets	(739 928)	57 518
14. Movement in the balance of amounts due to financial sector	(693 253)	(940 411)
15. Movement in the balance of amounts due to non-financial and public sectors	1 352 840	374 484
16. Movement in the balance of liabilities arising from repo transactions	732 690	(20 004)
17. Movement in the balance of liabilities arising from securities	30 221	149 419
18. Movement in the balance of other liabilities	455 771	(191 150)
19. Movement in the balance of accruals	14 652	(31 067)
20. Balance in the deferred and suspended income	(104 836)	(77 353)
21. Other adjustments	(2 841)	1 019
III. Net cash flows from operating activities (I+/-II) - indirect method	(740 996)	(406 941)
B. Cash flows from investing activities		
I. Inflows	369 863	687 117
1. Sales of shares or interests in subsidiaries	68 000	19 268
2. Sales of shares or interests in joint-ventures	–	–
3. Sales of shares or interests in associates	–	–
4. Sales of shares or interests in other entities, of other securities and other financial assets	211 696	623 369
5. Sales of tangible fixed assets and intangible assets	32 569	12 337
6. Sales of investments in real estates and intangible assets	–	–
7. Other investing inflows	57 598	32 143
II. Expenses	(243 513)	(886 090)
1. Purchase of shares or interests in subsidiaries	–	(150)
2. Purchase of shares or interests in joint-ventures	–	–
3. Purchase of shares or interests in associates	–	–
4. Purchase of shares or interests in other entities, of other securities and other financial assets	(174 095)	(783 594)
5. Purchase of intangible assets and tangible fixed assets	(67 639)	(98 127)
6. Investments in real estate and intangible assets	–	–
7. Other investing expenses	(1 779)	(4 219)
III. Net cash flows from investing activities (I-II)	126 350	(198 973)
C. Cash flows from financing activities		
I. Inflows	602 313	453 721
1. Long-term loans drawn from other banks	259 943	174 622
2. Long-term loans drawn from financial institutions other than banks	–	14 470
3. Issue of debt securities	339 577	256 527
4. Increase in the balance of subordinated liabilities	–	–
5. Net inflows from the issue of shares and contributions to capital	–	–
6. Other financial inflows	2 793	8 102

II. Expenses	(139 213)	(297 166)
1. Repayment of long-term loans to banks	(50 223)	(188 204)
2. Repayment of long-term loans to financial institutions other than banks	(12 930)	(16 671)
3. Repurchase of debt securities	-	-
4. Other financial liabilities	-	-
5. Payments under finance lease agreements	-	-
6. Decrease in the balance of subordinated liabilities	-	-
7. Dividends and other amounts paid to shareholders	(25 999)	(55 723)
8. Dividends and other payments to minorities	-	-
9. Other expenses than payments to majority shareholders arising from the profit distribution	-	-
10. Purchase of Bank's own shares	-	-
11. Other financial expenses	(50 061)	(36 568)
III. Net cash flows from financing activities (I-II)	463 100	156 555
D. Total net cash flows (A.III+/-B.III+/-C.III)	(151 546)	(449 359)
E. Change in the balance of cash, of which:	(151 546)	(449 359)
- movement in the cash balance arising from foreign exchange differences	-	-
F. Cash at the beginning of the period	1 383 037	1 832 396
G. Cash at the end of the period (F+/-D), of which:	1 231 491	1 383 037
- with limited disposal potential	-	-

NOTE 1A

CASH AND BALANCES WITH THE CENTRAL BANK	PLN k	
	2004	2003
a) current account	788 182	754 576
b) obligatory reserve	-	-
c) funds of the Bank Guarantee Fund	-	-
d) other	411 972	406 921
- cash	410 713	405 825
- valuable marks	1 259	1 096
Total cash and operations with the Central Bank	1 200 154	1 161 497

NOTE 1B

CASH (BY CURRENCY)	unit	currency	PLN k	
			2004	2003
a) in Polish currency			1 118 174	1 079 174
b) in foreign currencies (by currency and its equivalent in PLN)			81 980	82 323
b1. unit/currency	k	EUR	11 702	9 563
PLNk	k	PLN	47 733	45 111
b2. unit/currency	k	USD	6 324	6 533
PLNk	k	PLN	18 910	24 435
b3. unit/currency	k	GBP	1 581	946
PLNk	k	PLN	9 120	6 306
other currencies (in PLNk)	k	PLN	6 217	6 471
Total cash			1 200 154	1 161 497

NOTE 2A

LOANS AND ADVANCES TO FINANCIAL SECTOR (BY CATEGORY)	PLN k	
	2004	2003
a) current account	462 327	225 309
b) loans, placements and credits, of which:	2 688 834	750 527
- placements with other banks and other financial institutions	2 260 396	529 683
c) purchased debt	575	68
d) realized guarantees	-	-
e) other receivables	15 377	16 478
- Company Social Fund	12 425	12 425
- leasing receivables	1 029	90
- other	1 923	3 963
f) interest:	70 109	101 231
- accrued	67 118	91 542
- due, not received	2 991	9 689
Total loans and advances to financial sector (gross)	3 237 222	1 093 613
g) provisions raised against loans and advances to financial sector	(9 157)	(20 506)
Total loans and advances to financial sector (net)	3 228 065	1 073 107

NOTE 2B

GROSS LOANS AND ADVANCES TO FINANCIAL SECTOR (BY MATURITY)	PLN k	
	2004	2003
a) in current account	462 327	225 309
b) term receivables with residual maturity of:	2 704 786	767 073
- up to 1 month	1 482 805	106 483
- from 1 month to 3 months	522 316	46 279
- from 3 months to 1 year	425 539	107 705
- from 1 year to 5 years	211 569	477 716
- over 5 years	60 494	-
- overdue amounts	2 063	28 890
c) interest	70 109	101 231
- accrued	67 118	91 542
- due, not received	2 991	9 689
Total gross loans and advances to financial sector	3 237 222	1 093 613

NOTE 2C

GROSS LOANS AND ADVANCES TO FINANCIAL SECTOR (BY ORIGINAL MATURITY)	PLN k	
	2004	2003
a) in current account	462 327	225 309
b) term receivables with maturity of:	2 704 786	767 073
- up to 1 month	1 240 575	405 531
- from 1 month to 3 months	608 994	-
- from 3 months to 1 year	234 742	955
- from 1 year to 5 years	512 533	178 468
- over 5 years	107 942	182 119
c) interest	70 109	101 231
- accrued	67 118	91 542
- due, not received	2 991	9 689
Total gross loans and advances to financial sector	3 237 222	1 093 613

NOTE 2D

GROSS LOANS AND ADVANCES TO FINANCIAL SECTOR (BY CURRENCY)	unit	currency	PLN k	
			2004	2003
a) in Polish currency			1 117 183	828 064
b) in foreign currencies (by currency and its equivalent in PLN)			2 120 039	265 549
b1. unit/currency	k	USD	652 489	23 698
PLNk	k	PLN	1 951 203	88 641
b2. unit/currency	k	EUR	33 330	19 627
PLNk	k	PLN	135 952	92 581
b3. unit/currency	k	GBP	4 887	11 553
PLNk	k	PLN	28 199	77 045
other currencies (in PLNk)	k	PLN	4 685	7 282
Total gross loans and advances to financial sector			3 237 222	1 093 613

NOTE 2E

GROSS LOANS AND ADVANCES TO FINANCIAL SECTOR	PLN k	
	2004	2003
1. Regular	3 156 431	952 471
2. Watch	871	11 021
3. Problem, of which:	9 811	28 890
a) sub-standard	237	1
b) doubtful	1	7 559
c) lost	9 573	21 330
4. Interest:	70 109	101 231
a) accrued	67 118	91 542
b) due, not received	2 991	9 689
- on regular and watch receivables	709	1 686
- on problem receivables	2 282	8 003
Total gross loans and advances to financial sector	3 237 222	1 093 613

NOTE 2F

VALUE OF COLLATERAL ACCEPTED WHEN CALCULATING SPECIFIC PROVISIONS FOR LOANS AND ADVANCES TO FINANCIAL SECTOR	PLN k	
	2004	2003
a) watch	617	10 027
b) problem	636	8 338
- sub-standard	214	-
- doubtful	-	7 470
- lost	422	868
Value of collateral accepted when calculating specific provisions for loans and advances to financial sector	1 253	18 365

NOTE 2G

BALANCE OF PROVISIONS FOR LOANS AND ADVANCES TO FINANCIAL SECTOR	PLN k	
	2004	2003
a) watch	-	-
b) problem	(9 157)	(20 506)
- sub-standard	(4)	-
- doubtful	(1)	(44)
- lost	(9,152)	(20 462)
Total provisions for loans and advances to financial sector	(9 157)	(20 506)

NOTE 2H

MOVEMENTS IN PROVISIONS FOR LOANS AND ADVANCES TO FINANCIAL SECTOR	PLN k	
	2004	2003
1. Balance of provisions for loans and advances to financial sector at the beginning of the period	(20 506)	(32 725)
a) increase (due to)	(4 666)	(20 728)
- charged to profit and loss account	(2 680)	(20 115)
- exchange differences	(1 986)	(613)
b) utilization	13 108	4 695
- write-off, write-down and lapse of receivables	13 108	4 695
c) release	2 907	28 252
- exchange differences	-	-
- write-back	2 907	28 252
2. Balance of provisions for loans and advances to financial sector at the end of the period	(9 157)	(20 506)
3. Required level of provisions for loans and advances to financial sector at the end of the period, in line with applicable regulations	(9 157)	(20 206)

NOTE 2I

GROSS LOANS AND ADVANCES TO FINANCIAL SECTOR	PLN k	
	2004	2003
a) from subordinated entities valued under equity method	9	-
b) from other entities	3 237 213	1 093 613
Total gross loans and advances to financial sector	3 237 222	1 093 613

NOTE 3A

LOANS AND ADVANCES TO NON-FINANCIAL SECTOR (BY CATEGORY)	PLN k	
	2004	2003
a) credits and loans	12 075 761	12 251 337
b) purchased debts	77 612	63 056
c) realized guarantees	5 345	4 239
d) other receivables	1 433 265	1 203 820
- leasing receivables	1 395 751	1 197 900
- other	37 514	5 920
e) interest	209 310	325 469
- accrued	44 554	36 596
- due, not received	164 756	288 873
Total loans and advances to non-financial sector (gross)	13 801 293	13 847 921
f) provisions raised against loans and advances to financial sector (negative value)	(624 845)	(702 542)
Total loans and advances to non-financial sector (net)	13 176 448	13 145 379

As at 31 December 2004 non-interest bearing receivables are PLN 13 139 k (as at 31 December 2003 - PLN 11 515 k).

NOTE 3B

GROSS LOANS AND ADVANCES TO NON-FINANCIAL SECTOR (BY RESIDUAL MATURITY)	PLN k	
	2004	2003
a) in current account	1 415 778	1 397 406
b) term receivables with residual maturity of:	12 176 205	12 125 046
- up to 1 month	445 633	394 130
- from 1 month to 3 months	654 044	712 978
- from 3 months to 1 year	2 748 403	2 678 245
- from 1 year to 5 years	4 869 234	4 049 890
- over 5 years	2 601 162	2 648 587
- overdue amounts	857 729	1 641 216
c) interest	209 310	325 469
- accrued	44 554	36 596
- due, not received	164 756	288 873
Total gross loans and advances to non-financial sector	13 801 293	13 847 921

NOTE 3C

GROSS LOANS AND ADVANCES TO NON-FINANCIAL SECTOR (BY RESIDUAL MATURITY)	PLN k	
	2004	2003
a) in current account	1 415 778	1 397 406
b) term receivables with maturity of:	12 176 205	12 125 046
- up to 1 month	1 064 516	889 259
- from 1 month to 3 months	111 575	109 658
- from 3 months to 1 year	937 836	1 405 506
- from 1 year to 5 years	3 917 326	3 955 557
- over 5 years	6 144 952	5 765 066
c) interest	209 310	325 469
- accrued	44 554	36 596
- due, not received	164 756	288 873
Total gross loans and advances to non-financial sector	13 801 293	13 847 921

NOTE 3D

GROSS LOANS AND ADVANCES TO NON-FINANCIAL SECTOR (BY CURRENCY)	unit	currency	PLN k	
			2004	2003
a) in Polish currency			10 242 629	9 296 047
b) in foreign currencies (by currency and its equivalent in PLN)			3 558 664	4 551 874
b1. unit/currency	k	EUR	512 938	545 536
PLNk	k	PLN	2 092 272	2 573 293
b2. unit/currency	k	CHF	296 169	429 768
PLNk	k	PLN	782 508	1 301 381
b3. unit/currency	k	USD	219 613	171 424
PLNk	k	PLN	656 730	641 213
other currencies (in PLNk)	k	PLN	27 154	35 987
Total gross loans and advances to non-financial sector			13 801 293	13 847 921

NOTE 3E

GROSS LOANS AND ADVANCES TO NON-FINANCIAL SECTOR	PLN k	
	2004	2003
1. Regular	10 275 027	9 692 888
2. Watch	2 119 494	2 142 765
3. Problem, of which:	1 197 462	1 686 799
a) sub-standard	183 996	299 952
b) doubtful	164 772	469 492
c) lost	848 694	917 355
4. Interest:	209 310	325 469
a) accrued	44 554	36 596
b) due, not received	164 756	288 873
- on regular and watch receivables	4 137	1 631
- on problem receivables	160 619	287 242
Total gross loans and advances to non-financial sector	13 801 293	13 847 921

NOTE 3F

VALUE OF COLLATERAL ACCEPTED WHEN CALCULATING SPECIFIC PROVISIONS FOR LOANS AND ADVANCES TO NON-FINANCIAL SECTOR	PLN k	
	2004	2003
a) regular	-	-
b) watch	1 364 700	1 147 227
c) problem	499 134	809 225
- sub-standard	122 258	158 596
- doubtful	107 813	345 580
- lost	269 063	305 049
Value of collateral accepted when calculating specific provisions for loans and advances to non-financial sector	1 863 834	1 956 452

NOTE 3G

BALANCE OF PROVISIONS FOR LOANS AND ADVANCES TO NON-FINANCIAL SECTOR	PLN k	
	2004	2003
a) regular	(406)	-
b) watch	(5 566)	(2 833)
c) problem	(618 873)	(699 709)
- sub-standard	(12 665)	(28 934)
- doubtful	(28 476)	(62 216)
- lost	(577 732)	(608 559)
Total provisions for loans and advances to non-financial sector	(624 845)	(702 542)

NOTE 3H

MOVEMENT IN THE BALANCE OF PROVISIONS FOR LOANS AND ADVANCES TO NON-FINANCIAL SECTOR	PLN k	
	2004	2003
1. Balance of provisions for loans and advances to non-financial sector at the beginning of the period	(702 542)	(871 291)
a) increase (due to)	(442 410)	(678 299)
- write-off	(429 246)	(671 521)
- exchange differences	(13 164)	(6 778)
b) utilization	243 547	317 771
- write-off, write-down and lapse of receivables	243 547	317 771
c) release	276 063	529 277
- write-back	276 063	529 277
- other	497	-
2. Balance of provisions for loans and advances to non-financial sector at the end of the period	(624 845)	(702 542)
3. Required level of provisions for loans and advances to non-financial sector at the end of the period, in line with applicable regulations	(620 458)	(702 533)

The analysis of the required provisioning level for all the receivables should take into account general risk provisions which constitute a collateral for watch receivables. As at 31.12.2004 it amounted to PLN 73 279 k.
(as at 31 December 2003 PLN 92 589 k)

NOTE 3I

GROSS LOANS AND ADVANCES TO NON-FINANCIAL SECTOR	PLN k	
	2004	2003
a) from subordinated entities valued under equity method	-	14
b) from other entities	13 801 293	13 847 907
Total gross loans and advances to non-financial sector	13 801 293	13 847 921

NOTE 4A

LOANS AND ADVANCES TO PUBLIC SECTOR (BY CATEGORY)	PLN k	
	2004	2003
a) credits and loans	457 781	567 285
b) purchased debts	-	-
c) realized guarantees	-	-
d) other amounts due	47	49
- other	47	49
- ARiMR funds	-	-
e) interest	9 124	11 562
- accrued	4 561	7 648
- due, not received	4 563	3 914
Total loans and advances to public sector (gross)	466 952	578 896
f) provisions raised against loans and advances to financial sector (negative value)	(893)	(10 605)
Total loans and advances to public sector (net)	466 059	568 291

There are no loans related to financial leasing in 2004 and 2003.

NOTE 4B

GROSS LOANS AND ADVANCES TO PUBLIC SECTOR (BY RESIDUAL MATURITY)	PLN k	
	2004	2003
a) in current account	688	26 346
b) term receivables with residual maturity of:	457 140	540 988
- up to 1 month	4 035	6 757
- from 1 month to 3 months	17 789	17 509
- from 3 months to 1 year	76 954	96 184
- over 1 year to 5 years	285 491	329 466
- over 5 years	72 466	86 294
- overdue amounts	405	4 778
c) interest	9 124	11 562
- accrued	4 561	7 648
- due, not received	4 563	3 914
Total loans and advances to public sector (gross)	466 952	578 896

NOTE 4C

GROSS LOANS AND ADVANCES TO PUBLIC SECTOR (BY ORIGINAL MATURITY)	PLN k	
	2004	2003
a) in current account	688	26 346
b) term receivables with maturity of:	457 140	540 988
- up to 1 month	403	6 471
- from 1 month to 3 months	7	1 568
- from 3 months to 1 year	5 202	3 465
- over 1 year to 5 years	91 923	128 911
- over 5 years	359 605	400 573
c) interest	9 124	11 562
- accrued	4 561	7 648
- due, not received	4 563	3 914
Total loans and advances to public sector (gross)	466 952	578 896

NOTE 4D

GROSS LOANS AND ADVANCES TO PUBLIC SECTOR (BY CURRENCY)	unit	currency	PLN k	
			2004	2003
a) in Polish currency			347 427	424 968
b) in foreign currencies (by currency and its equivalent in PLN)			119 525	153 928
b1. unit/currency	k	EUR	27 394	30 276
PLNk	k	PLN	111 742	142 814
b2. unit/currency	k	CHF	2 329	2 829
PLNk	k	PLN	6 154	8 566
b3. unit/currency	k	USD	545	681
PLNk	k	PLN	1 629	2 548
other currencies (in PLNk)	k	PLN	-	-
Total gross loans and advances to public sector			466 952	578 896

NOTE 4E

GROSS LOANS AND ADVANCES TO PUBLIC SECTOR	PLN k	
	2004	2003
1. Regular receivables	430 896	534 266
2. Watch category loans	16 894	2 919
3. Problem receivables, of which:	10 038	30 149
a) sub-standard	-	10 283
b) doubtful	1 882	3 794
c) lost	8 156	16 072
4. Interest:	9 124	11 562
a) accrued	4 561	7 648
b) due, not received	4 563	3 914
- on regular and watch loans	4 515	2 977
- on problem loans	48	937
Total gross loans and advances to public sector	466 952	578 896

NOTE 4F

VALUE OF COLLATERAL ACCEPTED WHEN CALCULATING SPECIFIC PROVISIONS FOR LOANS AND ADVANCES TO PUBLIC SECTOR	PLN k	
	2004	2003
a) regular	-	-
b) watch	638	211
c) problem	8 921	11 856
- sub-standard	-	1 000
- doubtful	1 434	3 269
- lost	7 487	7 587
Value of collateral accepted when calculating specific provisions for loans and advances to public sector	9 559	12 067

NOTE 4G

BALANCE OF PROVISIONS FOR LOANS AND ADVANCES TO PUBLIC SECTOR	PLN k	
	2004	2003
a) regular	-	-
b) watch	-	-
c) problem	(893)	(10 605)
- sub-standard	-	(1 857)
- doubtful	(224)	(263)
- lost	(669)	(8 485)
Total provisions for loans and advances to public sector	(893)	(10 605)

NOTE 4H

MOVEMENT IN BALANCE OF PROVISIONS FOR LOANS AND ADVANCES TO PUBLIC SECTOR	PLN k	
	2004	2003
1. Balance of provisions for loans and advances to public sector at the beginning of the period	(10 605)	(8 951)
a) increase (due to)	(2 224)	(6 268)
- charge to the profit and loss account	(2 224)	(6 268)
b) utilization (due to)	9 505	-
- write-off, write-down and lapse of receivables	9 505	-
c) release (due to)	2 431	4 614
- write-back	2 390	4 357
- foreign exchange differences	41	257
2. Balance of provisions for loans and advances to public sector at the end of the period	(893)	(10 605)
3. Required level of provisions for loans and advances to public sector at the end of the period, in line with applicable regulations	(893)	(10 605)

The amount of irregular receivables does not exceed 10% of balance sheet total.

NOTE 5

REVERSE REPO TRANSACTIONS	PLN k	
	2004	2003
a) financial sector	-	-
b) non-financial sector	25 307	5 508
c) public sector	-	-
d) interest	390	298
Total reverse repo transactions	25 697	5 806

NOTE 6A

DEBT SECURITIES	PLN k	
	2004	2003
a) issued by central banks, of which:	600 925	601 117
- in foreign currencies	-	-
b) issued by other banks, of which:	-	-
- in foreign currencies	-	-
c) issued by other financial entities, of which:	-	-
- in foreign currencies	-	-
d) issued by non-financial entities, of which:	31 776	33 621
- in foreign currencies	29 544	31 389
e) issued by central government, of which:	5 970 746	5 359 196
- in foreign currencies	-	-
f) issued by local government, of which:	92 422	145 467
- in foreign currencies	-	-
g) repurchased own debt securities	-	-
Total debt securities	6 695 869	6 139 401

NOTE 6B

DEBT SECURITIES (BY CATEGORY)	PLN k	
	2004	2003
1. Issued by the central government, of which:	5 970 746	5 359 196
a) bonds	3 897 533	4 066 193
b) bills	2 073 213	1 293 003
c) other (by type):	-	-
- restructuring bonds	-	-
2. Issued by parent entity, of which:	-	-
a) bonds	-	-
b) other (by type):	-	-
3. Issued by significant investor, of which:	-	-
a) bonds	-	-
b) other (by type):	-	-
4. Issued by subsidiary undertakings, of which:	-	-
a) bonds	-	-
b) other (by type):	-	-
5. Issued by joint ventures, of which:	-	-
a) bonds	-	-
b) other (by type):	-	-
6. Issued by associates, of which:	-	-
a) bonds	-	-
b) other (by type):	-	-
7. Issued by other entities, of which:	725 123	780 205
a) bonds	725 123	780 205
- NBP bonds	600 925	601 117
- municipal bonds	92 422	145 467
- commercial bonds	31 776	33 621
b) other (by type):	-	-
- NBP bills	-	-
Total debt securities	6 695 869	6 139 401

As at 31 December 2004 PLN 48 000 k (PLN 79 000k in 2003) of Treasury bonds were accepted as collateral for the Bank Guarantee Fund.

NOTE 6C

MOVEMENT IN THE BALANCE OF SECURITIES	PLN k	
	2004	2003
Balance at the beginning of the period	6 139 401	5 890 068
a) increase (due to)	24 013 978	86 802 546
- increase in the value of NBP bills	2 954 352	4 277 109
- increase in the value of Government bonds	8 487 248	34 610 925
- increase in the value of NBP bonds	33 602	39 286
- increase in the value of Treasury bills	12 518 768	47 760 474
- increase in the value of other debt securities	20 008	114 682
- release of provisions	-	70
- other	-	-
b) decrease (due to)	(23 457 510)	(86 553 213)
- redemption/sale of monetary bills	(2 954 352)	(4 304 454)
- redemption/sale of Government bonds	(8 655 909)	(33 163 166)
- redemption/sale of NBP bonds	(33 794)	(442 152)
- redemption/sale of Treasury bills	(11 738 558)	(48 620 056)
- redemption/sale of other debt securities	(72 942)	(18 368)
- charges to provisions	(111)	(5 017)
- other	(1 844)	-
Balance of debt securities at the end of the period	6 695 869	6 139 401

NOTE 7A

SHARES OR INTERESTS IN SUBSIDIARIES VALUED UNDER EQUITY METHOD	PLN k	
	2004	2003
a) in banks	-	-
b) in other entities of financial sector	566	527
c) in entities of non-financial sector	272	124
Total shares or interests in subsidiaries valued under equity method	838	651

NOTE 7B

MOVEMENT IN THE BALANCE OF SHARES OR INTERESTS IN SUBSIDIARIES VALUED UNDER EQUITY METHOD	PLN k	
	2004	2003
Balance at the beginning of the period	651	1 680
a) increase (due to)	190	76
- purchase	150	-
- revaluation	40	76
b) decrease (due to)	(3)	(1 105)
- sale	-	(1 105)
- revaluation/decrease in value of shareholding	(3)	-
Balance of shares or interests in subsidiaries valued under equity method	838	651

NOTE 8A

SHARES AND INTERESTS IN JOINT VENTURES VALUED UNDER EQUITY METHOD	PLN k	
	2004	2003
a) banks	-	-
b) other financial entities	-	-
c) Other non-financial entities	-	-
Total shares and interests in joint ventures valued under equity method	-	-

NOTE 8B

MOVEMENT IN THE BALANCE OF SHARES OR INTERESTS IN JOINT VENTURES VALUED UNDER EQUITY METHOD	PLN k	
	2004	2003
Balance at the beginning of the period	-	-
a) increase (due to)	-	-
b) decrease (due to)	-	-
Balance of shares or interests in joint ventures valued under equity method	-	-

NOTE 9A

SHARES OR INTERESTS IN ASSOCIATES VALUED UNDER EQUITY METHOD	PLN k	
	2004	2003
a) in banks	-	-
b) in other entities of financial sector	69 913	63 520
c) in entities of non-financial sector	7 030	6 763
Total shares or interests in associates valued under equity method	76 943	70 283

NOTE 9B

MOVEMENT IN THE BALANCE OF SHARES OR INTERESTS IN ASSOCIATES VALUED BY EQUITY METHOD	PLN k	
	2004	2003
Balance at the beginning of the period	70 283	57 867
a) increase (due to)	10 589	21 419
- purchase	3 283	1 335
- valuation	6 577	7 551
- reclassification	-	8 857
- negative goodwill	729	3 676
b) decrease (due to)	(3 929)	(9 003)
- negative goodwill write-off*	(877)	(717)
- current revaluation	(3 052)	(8 286)
Balance of shares or interests in associates valued by equity method	76 943	70 283

* LZPS Protektor and Magna Polonia

Note 10A
SHARES OR INTERESTS IN SUBORDINATED ENTITIES

PLN k

No.	a name (company) of the entity and its legal status	b registered office	c business	d type of the capital link (subsidiary, in- terdependent, associ- ated with indication of direct or indirect links)	e applied consolidation method / valuation using an equity method or indication that the entity is not subject to consolidation / valu- ation using an equity method	f date of taking up control / joint control / gaining significant influ- ence	g value of shares / interests at purchase price	h total ad- justments for revalua- tion	i balance sheet value of shares / interests	j % sharehold- ing	k share in the total number of votes at AGM	l other than indi- cated in j) or k) control basis / joint control / significant influence
1	BZ WBK Nieruchomości SA	Poznań	completion, organisation of various events, catering and hotel services	subsidiary	not consolidated	07.1998	253	18	271	99.96	99.96	
2	Brytyjsko-Polskie Towarzystwo Finansowe WBK-CU Sp z o.o.	Poznań	distribution of insurance products	subsidiary	not consolidated	02.1993 associate 06.1993 subsidiary	218	349	567	60.00	60.00	
3	POLFUND - Fundusz Poreczeń Kredytowych S.A.	Szczecin	providing lending guaran- tees, investing funds vested in companies and their management	associated	not consolidated	08.2001	8 000	527	8 527	50.00	50.00	
4	LZPS PROTEKTOR S.A.	Lublin	production of protective, military and ordinary footwear	associated	not consolidated	12.2001	2 939	2 938	5 877	36.08	36.08	
5	NFI Magna Polonia SA	Warszawa	buying securities issued by State Treasury, buying or taking up interests or shares in entities registered and operating in Poland	associated	not consolidated	06.2001	54 249	1 539	55 788	30.09	30.09	
Total							65 659	5 371	71 030			

Moreover, the following consolidation transfers were made in the balance sheet value of shares and interests in subordinated entities in order to state properly the positive and negative goodwill of the companies in the consolidated financial statements:

*LZPS Protektor PLN 1 155 k

**NFI Magna Polonia PLN 5 596 k

Note 10B

SHARES OR INTERESTS IN SUBORDINATED ENTITIES

PLN k

No.	a name of entity (and its legal status)	m the entity's equity, of which:				n liabilities of entity of which:		o receivables of entity, of which:		p total assets	r income from sales	s value of shares interests not paid by the issuer	t dividend re- ceived or due for the last accounting year					
		the entity's equity, of which:				of which:		of which:										
		share capi- tal	unpaid share capital	supple- mentary capital	other own funds of which:	retained profit (un- covered loss) from previ- ous years	profit (loss) net	short- term	long- term					short- term	long- term			
1	BZ WBK Nieruchomości SA	271	250	-	10	11	(3)	14	119	115	4	102	102	-	411	923	-	-
2	Brytyjsko-Polskie Towarzystwo Finansowe WBK-CU Sp.z o.o.	945	350	-	491	104	-	98	480	422	58	500	500	-	1 453	5 159	-	-
3	POLFUND - Fundusz Poręczeń Kredytowych S.A.	17 054	16 000	-	194	860	-	772	28	28	-	54	54	-	18 057	617	-	175
4	LZPS PROTEKTOR S.A. (as at September 2004)	19 487	4 744	-	6 346	8 397	-	4 914	5 305	5 305	-	6 362	6 362	-	26 838	31 758	-	1 070
5	NFI Magna Polonia S.A. (as at September 2004)	203 989	3 006	-	193 836	7 147	6 787	8 445	1 125	1 125	-	24 821	24 821	-	205 620	5 393	-	1 357

*unless otherwise specified, the data is based on the companies' accounts as at 30.11.2004.

NOTE 11A

SHARES OR INTERESTS IN OTHER ENTITIES	PLN k	
	2004	2003
a) in entities of financial sector	141 513	212 590
- short-term	8	1 025
- long-term	141 505	211 565
b) in entities of non-financial sector	125 018	48 258
- short-term	15 680	4 699
- long-term	109 338	43 559
Total shares or interests in other entities	266 531	260 848

NOTE 11B

MOVEMENT IN THE BALANCE OF SHARES OR INTERESTS IN OTHER ENTITIES	PLN k	
	2004	2003
Balance at the beginning of the period	260 848	240 043
- purchase	322 694	303 208
- valuation	259 763	294 082
- other	62 431	9 126
- impairment loss write-back	500	-
b) decrease (due to)	(317 011)	(282 403)
- sale	(264 836)	(276 176)
- valuation	(52 175)	(2 777)
- impairment loss write-off	-	(3 450)
Balance of shares or interests in other entities at the end of the period	266 531	260 848

Note 11C

SHARES OR INTERESTS IN OTHER ENTITIES

PLN k

No.	a name (company) of the entity and its legal status	b registered office	c business	d balance sheet value of shares / interests	e % shareholding	f share in the total number of votes at AGM	g		h value of shares / interests in the entity unpaid by the issuer	i received or due dividends from the entity for the last accounting year
							own funds, of which:	- share capital		
1	Euroad Leasing Sp z o.o.***	Warsaw	debt trading	-	37.50	35.91	1 022	1 065	-	-
2	eCard *	Warsaw	software engineering, data processing, database management, other IT-related activities, project management, advertising	-	17.86	17.86	(3 567)	13 361	-	-
3	Krajowa Izba Rozliczeniowa S.A.**	Warsaw	handling interbank settlements	625	11.48	11.48	88 011	5 445	-	1 500
4	TIM S.A.**	Wrocław	wholesale trade	12 934	10.64	10.64	18 159	20 380	-	-
5	Commercial Union Polska Towarzystwo Ubezpieczeń na Życie S.A.***	Warsaw	Life insurance	124 045	10.00	10.00	959 725	82 500	821	37 714
6	Commercial Union Polska Towarzystwo Ubezpieczeń Ogólnych S.A.***	Warsaw	Personal and property insurance	2 179	10.00	10.00	41 754	20 600	-	103
7	Commercial Union Powszechnie Towarzystwo Emerytalne BPH, CU, WBK S.A.***	Warsaw	creating and managing open-ended pension funds and representing them before third parties	70 137	10.00	10.00	307 844	137 000	-	14 974
8	Wschodni Bank Cukrownictwa S.A.*	Lublin	banking	14 470	7.23	7.23	171 682	200 191	-	-
9	Stalexport S.A.**	Katowice	wholesale trade in metals/ores	8 851	6.40	6.40	(27 225)	215 524	-	-
10	AWSA Holland I I.B.V.	Amsterdam	holding interests in Autostada Wielkopolska S.A. (established to build and operate a highway at the section Swiecko-Konin	25 025	5.44	5.44	bd.	80	-	-
11	Biuro Informacji Kredytowej S.A.**	Warsaw	collecting and providing access to information on banks' borrowers	800	5.14	5.14	22 462	15 550	-	-
12	Other			7 465						3
	Total			266 531						

*equity of the entity disclosed based on data as at 30 November 2004.

**equity of the entity disclosed based on data as at 30 September 2004

***equity of the entity disclosed based on data as at 31 December 2003

NOTE 12A

OTHER SECURITIES AND OTHER FINANCIAL ASSETS (BY TYPE)	PLN k	
	2004	2003
a) pre-emptive rights	-	-
b) derivative rights	869 435	159 317
c) other (by type)	15 388	1 831
- trust funds units	-	1 831
- investment certificates	15 388	-
Total other securities and other financial assets	884 823	161 148

NOTE 12B

OTHER SECURITIES AND OTHER FINANCIAL ASSETS	PLN k	
	2004	2003
a) short-term	-	-
b) long-term	884 823	161 148
Total other securities and other financial assets	884 823	161 148

NOTE 12C

MOVEMENT IN THE BALANCE OF OTHER SECURITIES AND OTHER FINANCIAL ASSETS	PLN k	
	2004	2003
Balance at the beginning of the period	161 148	240 803
a) increase (due to)	740 451	14 224
- purchase	15 000	10 900
- revaluation	725 451	3 324
- other	-	-
b) decrease (due to)	(16 776)	(93 879)
- sale	(1 831)	(24 633)
- settlement of premium on options	(12 323)	(12 701)
- decrease of settled swap points	-	(56 545)
- revaluation	(2 622)	-
Balance of other securities and other financial assets at the end of the period	884 823	161 148

NOTE 12D

OTHER SECURITIES AND OTHER FINANCIAL ASSETS (BY CURRENCY)	unit	currency	PLN k	
			2004	2003
a) in Polish currency			884 597	158 360
b) in foreign currencies (by currency and its equivalent in PLN)			226	2 788
b1. unit / currency	k	EUR	9	228
PLNk	k	PLN	38	1 073
b1. unit / currency	k	USD	-	200
PLNk	k	PLN	-	749
other currencies (in PLNk)	k	PLN	188	966
Total other securities and other financial assets			884 823	161 148

NOTE 13A

FINANCIAL ASSETS	PLN k	
	2004	2003
a) financial assets held for trading	2 239 373	637 490
b) granted loans, borrowings and a company's own debt - not for trading	18 231 675	16 039 463
c) financial assets held to maturity	1 963 516	2 048 913
d) financial assets available for sale	2 893 355	3 140 227
e) other *	1 328 403	1 453 971
Total financial assets (gross)	26 656 322	23 320 064
Provision for financial assets at the end of the period	(634 895)	(733 653)
Total financial assets	26 021 427	22 586 411

* "Other" item contains: cash, nostro current accounts and interests in subordinated entities.

NOTE 13B

FINANCIAL ASSETS (BY CURRENCY)	unit	currency	PLN k	
			2004	2003
in Polish currency			20 775 888	18 263 602
in foreign currencies (by currency and its equivalent in PLN)			5 880 434	5 056 462
b1. unit / currency	k	EUR	585 373	605 230
PLNk	k	PLN	2 387 737	2 854 872
b2. unit / currency	k	USD	878 970	202 536
PLNk	k	PLN	2 628 472	757 586
b3. unit / currency	k	GBP	6 468	12 499
PLNk	k	PLN	37 319	83 351
b4. unit / currency	k	CHF	298 498	432 597
PLNk	k	PLN	788 662	1 309 947
other currencies (in PLNk)	k	PLN	38 244	50 706
Total financial assets			26 656 322	23 320 064

NOTE 13C

FINANCIAL ASSETS HELD FOR TRADING (BY MARKETABILITY)	PLN k	
	2004	2003
A. With unlimited marketability, listed on stock exchange (balance sheet value)	284 360	64 719
a) shares (balance sheet value):	14 096	4 098
- fair value	14 096	4 098
- market value	14 096	4 098
- value at purchase price	1 866	2 511
b) bonds (balance sheet value):	270 264	60 621
- fair value	270 264	60 621
- market value	270 264	60 621
- value at purchase price	265 872	60 235
c) other - by category (balance sheet value):	-	-
- fair value	-	-
- market value	-	-
- value at purchase price	-	-
B. With unlimited marketability listed off stock-exchange markets (balance sheet value)	1 084 155	411 899
a) shares (balance sheet value):	20	28
- fair value	20	28
- market value	20	28
- value at purchase price	7	20
b) bonds (balance sheet value):	11	22
- fair value	11	22
- market value	11	22
- value at purchase price	11	21
c) other - by category (balance sheet value):	1 084 124	411 849
c1) Treasury bills	1 084 124	411 849
- fair value	1 084 124	411 849
- market value	1 084 124	411 849
- value at purchase price	1 074 661	409 284
c2) NBP bills	-	-
- fair value	-	-
- market value	-	-
- value at purchase price	-	-
C. With unlimited marketability, not listed on regulated markets (balance sheet value)	869 435	159 317
a) shares (balance sheet value):	-	-
- fair value	-	-
- market value	-	-
- value at purchase price	-	-
b) bonds (balance sheet value):	-	-
- fair value	-	-
- market value	-	-

- value at purchase price	-	-
c) other - by category (balance sheet value):	869 435	159 317
c1) derivatives	869 435	159 317
- fair value	869 435	159 317
- market value	869 435	159 317
- value at purchase price	869 435	159 317
D. With limited marketability (balance sheet value)	1 423	1 555
a) shares and interests (balance sheet value):	1 423	1 555
- fair value	1 423	1 555
- market value	1 423	1 555
- value at purchase price	1 939	1 979
b) bonds (balance sheet value):	-	-
- fair value	-	-
- market value	-	-
- value at purchase price	-	-
c) other - by category (balance sheet value):	-	-
- fair value	-	-
- market value	-	-
- value at purchase price	-	-
Total value at purchase price	2 213 791	633 367
Value at the beginning of the period	637 490	2 341 423
Total revaluation adjustments (for the period)	25 582	4 123
Total balance sheet value	2 239 373	637 490

NOTE 13D

FINANCIAL ASSETS HELD TO MATURITY (BY MARKETABILITY)	PLN k	
	2004	2003
A. With unlimited marketability, listed on stock exchanges (balance sheet value)	1 899 259	1 969 058
a) bonds (balance sheet value):	1 899 259	1 969 058
- revaluation adjustments (for the period)	98 088	123 120
- value at the beginning of the period	1 969 058	1 372 614
- value at purchase price	1 801 171	1 845 938
b) other - by category (balance sheet value):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
B. With unlimited marketability listed on off stock-exchange markets (balance sheet value)	-	-
a) bonds (balance sheet value):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
b) other - by category (balance sheet value):	-	-
b1) Treasury bills	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
C. With unlimited marketability, not listed on regulated markets (balance sheet value)	-	-
a) bonds (balance sheet value):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
b) other - by category (balance sheet value):	-	-
b1) commercial bills	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	-	-
- value at purchase price	-	-
D. With limited marketability (balance sheet value)	64 257	79 855
a) bonds (balance sheet value):	29 648	31 494

- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	31 494	25 738
- value at purchase price	29 648	31 494
b) other - by category (balance sheet value):	34 609	48 361
b1) purchased receivables	34 609	48 361
- revaluation adjustments (for the period)	11 042	19 085
- value at the beginning of the period	48 361	102 218
- value at purchase price	23 567	29 276
Total value at purchase price	1 854 386	1 906 708
Value at the beginning of the period	2 048 913	1 500 570
Total revaluation adjustments (for the period)	109 130	142 205
Total balance sheet value	1 963 516	2 048 913

NOTE 13E

FINANCIAL ASSETS AVAILABLE FOR SALE (BY MARKETABILITY)	PLN k	
	2004	2003
A. With unlimited marketability listed off stock-exchange markets (balance sheet value)	1 569 695	1 867 546
a) shares (balance sheet value):	10 961	13 045
- fair value	10 961	13 045
- market value	17 492	15 984
- value at purchase price	12 056	14 367
b) bonds (balance sheet value):	1 543 346	1 854 501
- fair value	1 543 346	1 854 501
- market value	1 543 346	1 854 501
- value at purchase price	1 482 290	1 825 873
c) other - by category (balance sheet value):	15 388	-
c1) investment certificates	15 388	-
- fair value	15 388	-
- market value	15 387	-
- value at purchase price	15 000	-
B. With unlimited marketability listed off stock-exchange markets (balance sheet value)	942 403	801 766
a) shares (balance sheet value):	-	-
- fair value	-	-
- market value	-	-
- value at purchase price	-	-
b) bonds (balance sheet value):	-	-
- fair value	-	-
- market value	-	-
- value at purchase price	-	-
c) other - by category (balance sheet value):	942 403	801 766
c1) Treasury bills	942 403	801 766
- fair value	942 403	801 766
- market value	942 403	801 766
- value at purchase price	927 450	794 257
C. With unlimited marketability, not listed on regulated markets (balance sheet value)	332 293	389 249
a) shares (balance sheet value):	213 697	215 828
- fair value	213 697	215 828
- market value	213 697	215 828
- value at purchase price	52 779	51 528
b) bonds (balance sheet value):	92 411	145 445
- fair value	92 411	145 445
- market value	92 411	145 445
- value at purchase price	92 411	143 289
c) other - by category (balance sheet value):	26 185	27 976
c1) shares	26 185	26 145
- fair value	26 185	26 145
- market value	26 185	26 145
- value at purchase price	26 184	26 145

c2) trust funds units	-	1 831
- fair value	-	1 831
- market value	-	1 831
- value at purchase price	-	1 309
D. With limited marketability (balance sheet value)	48 964	81 666
a) shares and interests (balance sheet value):	150	150
- fair value	150	150
- market value	150	150
- value at purchase price	150	150
b) bonds (balance sheet value):	2 127	2 127
- fair value	2 127	2 127
- market value	2 127	2 127
- value at purchase price	25 000	25 000
c) other - by category (balance sheet value):	46 687	79 389
c1) treasury bills	46 687	79 389
- fair value	46 687	79 389
- market value	46 687	79 389
- value at purchase price	44 989	78 545
Total value at purchase price	2 678 309	2 960 463
Value at the beginning of the period	3 140 227	1 394 638
Total revaluation adjustments (for the period)	215 046	179 764
Total balance sheet value	2 893 355	3 140 227

NOTE 14A

INTANGIBLE ASSETS	PLN k	
	2004	2003
a) development work capitalized	-	-
b) goodwill	1 457	4 353
c) concessions, patents, licences and similar intangibles, of which:	214 181	286 355
- software	213 120	284 075
d) other intangible assets	-	-
e) prepayments for intangible assets	231	485
f) capital expenditures	22 343	10 160
Total intangible assets	238 212	301 353

NOTE 14B

MOVEMENTS IN INTANGIBLES (BY TYPE)

PLN k

	a	b	c	d	e	Total intangible assets
	costs of finished development works	goodwill	licences, patents and similar assets, of which:	software	other intangible assets	prepayments for intangible assets
a) gross value of intangible assets at the beginning of the period	-	151 776	453 422	436 173	5 371	485
b) increase (due to)	-	-	29 670	28 563	-	230
- purchase	-	-	15 719	14 990	-	230
- investment	-	-	153	153	-	-
- reclassification	-	-	13 667	13 289	-	-
- donations	-	-	131	131	-	-
- other	-	-	-	-	-	-
c) decrease (due to)	-	-	(14 733)	(264)	-	(484)
- sale	-	-	(1 200)	(20)	-	-
- liquidation	-	-	(244)	(244)	-	-
- reclassification	-	-	(13 289)	-	-	(378)
- other	-	-	-	-	-	(106)
d) gross value of intangible assets at the end of the period	-	151 776	468 359	464 472	5 371	231
e) accumulated depreciation (amortization) at the beginning of the period	-	(147 423)	(167 067)	(152 098)	(5 371)	-
f) depreciation for the period (with regard to)	-	(2 896)	(87 111)	(99 254)	-	-
- intangibles	-	(2 445)	(88 042)	(86 503)	-	-
- sale and liquidation	-	-	933	245	-	-
- release of provision	-	-	(2)	(2)	-	-
- reclassification	-	-	-	(12 994)	-	-
- other	-	(451)	-	-	-	-
g) accumulated depreciation at the end of the period	-	(150 319)	(254 178)	(251 352)	(5 371)	-
h) write-offs due to impairment loss in value at the beginning of the period	-	-	-	-	-	-
- increase	-	-	-	-	-	-
- decrease	-	-	-	-	-	-
i) write-offs due to impairment loss in value at the end of the period	-	-	-	-	-	-
j) net value of intangible assets at the end of the period	-	1 457	214 181	213 120	-	231
						215 869

NOTE 14C

INTANGIBLE ASSETS (OWNERSHIP STRUCTURE)	PLN k	
	2004	2003
a) Bank's own	215 869	290 708
b) held under rental, lease or other agreement, including a lease contract, of which:	-	-
Total intangible assets	215 869	290 708

NOTE 15A

GOODWILL OF SUBORDINATED ENTITIES	PLN k	
	2004	2003
a) goodwill - subsidiaries	-	-
b) goodwill - joint-ventures	-	-
c) goodwill - associates	-	-
Total goodwill of subordinated entities	-	-

NOTE 15B

CHANGES IN GOODWILL - SUBSIDIARIES	PLN k	
	2004	2003
a) gross value at the beginning of the period	-	-
b) increase (due to)	-	-
c) decrease (due to)	-	-
d) gross value at the end of the period	-	-
e) goodwill written down at the beginning of the period	-	-
f) goodwill written down for the period (due to)	-	-
g) goodwill written down at the end of the period	-	-
h) net value at the end of the period	-	-

NOTE 15C

CHANGES IN GOODWILL - JOINT VENTURES	PLN k	
	2004	2003
a) gross value at the beginning of the period	-	-
b) increase (due to)	-	-
c) decrease (due to)	-	-
d) gross value at the end of the period	-	-
e) goodwill written down at the beginning of the period	-	-
f) goodwill written down for the period (due to)	-	-
g) goodwill written down at the end of the period	-	-
h) net value at the end of the period	-	-

NOTE 15D

CHANGES IN GOODWILL - ASSOCIATES	PLN k	
	2004	2003
a) gross value at the beginning of the period	-	-
b) increase (due to)	-	-
c) decrease (due to)	-	-
d) gross value at the end of the period	-	-
e) goodwill written down at the beginning of the period	-	-
f) goodwill written down for the period (due to)	-	-
g) goodwill written down at the end of the period	-	-
h) net value at the end of the period	-	-

NOTE 16A

TANGIBLE FIXED ASSETS	PLN k	
	2004	2003
Tangible fixed assets		
a) fixed assets, including:	580 152	692 481
- land (including the title to perpetual usufruct)	4 411	4 491
- buildings, premises and objects of civil and water engineering	401 504	444 324
- technical devices and machines	156 363	228 134
- vehicles	17 253	14 895
- other fixed assets	621	637
b) assets under construction	15 491	2 499
c) prepayments for assets under construction	208	567
Total tangible fixed assets	595 851	695 547

NOTE 16B
MOVEMENTS IN FIXED ASSETS (by type)

	PLN k					
	- land (including perpetual usufruct)	- buildings, premises and objects of civil and water engineering	- technical devices and machines	- transportation means	- other fixed assets	Total fixed assets
a) value of fixed assets at the beginning of the period	5 352	618 594	619 511	27 504	1 737	1 272 698
b) increase (due to)	-	4 742	20 488	8 998	256	34 484
- purchase	-	18	2 914	358	253	3 543
- leasing	-	-	1 588	8 640	-	10 228
- donations	-	-	349	-	-	349
- investment	-	-	555	-	3	558
- reclassification tangible / intangible	-	4 724	15 082	-	-	19 806
- other	-	-	-	-	-	-
c) decrease (due to)	(305)	(38 462)	(57 488)	(5 508)	(63)	(101 826)
- sale	(305)	(34 590)	(38 856)	(3 550)	(40)	(77 341)
- liquidation	-	(3 872)	(18 586)	(1 958)	(23)	(24 439)
- reclassification tangible / intangible	-	-	-	-	-	-
- other	-	-	(46)	-	-	(46)
d) gross value of fixed assets at the end of the period	5 047	584 874	582 511	30 994	1 930	1 205 356
e) accumulated depreciation (amortization) at the beginning of the period	(859)	(144 094)	(377 979)	(12 609)	(1 100)	(536 641)
f) depreciation for the period (with regard to)	228	(13 597)	(35 168)	(1 132)	(209)	(49 878)
- own assets	(16)	(22 191)	(83 884)	(5 243)	(267)	(111 601)
- decrease in depreciation (due to liquidation)	244	8 758	48 165	4 205	58	61 430
- decrease in depreciation (due to donation)	-	-	28	2	-	30
- write-back of provisions	-	(164)	1 220	-	-	1 056
- increase in depreciation (due to leasing)	-	-	(697)	(96)	-	(793)
- reclassification tangible / intangible	-	-	-	-	-	-
g) accumulated depreciation at the end of the period	(631)	(157 691)	(413 147)	(13 741)	(1 309)	(586 519)
h) impairment charges at the beginning of the period	(2)	(30 176)	(13 398)	-	-	(43 576)
- increase	(4)	(1 933)	(4 911)	-	-	(6 848)
- decrease	1	6 430	5 308	-	-	11 739
i) impairment charges at the end of the period	(5)	(25 679)	(13 001)	-	-	(38 685)
j) net value of tangible fixed assets at the end of the period	4 411	401 504	156 363	17 253	621	580 152

NOTE 16C

BALANCE SHEET FIXED ASSETS (OWNERSHIP STRUCTURE)	PLN k	
	2004	2003
a) Bank's own assets	580 152	692 481
b) used on the basis of a rental, lease or other agreement, including a lease contract, of which:	-	-
- finance lease	-	-
Total balance sheet assets	580 152	692 481

NOTE 16D

FIXED ASSETS (OFF BALANCE SHEET)	PLN k	
	2004	2003
- value of land held under perpetual usufruct	30 021	33 633
- transportation means	-	-
- other equipment	61	-
Total off-balance sheet assets	30 082	33 633

NOTE 17A

OTHER ASSETS	PLN k	
	2004	2003
a) take over - for sale	317	474
b) other, for which:	234 087	259 156
- sundry debtors	97 854	91 868
- settlements	113 181	144 999
- loan from the Company Social Fund	21 380	21 267
- other	1 672	1 022
Total other assets	234 404	259 630

NOTE 17B

ASSETS TAKEN-OVER - FOR SALE	PLN k	
	2004	2003
a) assets under construction	-	-
b) real estate	86	86
c) other	231	388
Total assets taken over - for sale	317	474

NOTE 17C

MOVEMENT IN ASSETS TAKEN OVER - FOR SALE	PLN k	
	2004	2003
Balance at the beginning of the period	474	506
- real estate	86	86
- inventories	-	-
- other	388	420
a) increase (due to)	-	-
- exchanged for debts	-	-
- release of provisions	-	-
- other	-	-
b) decrease (due to)	(157)	(32)
- sale	(157)	(32)
- raising of provision	-	-
- other	-	-
Balance at the end of the period	317	474
- real estates	86	86
- inventories	-	-
- other	231	388

NOTE 17D

MOVEMENTS IN ASSETS TAKEN-OVER FOR SALE IN CONNECTED ENTITIES (BY TYPE)	PLN k	
	2004	2003
Balance at the beginning of the period	-	-
a) increase (due to)	-	-
b) decrease (due to)	-	-
Balance of assets taken-over for sale in connected entities at the end of the period (by type)	-	-

NOTE 18A

PREPAYMENTS	PLN k	
	2004	2003
a) long-term	322 921	230 665
- deferred income tax assets	322 921	230 665
- other pre-payments	-	-
b) short-term, of which:	175 059	83 961
- deferred income tax assets	147 778	60 059
- other pre-payments	27 281	23 902
Total pre-payments	497 980	314 626

NOTE 18B

MOVEMENT IN DEFERRED TAX ASSETS	PLN k	
	2004	2003
1. Assets at the beginning of the period, of which:	290 724	439 899
a) with impact on profit and loss statement	290 624	439 899
- unrealized deposit interest	22 096	48 720
- unrealized liabilities due to derivatives	45 595	101 155
- specific provisions which are non-taxable costs	149 252	216 127
- other provisions which are non-taxable costs	51 669	56 843
- tax realized income	14 067	8 768
- tax loss	823	286
- other	7 122	8 000
b) assets that impact shareholders' equity	100	-
c) assets that impact goodwill or negative goodwill	-	-
2. Increase	184 053	11 787
a) assets that impact the financial result of the period in relation to negative timing differences	183 825	11 123
- unrealized deposit interest	5 234	773
- specific provisions which are non-taxable costs	16 404	-
- unrealized liabilities due to derivatives	117 573	-
- other provisions which are non-taxable costs	4 049	4 390
- tax realized income	2 404	5 299
- additional deferred tax assets resulting from art. 38 a of Corporate Tax Act	14 808	-
- unrealised costs resulting from securities	13 188	-
- other	10 165	661
b) assets that impact the financial result of the period in relation to a tax loss	202	537
c) assets that impact the shareholders' equity in relation to negative timing differences	26	127
d) assets that impact the shareholders' equity in relation to a tax loss	-	-
e) assets that impact the goodwill or negative goodwill in relation to negative timing differences	-	-
3. Decrease	(4 078)	(160 962)
a) assets that impact the financial result of the period in relation to negative timing differences	(3 585)	(160 935)
- unrealized deposits interests	(666)	(27 397)
- tax realized income	(664)	-
- unrealized liabilities due to derivatives	-	(55 560)
- specific provisions which are non-taxable costs	-	(66 875)
- other provisions which are non-taxable costs	(380)	(9 564)
- other	(1 875)	(1 539)
b) assets that impact the financial result of the period in relation to a tax loss	(367)	-
c) assets that impact the shareholders' equity in relation to negative timing differences	(126)	(27)
d) assets that impact the shareholders' equity in relation to a tax loss	-	-

e) assets that impact the goodwill or negative goodwill in relation to negative timing differences

	-	-
4. Balance of deferred tax assets at the end of the period, of which:	470 699	290 724
a) assets that impact the financial result	470 699	290 624
- unrealized deposit interest	26 664	22 096
- unrealized liabilities due to derivatives	163 168	45 595
- specific provisions which are non-taxable costs	165 656	149 252
- other provisions which are non-taxable costs	55 338	51 669
- tax realized income	15 807	14 067
- settlement of loss	658	823
- additional deferred tax assets resulting from art. 38 a of Corporate Tax Act	14 808	-
- unrealised costs resulting from securities	13 188	-
- other	15 412	7 122
b) included in equity	-	100
c) included in goodwill or negative goodwill	-	-

As at 31 December 2004 the calculation of deferred tax includes the whole amount of specific provisions, which will decrease the tax base amount in the future.

Furthermore as at 31 December 2004, in compliance with art. 38a Corporate Tax Act an additional discounted item of PLN 14 808 k. It represents 8% of specific provisions raised to cover loans classified as loss or doubtful, which as at 31 Dec 2002 were not recognised as tax deductible costs and will reduce the Bank's liability in the years 2007-2009.

All amounts included in the deferred tax calculation as at 31 December 2004 are based on tax rate of 19%.

NOTE 18C

OTHER PRE-PAYMENTS	PLN k	
	2004	2003
a) prepayments, of which:	27 281	23 902
- costs paid in advance	18 618	14 802
- deferred income	497	986
- due to lease insurance	6 049	7 186
- issue of bonds	814	408
- other	1 303	520
b) other prepayments, of which:	-	-
- other	-	-
Total other prepayments	27 281	23 902

NOTE 21A

DEPOSITS FROM FINANCIAL SECTOR (BY CATEGORY)	PLN k	
	2004	2003
a) funds in accounts and deposits, of which:	1 310 978	1 060 458
- deposits of banks and other financial entities	899 957	934 039
b) loans and advances received	235 704	489 603
c) own bills of exchange	-	-
d) own issue of securities	-	-
e) other liabilities (due to)	12 900	17 577
- investment accounts	50	-
- monies earmarked for specific purposes	3 732	4 316
- other	9 118	13 261
f) interest	14 702	11 891
Total deposits from financial sector	1 574 284	1 579 529

NOTE 21B

DEPOSITS FROM FINANCIAL SECTOR (BY MATURITY)	PLN k	
	2004	2003
a) current liabilities	498 398	627 852
b) term liabilities with residual maturity of:	1 061 184	939 786
- up to 1 month	202 323	280 462
- from 1 month to 3 months	12 839	154 466
- over 3 months to 1 year	429 123	30 410
- over 1 year to 5 years	253 731	363 101
- over 5 years to 10 years	163 168	111 347
- over 10 years to 20 years	-	-
- over 20 years	-	-
- overdue amounts	-	-
c) interest	14 702	11 891
Total deposits from financial sector	1 574 284	1 579 529

NOTE 21C

DEPOSITS FROM FINANCIAL SECTOR (BY ORIGINAL MATURITY)	PLN k	
	2004	2003
a) current liabilities	498 398	627 852
b) term liabilities with maturity of:	1 061 184	939 786
- up to 1 month	232 515	89 245
- from 1 month to 3 months	658	187 467
- from 3 months to 1 year	364 760	186 025
- from 1 year to 5 years	161 908	361 967
- over 5 years to 10 years	301 343	115 082
- over 10 years to 20 years	-	-
- over 20 years	-	-
- overdue amounts	-	-
c) interest	14 702	11 891
Total deposits from financial sector	1 574 284	1 579 529

NOTE 21D

DEPOSITS FROM FINANCIAL SECTOR (BY CURRENCY)	unit	currency	PLN k	
			2004	2003
a) in Polish currency			1 084 288	732 643
b) in foreign currencies (by currency and its equivalent in PLN)			489 996	846 886
b1. unit / currency	k	USD	42 681	87 509
PLNk	k	PLN	127 634	327 326
b2. unit / currency	k	EUR	60 867	109 836
PLNk	k	PLN	248 276	518 095
other currencies (in PLNk)	k	PLN	114 086	1 465
Total deposits from financial sector			1 574 284	1 579 529

NOTE 21E

DEPOSITS FROM FINANCIAL SECTOR	PLN k	
	2004	2003
a) to subsidiaries valued under equity method	60 116	72 109
b) to other entities	1 514 168	1 507 420
Total deposits from financial sector	1 574 284	1 579 529

NOTE 22A

DEPOSITS FROM NON-FINANCIAL SECTOR (BY CATEGORY)	PLN k	
	2004	2003
a) deposits	17 690 433	16 423 133
b) loans and borrowings received	-	-
c) own bills of exchange	-	-
d) own issue of securities	-	-
e) other liabilities	96 649	113 557
- liabilities in transit	95 886	113 123
- factoring	763	434
f) interest	112 008	104 437
Total deposits from non-financial sector	17 899 090	16 641 127

NOTE 22B

DEPOSITS FROM NON-FINANCIAL SECTOR - SAVINGS DEPOSITS (BY MATURITY)	PLN k	
	2004	2003
a) current liabilities	-	-
b) term liabilities with residual maturity of:	-	-
- up to 1 month	-	-
- from 1 month to 3 months	-	-
- from 3 months to 1 year	-	-
- from 1 year to 5 years	-	-
- over 5 years to 10 years	-	-
- from 10 years to 20 years	-	-
- over 20 years	-	-
- overdue amounts	-	-
c) interest	-	-
Total deposits from non-financial sector - savings deposits	-	-

NOTE 22C

DEPOSITS FROM NON-FINANCIAL SECTOR - SAVINGS DEPOSITS (BY ORIGINAL MATURITY)	PLN k	
	2004	2003
a) current liabilities	-	-
b) term liabilities with maturity of:	-	-
- up to 1 month	-	-
- from 1 month to 3 months	-	-
- from 3 months to 1 year	-	-
- from 1 year to 5 years	-	-
- over 5 years to 10 years	-	-
- from 10 years to 20 years	-	-
- over 20 years	-	-
- overdue amounts	-	-
c) interest	-	-
Total deposits from non-financial sector - savings deposits	-	-

NOTE 22D

DEPOSITS FROM NON-FINANCIAL SECTOR - OTHER (BY MATURITY)	PLN k	
	2004	2003
a) current liabilities	6 056 637	5 778 109
b) term liabilities with residual maturity of:	11 730 445	10 758 581
- up to 1 month	5 520 839	4 896 744
- from 1 month to 3 months	2 743 781	3 139 260
- from 3 months to 1 year	2 632 972	1 777 810
- from 1 year to 5 years	705 665	773 317
- over 5 years to 10 years	127 188	171 450
- from 10 years to 20 years	-	-
- over 20 years	-	-
- overdue amounts	-	-
c) interest	112 008	104 437
Total deposits from non-financial sector - other	17 899 090	16 641 127

NOTE 22E

DEPOSITS FROM NON-FINANCIAL SECTOR - OTHER (BY ORIGINAL MATURITY)	PLN k	
	2004	2003
a) current liabilities	6 056 637	5 778 109
b) term liabilities with maturity of:	11 730 445	10 758 581
- up to 1 month	3 670 860	3 175 261
- from 1 month to 3 months	3 506 920	3 811 569
- from 3 months to 1 year	3 437 733	2 568 629
- from 1 year to 5 years	985 937	1 029 763
- over 5 years to 10 years	128 995	173 359
- from 10 years to 20 years	-	-
- over 20 years	-	-
- overdue amounts	-	-
c) interest	112 008	104 437
Total deposits from non-financial sector - other	17 899 090	16 641 127

NOTE 22F

DEPOSITS FROM NON-FINANCIAL SECTOR (BY CURRENCY)	unit	currency	PLN k	
			2004	2003
a) in Polish currency			14 994 859	13 694 212
b) in foreign currencies (by currency and its equivalent in PLN)			2 904 231	2 946 915
b1. unit / currency	k	USD	357 810	357 800
PLNk	k	PLN	1 069 994	1 338 349
b1. unit / currency	k	EUR	416 325	316 297
PLNk	k	PLN	1 698 189	1 491 973
b1. unit / currency	k	GBP	18 018	13 094
PLNk	k	PLN	103 964	87 321
other currencies (in PLNk)	k	PLN	32 084	29 272
Total deposits from non-financial sector			17 899 090	16 641 127

NOTE 22G

DEPOSITS FROM NON-FINANCIAL SECTOR	PLN k	
	2004	2003
a) to subsidiaries valued under equity method	448	356
b) to other entities	17 898 642	16 640 771
Total deposits from non-financial sector	17 899 090	16 641 127

NOTE 23A

DEPOSITS FROM PUBLIC SECTOR (BY CATEGORY)	PLN k	
	2004	2003
a) funds in accounts and deposits	1 145 422	1 064 949
b) loans and borrowings received	-	-
c) own bills of exchange	-	-
d) own issue of securities	-	-
e) other amounts due	60	28
-funds in transit	6	8
- ARiMR amounts	51	20
- other	3	-
f) interest	752	561
Total deposits from public sector	1 146 234	1 065 538

NOTE 23B

DEPOSITS FROM PUBLIC SECTOR - SAVINGS DEPOSITS (BY MATURITY)	PLN k	
	2004	2003
a) current liabilities	-	-
b) term liabilities with residual maturity of:	-	-
- up to 1 month	-	-
- from 1 month to 3 months	-	-
- from 3 months to 1 year	-	-
- from 1 year to 5 years	-	-
- over 5 years to 10 years	-	-
- from 10 years to 20 years	-	-
- over 20 years	-	-
- overdue amounts	-	-
c) interest	-	-
Total deposits from public sector - savings deposits	-	-

NOTE 23C

DEPOSITS FROM PUBLIC SECTOR - SAVINGS DEPOSITS (BY ORIGINAL MATURITY)	PLN k	
	2004	2003
a) current liabilities	-	-
b) term liabilities with residual maturity of:	-	-
- up to 1 month	-	-
- from 1 month to 3 months	-	-
- from 3 months to 1 year	-	-
- from 1 year to 5 years	-	-
- over 5 years to 10 years	-	-
- from 10 years to 20 years	-	-
- over 20 years	-	-
- overdue amounts	-	-
c) interest	-	-
Total deposits from public sector - savings deposits	-	-

NOTE 23D

DEPOSITS FROM PUBLIC SECTOR - OTHER (BY MATURITY)	PLN k	
	2004	2003
a) current liabilities	875 591	775 680
b) term liabilities with residual maturity of:	269 891	289 297
- up to 1 month	216 091	237 902
- from 1 month to 3 months	35 906	33 658
- from 3 months to 1 year	14 341	17 174
- from 1 year to 5 years	3 553	563
- over 5 years to 10 years	-	-
- from 10 years to 20 years	-	-
- over 20 years	-	-
- overdue amounts	-	-
c) interest	752	561
Total deposits from public sector - other	1 146 234	1 065 538

NOTE 23E

DEPOSITS FROM PUBLIC SECTOR - OTHER (BY ORIGINAL MATURITY)	PLN k	
	2004	2003
a) current liabilities	875 591	775 680
b) term liabilities with residual maturity of:	269 891	289 297
- up to 1 month	173 703	203 996
- from 1 month to 3 months	75 073	61 891
- from 3 months to 1 year	17 155	22 369
- from 1 year to 5 years	3 960	1 041
- over 5 years to 10 years	-	-
- from 10 years to 20 years	-	-
- over 20 years	-	-
- overdue amounts	-	-
c) interest	752	561
Total deposits from public sector - other	1 146 234	1 065 538

NOTE 23F

DEPOSITS FROM PUBLIC SECTOR (BY CURRENCY)	unit	currency	PLN k	
			2004	2003
a) in Polish currency			1 125 010	1 049 178
b) in foreign currencies (by currency and its equivalent in PLN)			21 224	16 360
b1. unit / currency	k	EUR	4 547	2 895
PLNk	k	PLN	18 547	13 656
b2. unit / currency	k	USD	873	676
PLNk	k	PLN	2 610	2 528
b3. unit / currency	k	GBP	12	26
PLNk	k	PLN	67	176
other currencies (in PLNk)			-	-
Total deposits from public sector - other			1 146 234	1 065 538

NOTE 24

REPO TRANSACTIONS	PLN k	
	2004	2003
a) to financial sector	638 568	-
b) to non-financial and public sectors	92 292	-
c) interest	1 830	-
Total repo transactions	732 690	-

NOTE 25A

DEBT SECURITIES IN ISSUE	PLN k	
	2004	2003
a) bonds	1 150 201	784 147
b) certificates	-	-
c) other (by type)	-	-
d) interest*	48 566	8 427
Total debt securities in issue	1 198 767	792 574

* The amount includes capitalised interest of PLN 27 996k.

NOTE 25B

MOVEMENT IN DEBT SECURITIES IN ISSUE	PLN k	
	2004	2003
Balance at the beginning of the period	792 574	381 823
a) increase (due to)	406 193	929 532
- issue of 9M and 1Y bonds	-	136 959
- issue of 2Y, 3Y and 5Y bonds	406 193	792 573
b) decrease (due to)	-	(518 781)
- securities matured at due date	-	(518 781)
Total debt securities in issue at the end of the period	1 198 767	792 574

NOTE 25C**LONG-TERM LIABILITIES ARISING FROM THE ISSUE OF DEBT SECURITIES****PLN k**

a	b	c	d	e	f	g	h
Debt instruments by type	Nominal value	Interest rate	Maturity	Guarantee/ security	Additional rights	Quotations market	Other
2 Y bond 2S1005	36 627	fixed; 4.75%	2005-10-23	none	none	Central Table of Offers	interest capitalisation, subscription fee
2 Y bond 2S1005	298 569	fixed; 5.25%	2005-11-10	none	none	Central Table of Offers	interest capitalisation, subscription fee
2 Y bond 2S1205	112 850	fixed; 5.25%	2005-12-04	none	none	Central Table of Offers	interest capitalisation, subscription fee
5 Y bond 5S1008	7 091	fixed; 5.25%	2008-10-23	none	none	Central Table of Offers	interest capitalisation, subscription fee
5 Y bond 5S1108	9 953	fixed; 5.75%	2008-11-10	none	none	Central Table of Offers	interest capitalisation, subscription fee
5 Y bond 5S1208	61 875	fixed; 6.00%	2008-12-01	none	none	Central Table of Offers	interest capitalisation, subscription fee
3 Y bond A1	83 002	W3M+1%	2006-01-31	none	none	Central Table of Offers	none
3 Y bond 3S0707	49 840	7.00%	2007-07-03	none	none	Central Table of Offers	none
3 Y bond 3S1007	10 235	7.25%	2007-10-03	none	none	Central Table of Offers	none
3 Y bond 3S1107	29 990	7.00%	2007-11-03	none	none	Central Table of Offers	none
3 Y bond 3S11A07	10 000	7.00%	2007-11-29	none	none	Central Table of Offers	none
3 Y bond 3S0806	149 527	5.25%	2006-08-05	none	none	Central Table of Offers	none
3 Y bond 3Z0806	48 737	WIBOR 6M + 0.25%	2006-08-05	none	none	Central Table of Offers	none
3 Y bond 3S0207	45 189	6.50%	2007-02-03	none	none	Central Table of Offers	none
3 Y bond 3S0307	18 590	6.50%	2007-03-03	none	none	Central Table of Offers	none
3 Y bond 3S0407	9 422	6.50%	2007-04-05	none	none	Central Table of Offers	none
3 Y bond 3S0507	19 368	6.75%	2007-05-10	none	none	Central Table of Offers	none
3 Y bond 3Z0507	6 420	WIBOR 6M + 0.10%	2007-05-10	none	none	Central Table of Offers	none
3 Y bond 3S0807	49 990	7.30%	2007-08-03	none	none	Central Table of Offers	none
3 Y bond 3S0907	49 925	7.30%	2007-09-02	none	none	Central Table of Offers	none
3 Y bond 3Z0807	40 154	WIBOR 6M + 0.20%	2007-08-02	none	none	Central Table of Offers	none
TOTAL	1 147 354						

Nominal value was increased by interest of PLN 48,996 k (of which PLN 27,996 k relates to capitalised interest) and bonds MTM adjustment of PLN 2 847k. Premium of PLN 1,559 k is settled in time and disclosed in balance sheet in position IX. Accrued and suspended income and expenses.

NOTE 26

SPECIAL FUNDS AND OTHER LIABILITIES	PLN k	
	2004	2003
a) special funds (due to)	34 520	35 445
- special funds	34 520	35 445
b) other liabilities (due to)	343 402	476 330
- sundry creditors	57 974	133 655
- clearing / settlement accounts	282 632	342 113
- other	2 796	562
Special funds and other liabilities in total	377 922	511 775

NOTE 27A

ACCRUED EXPENSES	PLN k	
	2004	2003
a) short-term, of which:	134 261	99 955
- costs to be paid	110 798	85 460
- future commitment	23 463	14 495
b) long-term, of which:	16 624	32 470
- future commitment	16 624	32 470
Total accrued expenses	150 885	132 425

NOTE 27B

MOVEMENT IN THE BALANCE OF NEGATIVE GOODWILL	PLN k	
	2004	2003
Balance at the beginning of the period	-	-
a) increase (due to)	-	-
b) decrease (due to)	-	-
Balance of negative goodwill at the end of the period	-	-

NOTE 27C

OTHER DEFERRED AND SUSPENDED INCOME	PLN k	
	2004	2003
a) short-term, of which:	251 820	357 120
- suspended interest	180 906	332 206
- income taken in advance	68 749	18 540
- other	2 165	6 374
b) long-term, of which:	458	-
- income taken in advance	458	-
Other deferred and suspended income in total	252 278	357 120

NOTE 28A

NEGATIVE GOODWILL OF SUBORDINATED ENTITIES	PLN k	
	2004	2003
a) negative goodwill - subsidiaries	1 849	4 297
b) negative goodwill - joint-ventures	-	-
c) negative goodwill - associates	6 751	6 899
Total negative goodwill of subordinated entities	8 600	11 196

NOTE 28B

MOVEMENT IN THE BALANCE OF NEGATIVE GOODWILL - SUBSIDIARIES	PLN k	
	2004	2003
a) gross negative value at the beginning of the period	12 240	12 240
b) increase (due to)	-	-
c) decrease (due to)	-	-
d) gross negative goodwill at the end of the period	12 240	12 240
e) amortization of negative goodwill at the beginning of the period	(7 943)	(5 495)
f) amortization of negative goodwill for the period	(2 448)	(2 448)
- current write-down of negative goodwill	(2 448)	(2 448)
g) amortization of negative goodwill at the end of the period	(10 391)	(7 943)
h) net value at the end of the period	1 849	4 297

Negative goodwill arising from consolidation refers to BZ WBK Leasing S.A., i.e. September 2000.

1. purchase price of BZ WBK Leasing shares paid by Bank Zachodni WBK S.A.	5 213
2. net assets of BZ WBK Leasing S.A. at market price as at the day of taking control by Bank Zachodni WBK S.A.	17 402
3. Bank Zachodni WBK S.A. contribution to the BZ WBK Leasing share capital (%)	100
4. net assets as at the day of taking control by Bank Zachodni WBK S.A. in proportion to Bank Zachodni WBK contribution to the share capital	17 402
5. negative goodwill from consolidation as at September 2000	12 189

Increase/decrease of negative goodwill from consolidation in the period from September 2000 to December 2004	51
Gross value as at 31.12.2004	12 240

Amortization of negative goodwill from consolidation for the period from September 2000 to December 2004:	
as at the first consolidation day, i.e. 1 January 2002	(3 047)
1.01.2002 - 31.12.2002	(2 448)
1.01.2003 - 31.12.2003	(2 448)
1.01.2004 - 31.12.2004	(2 448)
Total negative goodwill from consolidation written-down as at 31.12.2004	(10 391)

Negative goodwill (net) of BZ WBK Leasing S.A. as at 31.12.2004	1 849
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NOTE 28C

MOVEMENT IN THE BALANCE OF NEGATIVE GOODWILL - JOINT VENTURES	PLN k	
	2004	2003
a) gross negative value at the beginning of the period	-	-
b) increase (due to)	-	-
c) decrease (due to)	-	-
d) gross negative goodwill at the end of the period	-	-
e) amortization of negative goodwill at the beginning of the period	-	-
f) amortization of negative goodwill for the period	-	-
g) amortization of negative goodwill at the end of the period	-	-
h) net value at the end of the period	-	-

NOTE 28D

MOVEMENT IN THE BALANCE OF NEGATIVE GOODWILL - ASSOCIATES	PLN k	
	2004	2003
a) gross negative value at the beginning of the period	8 563	3 581
b) increase (due to)	729	4 982
- purchase of shares	729	4 982
c) decrease (due to)	-	-
d) gross negative goodwill at the end of the period	9 292	8 563
e) amortization of negative goodwill at the beginning of the period	(1 664)	(947)
f) amortization of negative goodwill for the period	(877)	(717)
- current write-down of negative goodwill	(877)	(717)
g) amortization of negative goodwill at the end of the period	(2 541)	(1 664)
h) net value at the end of the period	6 751	6 899

Negative goodwill from consolidation of NFI Magna Polonia S.A. as at the day of taking control by Bank Zachodni WBK S.A. (June 2001)

1. purchase price of NFI Magna Polonia shares paid by Bank Zachodni WBK S.A.	PLN 42 073k
2. net assets of NFI Magna Polonia S.A. at market price as at the day of taking control by Bank Zachodni WBK S.A.	PLN 205 730k
3. Bank Zachodni WBK contribution to the share capital of NFI Magna Polonia S.A.	21.57%
4. net assets as at the day of taking control by Bank Zachodni WBK S.A. in proportion to Bank Zachodni WBK contribution to the share capital	PLN 44 376k
5. negative goodwill from consolidation as at June 2001	PLN 2 303k

Increase/decrease of negative goodwill from consolidation in the period:

from June 2001 to December 2004	4 906
Gross value as at 31.12.2004	7 209

Amortization of negative goodwill from consolidation for the period from September 2000 to December 2004

as at the first consolidation day, i.e. 1 January 2002	PLN (230)k
1.01.2002 - 31.12.2002	(461)
1.01.2003 - 31.12.2003	(461)
1.01.2004 - 31.12.2004	(461)
Total negative goodwill from consolidation written down as at 31.12.2004	(1 613)

Negative goodwill (net) of NFI Magna Polonia S.A. as at 31.12.2004	5 596
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Negative goodwill arising from consolidation of LZPS Protektor S.A. as at the day of taking control by Bank Zachodni WBK S.A. (December 2001)

1. purchase price of LZPS Protektor shares paid by Bank Zachodni WBK S.A.	PLN 1 605k
2. net assets of LZPS Protektor at market price as at the day of taking control by Bank Zachodni WBK S.A.	PLN 13 225k
3. Bank Zachodni WBK contribution to the share capital of LZPS Protektor S.A.	21.80%
4. net assets as at the day of taking control by Bank Zachodni WBK S.A. in proportion to Bank Zachodni WBK contribution to the share capital	PLN 2 883k
5. negative goodwill from consolidation as at December 2001	PLN 1 278k

Increase/decrease of negative goodwill arising from consolidation in the period:

from December 2001 to December 2004	PLN 804k
Gross value as at 31 December 2004	PLN 2 082k

Amortization of negative goodwill from consolidation for the period from December 2001 to December 2004:

1.01.2002 - 31.12.2002	(255)
1.01.2003 - 31.12.2003	(256)
1.01.2004 - 31.12.2004	(416)
Total negative goodwill from consolidation written down as at 31.12.2004	(927)

Negative goodwill (net) of LZPS Protektor S.A. as at 31.12.2004	1 155
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MOVEMENT IN THE BALANCE OF DEFERRED TAX PROVISION	PLN k	
	2004	2003
1. Balance of deferred tax provision at the beginning of the period, which:	138 810	292 474
a) impacts the financial result	122 006	244 361
- unrealised loans interests (accrued, not received)	5 737	8 731
- unrealised interests from securities and interbank deposits	42 826	124 016
- unrealised receivables on derivatives	24 819	50 538
- unrealised interest income on restructuring bonds	10 178	30 002
- provision due to application of investment relief	7 571	16 044
- balance sheet valuation	6 207	895
- other	24 668	14 135
b) impacts the shareholders' equity	16 804	48 113
c) impacts the goodwill or negative goodwill	-	-
2. Increases, which	185 642	22 101
a) impact the financial result of the period due to positive timing differences	165 702	22 072
- unrealised loans interests (accrued, not received)	3 215	-
- balance sheet valuation	8 398	6 363
- unrealised interests from securities and interbank deposits	17 419	493
- unrealised receivables on derivatives	124 881	-
- other	11 789	15 216
b) impact the shareholders' equity in relation to positive timing differences	19 940	29
- valuation of assets and liabilities	19 940	29
c) impact the goodwill or negative goodwill in relation to positive timing differences	-	-
3. Decreases, which	(22 980)	(175 765)
a) impact the financial result of the period in relation to positive timing differences	(22 881)	(144 427)
- unrealised loans interests	-	(2 994)
- unrealised interests from securities and interbank deposits	(468)	(81 683)
- unrealised interest income on restructuring bonds	(10 178)	(19 824)
- provision due to application of investment relief	(1 104)	(8 473)
- unrealised receivables on derivatives	-	(25 719)
- balance sheet valuation	(9 295)	(1 051)
- other	(1 836)	(4 683)
b) impact the shareholders' equity in relation to positive timing differences	(99)	(31 338)
- valuation of assets and liabilities	(99)	(31 338)
c) impact the goodwill or negative goodwill in relation to positive timing differences	-	-
4. Total balance of deferred tax provision at the end of the period in total, comprising balances which:	301 472	138 810
a) impact the financial result	264 827	122 006
- unrealised loans interests (accrued, not received)	8 952	5 737
- unrealised interests from securities and interbank deposits	59 777	42 826
- unrealised receivables due to derivatives	149 700	24 819
- unrealised interest income on restructuring bonds	-	10 178
- provision due to application of investment relief	6 467	7 571
- balance sheet valuation	5 310	6 207
- other	34 621	24 668
b) impact the shareholders' equity	36 645	16 804
c) impact the goodwill or negative goodwill	-	-

NOTE 29B

DEFERRED TAX PROVISION (BY CURRENCY)	unit	currency	PLN k	
			2004	2003
a) in Polish currency			301 472	138 810
b) in foreign currencies (by currency and translated into PLN)			-	-
b1. unit/currency			-	-
PLNk			-	-
other currencies (in PLNk)			-	-
Total deferred tax provision			301 472	138 810

NOTE 29C

OTHER PROVISIONS (BY CATEGORY), OF WHICH FOR:	PLN k	
	2004	2003
- for contingent liabilities	7 539	9 581
- for general risk	73 279	92 589
- for disputable items	7 710	7 612
Other provisions, total	88 528	109 782

NOTE 29D

OTHER PROVISIONS	PLN k	
	2004	2003
a) short-term (by type):	-	-
b) long-term (by type):	88 528	109 782
- contingent liabilities	7 539	9 581
- for general risk	73 279	92 589
- for disputable items	7 710	7 612
Other provisions, total	88 528	109 782

NOTE 29E

OTHER PROVISIONS (BY CURRENCY)	unit	currency	PLN k	
			2004	2003
a) in Polish currency			86 629	109 511
b) in foreign currencies (by currency and its equivalent in PLN)			1 899	271
b1. unit / currency	k	EUR	461	47
PLNk	k	PLN	1 881	224
other currencies (in PLNk)	k	PLN	18	47
Other provisions, total			88 528	109 782

NOTE 29F

MOVEMENT IN THE BALANCE OF SHORT-TERM PROVISIONS	PLN k	
	2004	2003
Balance at the beginning of the period (by type)	-	-
a) increase (due to)	-	-
b) utilization (due to)	-	-
c) release (due to)	-	-
Balance of other short-term provisions at the end of the period (by type)	-	-
Total balance of other short-term provisions at the end of the period	-	-

NOTE 29G

MOVEMENT IN THE BALANCE OF LONG-TERM PROVISIONS	PLN k	
	2004	2003
Balance at the beginning of the period (by type)	109 782	110 594
- for off-balance sheet contingent liabilities	9 581	17 053
- for general risk	92 589	87 537
- for disputable items	7 612	6 004
a) increase (due to)	14 221	30 138
- write-off due to off-balance sheet liabilities	11 228	19 748
- disputable items	2 303	4 846
- for general risk	690	5 052
- foreign exchanges differences relating to provision for off-balance sheet liabilities	-	492
b) utilization (due to)	(26)	456
- disputable items	(26)	456
c) release (due to)	(35 449)	(31 406)
- for general risk	(20 000)	-
- disputable items	(2 179)	(3 694)
- off-balance sheet liabilities	(13 270)	(27 712)
Balance of other long-term provisions at the end of the period	88 528	109 782
- off-balance sheet liabilities	7 539	9 581
- general risk	73 279	92 589
- disputable items	7 710	7 612
Total balance of other long-term provisions at the end of the period	88 528	109 782

NOTE 30B

MOVEMENT IN THE BALANCE OF SUBORDINATED LIABILITIES	PLN k	
	2004	2003
Balance at the beginning of the period	-	-
a) increase (due to)	-	-
b) decrease (due to)	-	-
Balance of subordinated liabilities at the end of the period	-	-

NOTE 31

MOVEMENT IN THE BALANCE OF MINORITY INTERESTS	PLN k	
	2004	2003
Balance at the beginning of the period	15 570	7 790
a) increase (due to)	17 816	9 778
- shareholders' net profit	17 816	8 466
- other	-	1 312
b) decrease (due to)	(2 711)	(1 998)
- dividend paid to minority shareholders	(2 652)	(1 731)
- accounting policy changes and revaluation of assets	(59)	(267)
Balance of minority interests at the end of the period	30 675	15 570

NOTE 32
SHARE CAPITAL (STRUCTURE)

PLN k								
Series / issue	Type of shares	Type of preference	Limitation of rights to shares	Number of shares	Nominal value of series / issue	Form of contributing the capital	Registration date	Right to dividend (beginning from)
A	bearer	none	none	5 120 000	51 200	cash contribution	08.11.1991	01.01.1992
B	bearer	none	none	724 073	7 241	non-cash contribution	21.12.1996	01.01.1997
C	bearer	none	none	22 155 927	221 559	cash contribution	31.12.1996	01.01.1997
D	bearer	none	none	1 470 589	14 706	cash contribution	25.10.1999	01.01.2000
E	bearer	none	none	980 393	9 804	cash contribution	17.05.2000	01.01.2001
F	bearer	none	none	2 500 000	25 000	cash contribution	30.11.2000	01.01.2001
G	bearer	none	none	40 009 302	400 093	non-cash contribution	13.06.2001	01.01.2002
Total number of shares				72 960 284				
Total share capital					729 603			
Nominal value of 1 share (PLN)				PLN 10				

According to the information available to the Bank's Management Board, as at 31.12.2004 the only shareholder who had at least 5% votes at the General Meeting of BZ WBK Shareholders was AIB European Investments Ltd seated in Dublin

NOTE 34

SUPPLEMENTARY CAPITAL	PLN k	
	2004	2003
a) due to sale of shares over nominal value	261 699	261 701
b) created as required by law	121 979	118 157
c) created in line with Statutes	-	-
d) contributed by shareholders	-	-
e) other (by category)	1 515	1 515
- other	1 515	1 515
Total supplementary capital	385 193	381 373

NOTE 35

REVALUATION RESERVE	PLN k	
	2004	2003
a) revaluation of fixed assets	59 402	62 872
b) deferred income tax	(36 266)	(22 481)
c) foreign exchange differences relating to foreign branches	-	-
d) other (by type)	192 318	119 601
- valuation of debt securities	24 559	(48 705)
- valuation of shares and interests	167 697	167 728
- valuation of other financial assets	5	521
- valuation of leased tangible assets	57	57
Total revaluation reserve	215 454	159 992

NOTE 36

OTHER RESERVE CAPITAL (BY PURPOSE)	PLN k	
	2004	2003
- general risk fund	499 810	439 810
- reserve capital	756 681	727 366
Other reserve capital, total	1 256 491	1 167 176

NOTE 37

SOLVENCY RATIO	PLN k	
	2004	2003
1. Total capital requirement	1 368 668	1 411 925
2. Own funds used for calculation of solvency ratio	2 211 045	2 119 169
- basic funds	2 401 317	2 280 613
- supplementary funds	59 461	62 928
- deductions from the basic and supplementary funds	(322 471)	(224 372)
- short term capital*	72 738	
3. Solvency ratio	12.92%	12.01%

*Pursuant to Resolution No 1 of the Supervisory Banking Committee dd 4 June 2003, in 2004 changes were introduced to the accounting treatment of short-term capital used to calculate the capital adequacy ratio. Hence, the short-term capital as at 31 December 2004 totals PLN 72 738k whereas it was nil in the same period last year.

NOTE 38

NET BOOK VALUE	PLN k	
	2004	2003
Share capital	729 603	729 603
Supplementary capital	385 193	381 373
Other reserve funds	1 256 491	1 167 176
Revaluation reserve	215 454	159 992
Profit/loss from previous years	(9 245)	(24 305)
Net profit (PLN k)	444 452	128 873
Net book value (PLN k)	3 021 948	2 542 712
Number of shares	72 960 284	72 960 284
Net book value per share (PLN)	41.42	34.85

NOTE 39

CONTINGENT LIABILITIES TOWARDS CONNECTED ENTITIES	PLN k	
	2004	2003
a) granted guarantees for the benefit of:	61 465	2 935
- subsidiaries	61 465	2 935
- joint ventures	-	-
- associates	-	-
- significant investor	-	-
- dominant entity	-	-
b) other	1 261 752	297 207
- open credit line	1 261 752	297 207
- of which: for the benefit of subsidiaries	1 258 752	293 207
- of which: for the benefit of joint-ventures	-	-
- of which: for the benefit of associates	3 000	4 000
- of which: for the benefit of significant investor	-	-
- of which: for the benefit of dominant entity	-	-
Contingent liabilities for the benefit of connected entities in total	1 323 217	300 142

NOTE 40

CONTINGENT LIABILITIES FROM CONNECTED ENTITIES	PLN k	
	2004	2003
a) received guarantees:	-	-
- from subsidiaries	-	-
- from joint-ventures	-	-
- from associates	-	-
- from significant investor	-	-
- from dominant entity	-	-
b) other	-	-
- of which: from subsidiaries	-	-
- of which: from joint-ventures	-	-
- of which: from associates	-	-
- of which: from significant investor	-	-
- of which: from dominant entity	-	-
Total contingent liabilities from connected entities	-	-

NOTE 41

INTEREST INCOME	PLN k	
	2004	2003
a) from financial sector	114 793	126 479
b) from non-financial sector	915 094	835 071
c) from public sector	58 401	42 291
d) from securities with fixed yield	406 745	418 258
e) other	-	-
Total interest income	1 495 033	1 422 099

NOTE 42

INTEREST EXPENSE	PLN k	
	2004	2003
a) from financial sector	(118 867)	(114 634)
b) from non-financial sector	(439 543)	(447 187)
c) from public sector	(40 178)	(31 212)
d) other	(26 136)	-
Total interest expense	(624 724)	(593 033)

NOTE 43

COMMISSION INCOME	PLN k	
	2004	2003
a) commissions on banking operations	632 170	596 711
b) commissions on brokerage operations	50 053	38 806
c) commissions on lease and factoring operations	12 593	6 169
Commission income, total	694 816	641 686

NOTE 44

INCOME FROM SHARES OR INTERESTS, OTHER SECURITIES AND OTHER FINANCIAL INSTRUMENTS WITH VARIABLE YIELD	PLN k	
	2004	2003
a) from subsidiaries	55 136	18 161
b) from joint-ventures	-	-
c) from associates	2	-
d) from other entities	61 143	34 242
Total income from shares or interests, other securities and other financial instruments with variable yield	116 281	52 403

"Income from shares or interest, other securities and other financial instruments with variable yield" contains dividends and revenues and costs related to the interests in subsidiaries, associates and joint ventures.

NOTE 45

PROFIT ON FINANCIAL OPERATIONS	PLN k	
	2004	2003
a) securities and other financial instruments	9 213	13 567
- income on operations in securities and other financial instruments	148 862	354 011
- costs of operations in securities and other financial instruments	(139 649)	(340 444)
b) other	-	-
Total profit on financial operations	9 213	13 567

NOTE 46

OTHER OPERATING INCOME	PLN k	
	2004	2003
a) from management of third party assets	13 616	13 148
b) sales or liquidation of fixed assets, intangible assets and assets for disposal	9 170	5 797
c) recovery of prescribed, written-off and irrecoverable debts	1 425	1 256
d) received compensations, penalties and fines	536	479
e) received donations	1 043	134
f) other (by type)	38 046	26 148
- sundry income	10 971	6 298
- provisions for future obligations	4 068	7 919
- release of provisions	1 106	61
- release of provision for future commitments	11 208	3 694
- settlements of prescribed debt	556	3 266
- debt recovery costs reimbursements	1 499	370
- insurance compensations	546	321
- BGF and EBRD fee reimbursements	1 644	148
- other	6 448	4 071
Other operating income, total	63 836	46 962

NOTE 47

OTHER OPERATING COSTS	PLN k	
	2004	2003
a) from management of third party assets	(2 502)	(2 118)
b) sales or liquidation of fixed assets, intangible assets and assets for disposal	(2 993)	(15 726)
c) prescribed, written-off and irrecoverable debts	(2 159)	(1 772)
d) paid compensations, penalties and fines	(1 106)	(689)
e) donations granted	(1 319)	(1 229)
f) other (due to)	(40 579)	(63 810)
- sundry costs	(527)	(267)
- contributions to organisations where membership is not obligatory	(633)	(432)
- for other assets	(5 212)	(9 997)
- costs of court proceedings	(787)	(1 274)
- lacks and damages	(270)	(75)
- impairment charges for tangible fixed assets	(4 161)	(35 713)
- provisions for future commitments	(20 747)	(5 970)
- debt collection cost provision	(3 097)	(4 127)
- other	(5 145)	(5 955)
Other operating costs, total	(50 658)	(85 344)

NOTE 48

COSTS OF BANK'S OPERATIONS AND GENERAL MANAGEMENT	PLN k	
	2004	2003
a) remuneration	(426 625)	(436 968)
b) insurance and other employment costs	(93 920)	(103 439)
c) supplies, consumables etc.	(200 374)	(220 843)
d) taxes and fees	(17 283)	(16 658)
e) contribution to Banking Guarantee Fund	(6 326)	(7 811)
f) other (due to)	(198 719)	(235 554)
- repairs and renovations	(15 627)	(14 234)
- external services	(61 929)	(100 358)
- security	(14 025)	(19 174)
- maintenance and rentals	(107 138)	(101 788)
Bank's operating costs and general management costs in total	(943 247)	(1 021 273)

NOTE 49

TRANSFERS TO PROVISION AND REVALUATION	PLN k	
	2004	2003
a) transfers to provisions for:	(445 989)	(723 164)
- regular receivables	-	-
- watch receivables	(2 634)	(210)
- problem receivables	(431 133)	(697 642)
- general banking risk	(690)	(5 052)
- off balance sheet liabilities	(11 228)	(19 748)
- other	(304)	(512)
b) revaluation:	(111)	(8 617)
- financial assets	(111)	(8 617)
- other	-	-
Total transfers to provisions and revaluation	(446 100)	(731 781)

NOTE 50

RELEASE OF PROVISIONS	PLN k	
	2004	2003
a) release of provisions for:	314 564	589 598
- regular receivables	-	-
- watch receivables	2 266	-
- problem receivables	279 106	561 886
- general banking risk	20 000	-
- off balance sheet liabilities	13 189	27 712
- other	3	-
b) revaluation:	500	167
- financial assets	500	167
- other	-	-
Total release of provisions	315 064	589 765

NOTE 51

PROFIT (LOSS) ON SALE OF ALL OR PART OF SHARES IN SUBORDINATED ENTITIES	PLN k	
	2004	2003
a) profit on sales of shares and interests	55 138	18 161
- in subsidiaries	55 136	18 161
- in joint -ventures	-	-
- in associates	2	-
b) loss on sale of shares and interests	-	-
- in subsidiaries	-	-
- in joint -ventures	-	-
- in associates	-	-
Total profit (loss) on sale of all or part of shares in subordinated entities	55 138	18 161

NOTE 52

EXTRAORDINARY GAINS	PLN k	
	2004	2003
a) force majeure	-	506
b) other (due to)	-	-
Extraordinary gains, total	-	506

NOTE 53

EXTRAORDINARY LOSSES	PLN k	
	2004	2003
a) force majeure	-	-
b) other	-	-
Extraordinary losses, total	-	-

NOTE 54

AMORTIZATION OF GOODWILL OF SUBORDINATED ENTITIES	PLN k	
	2004	2003
a) subsidiaries	-	-
b) joint-ventures	-	-
c) associates	-	-
Total amortization of goodwill of subordinated entities	-	-

NOTE 55

AMORTIZATION OF NEGATIVE GOODWILL OF SUBORDINATED ENTITIES	PLN k	
	2004	2003
a) subsidiaries	2 448	2 448
b) joint-ventures	-	-
c) associates	877	717
Total amortization of negative goodwill of subordinated entities	3 325	3 165

NOTE 56A

CURRENT INCOME TAX	PLN k	
	2004	2003
1. Profit (loss) before taxation (consolidated)	569 936	260 370
2. Consolidation adjustments	(2 360)	(5 983)
3. Differences between accounting profit (loss) and taxable income:	193 742	99 501
- non-taxable income	(566 773)	(931 830)
- taxable income not included in P&L account	624 301	361 335
- non-taxable costs	784 642	867 601
- taxable costs not included in P&L account	(752 726)	(194 788)
- relieves (donations, bonuses) expenses and investments to which taxpayer lost rights	(1 500)	1 028
- permanent differences	3 395	662
- valuation of assets and liabilities	100 179	(191)
- tax loss	2 208	(4 296)
- realized income	16	(20)
4. Tax base	761 318	353 888
5. Income tax 19% / 27%	(144 650)	(95 549)
6. Increases, relinquishment, exemption, deduction, reduction in tax	(17 169)	(4 721)
7. Current income tax presented (disclosed) in a tax return for the period, of which:	(127 481)	(90 828)
- disclosed in the profit and loss account	(127 481)	(90 828)
- relating to items which decreased or increased the shareholders' equity	-	-
- relating to items which decreased or increased the goodwill or negative goodwill	-	-

Figure PLN 488 k is dividend income tax and it's not disclosed in income tax declaration for 31.12.2004

NOTE 56B

DEFERRED INCOME TAX DISCLOSED IN PROFIT AND LOSS ACCOUNT	PLN k	
	2004	2003
- decrease (increase) due to occurrence and reversal of timing differences	30 872	16 310
- decrease (increase) due to change in tax rates	-	(59 897)
- decrease (increase) due to tax loss, tax premium or timing difference of the previous period not disclosed yet	904	554
- decrease (increase) due to allocation of deferred income tax assets or lack of possibilities to utilize deferred tax provisions	-	-
- other components of deferred tax (due to):	(428)	15 108
- due income taxable in the future	(486)	-
- costs taxable in the future	58	-
- reclassification to temporary differences from permanent differences	-	15 108
Total deferred income tax	31 348	(27 925)

NOTE 56C

TOTAL DEFERRED TAX	PLN k	
	2004	2003
- included in shareholders' equity	36 266	16 610
- included in goodwill or negative goodwill	-	-

NOTE 56D

INCOME TAX DISCLOSED IN PROFIT AND LOSS ACCOUNT RELATING TO	PLN k	
	2004	2003
- discontinued operations	-	-
- profit/loss on extraordinary operations	-	136

NOTE 57

OTHER OBLIGATORY PROFIT REDUCTIONS (LOSS INCREASES), DUE TO:	PLN k	
	2004	2003
Other obligatory profit reductions (loss increases) due to:	-	-
- 2002 tax statement adjustment	-	(20)
Other obligatory profit reductions (loss increases) in total	-	(20)

NOTE 58

NET PROFIT (LOSS)	PLN k	
	2004	2003
a) net profits (losses) of dominant entity	443 326	116 951
b) net profits (losses) of subsidiaries	110 880	42 272
c) net profits (losses) of joint-ventures	-	-
d) net profits (losses) of associates	-	-
e) consolidation adjustments	(109 754)	(30 350)
Net profit (losses)	444 452	128 873

Share of net income of associates is enclosed in dominant entity net income by adopting equity method of valuation. (as at 31.12.2004 - PLN 6 122 k, as at 31.12.2003 - PLN 270 k)

NOTE 59

EARNINGS PER SHARE	PLN k	
	2004	2003
Net profit for 12 months	444 452	128 873
Weighted average number of ordinary shares	72 960 284	72 960 284
Earnings per share (PLN)	6.09	1.77

NOTE 60

CASH CONSOLIDATED	PLN k	
	2004	2003
Cash	410 713	405 825
Valuable marks	1 259	1 096
Current account in the central bank	788 182	754 576
Current account in other banks	31 337	221 540
Total	1 231 491	1 383 037

The split of the cash flow statement into operating, investing and financing activities is based on the following:

- scope of information for particular kinds of activities as specified in the statement template,
- guidelines of the General Inspectorate of the Banking Supervision
- the nature of operations performed by Bank Zachodni WBK S.A.

The operating activities cover the basic range of Bank Zachodni WBK S.A. activities not included in investing or financing activities.

The investing activities comprise:

- * purchase and sale of:
 - tangible fixed assets
 - intangible assets
 - shares and other securities available-for-sale or held to maturity
 - debt securities available for sale and held to maturity
- * other items related to the investing activities (i.e. dividends, changes in the balance of subordinated loans, interest earned on the investing activities)

The financing activities comprise:

- * increases and decreases due to:
 - drawdown and repayment of loans and advances from banks and other financial institutions
 - subordinated liabilities
 - issue and redemption of bonds and other securities from financial institutions

* other items related to financing activities (i.e. dividend payments, other profit allocations, interest earned on financing activities)

"Depreciation" in the cash flow statement (Other operating activities) differs from depreciation in P&L account by amounts of:

- depreciation of PFC equipment	PLN (1,549) k
- impairment loss	PLN 1,937 k
- write down of leased assets	PLN 730 k
- provisions on fixed and intangible assets	PLN (307) k

The item "movements in the balance of debt securities" includes only changes in the balance of securities held for trading and available for sale. Information on changes in debt securities held to maturity is incorporated in the following items:

- "sales of shares or interests in other entities, of other securities and other assets" (investing activities) - PLN 203 492 k,
- "purchase of shares or interests in other entities, of other securities and other assets" (investing activities) - PLN (158 774) k.

The item "movement in the balance of loans and advances to the financial sector" does not include movement in the balances in current accounts held with other banks, which is included in "cash at the end of the period" - PLN 31 337 k.

The item "movements in the balance of shares, interests and other securities includes only the changes in assets held for trading (disclosed in the operating activities); the data on changes in shares, interests and other securities available for sale or held to maturity are included in the cash flows from investing activities.

The item "movements in the balance of deposits from the financial sector" does not include:

- repayments of BGF loan - PLN 16 907 k,
- repayments of EBRD loan - PLN 24 247 k.
- repaid loans shown in financing activities

The item "movements in the balance of other liabilities" includes the changes in the balance of "other assets" and "special funds and other liabilities". The amount thus calculated was adjusted for:

- income tax settlements - PLN (13 342) k,
- change in the balance of assets intended for sale in the amount of PLN 157 k included in "other adjustments" in operating activities.

The item "other adjustments" includes adjustments relating to:

- change in the balance of assets intended for sale in the amount of PLN 157 k,
- commissions PLN 685 k,
- post audit change of results PLN 161 k
- tangible fixed assets and intangibles PLN (3 911) k,
- other PLN 67 k.

Moreover "other investment inflows" contain:

- dividends received - PLN 56 555 k,
- donations received - PLN 1 043 k.

"Other investment outflows" contain:

- donations granted - PLN (1 779) k.

The item "Other expenses" under financial activity includes:

- fee paid in to the Banking Guarantee Fund - PLN (5 302) k,
- current account credit repayment - PLN (2 748) k,
- loans interest expense and commissions - PLN (41 899) k.
- other financial cost - PLN (112)k.

Additional Notes

1. Concentration mix of the bank's exposure to individual entities, capital groups, sectoral and geographical market segments along with assessment of the related risk

Bank Zachodni WBK S.A. fully adheres to the standards provided for in the Banking Law with regard to the concentration of risk bearing exposures to a single entity or a group of entities connected in terms of capital or business. The Bank does not exceed limits of exposures either to subsidiary or parent companies or subsidiaries of the Bank's parent or in other cases.

The policy pursued by the Bank aims at minimization of the credit concentration risk, which is reflected by the application of more rigorous rules than the regulatory ones in this respect.

In accordance with its credit policy, Bank Zachodni WBK consistently applies the policy of lending to low-risk industries and reduction of exposures to medium and high-risk industries. In order to ensure adequate portfolio diversification and eliminate the risk of overexposure to a single industry, the Bank provides funding to sectors and companies/groups representing a variety of industries. As at 2004-end, there was no dominant industry in the bank's portfolio, while the largest share of a single industry was 9.7%.

PKD	PKD name	Exposure*		Grade 1	Grade 2	Grade 3	Grade 4	Grade 2-4
15	Manufacture of food products and beverages	1 278 804	9.7%	1 203 098	18 334	6 667	50 705	5.9%
51	Wholesale trade and commission trade /except for motor vehicles/	1 078 087	8.1%	922 343	14 933	24 124	116 687	14.4%
70	Real estate activities	1 051 832	8.0%	929 566	58 633	58 915	4 718	11.6%
40	Electricity, gas, steam and hot water supply	798 572	6.0%	797 364	1 199	-	9	0.2%
01	Agriculture and hunting	599 511	4.5%	409 754	13 437	6 960	169 360	31.7%
65	Financial intermediation	532 948	4.0%	524 874	543	234	7 297	1.5%
75	State administration and defence	441 676	3.3%	433 524	-	-	8 152	1.8%
45	Construction	439 044	3.3%	371 389	5 225	6 137	56 293	15.4%
52	Retail trade /except for motor vehicles/	390 325	3.0%	298 818	11 672	44 856	34 979	23.4%
25	Rubber and plastic products	302 204	2.3%	280 807	3 340	886	17 171	7.1%
	Other	3 434 480	26.0%	3 115 915	48 007	13 735	256 823	9.3%
A. Businesses		10 347 483	78.2%	9 287 452	175 323	162 514	722 194	10.2%
B. Private individuals		2 888 824	21.8%	2 751 015	6 024	3 974	127 811	4.8%
incl. mortgages		1 947 271	14.7%	1 893 418	6 024	3 974	43 855	2.8%
A+B Bank's portfolio (gross)		13 236 307	100%	12 038 467	181 347	166 488	850 005	9.0%
C Central write-downs**		(18 393)						

A+B+C Bank's portfolio	13 217 914
Subsidiaries***	1 205 476
Total portfolio	14 423 390

* gross receivables

**Central write-downs not classified under PKD

***The amount covers inter-company transactions

The table below presents the Bank's 10 largest exposures to individual clients:

	PKD	Risk grade	Balance	Open credit line	Guarantees	Total exposure
Client 1	15	1	323 517	86 683	1 606	411 806
Client 2	40	1	203 543	-	-	203 543
Client 3	64	1	156 429	6 148	-	162 577
Client 4	51	1	150 000	-	-	150 000
Client 5	65	1	131 250	55 136	2 796	189 182
Client 6	65	1	131 218	4 328	-	135 546
Client 7	71	1	131 008	296 329	2 953	430 290
Client 8	01	4	126 131	-	-	126 131
Client 9	15	1	125 800	114 200	-	240 000
Client 10	70	1	117 696	-	-	117 696

The table below presents the Bank's 10 largest exposures to capital groups:

	PKD	Risk grade	Balance	Open credit line	Guarantees	Total exposure
Capital group 1	15	1	323 517	86 683	1 606	411 806
Capital group 2	40	1	243 543	700	-	244 243
Capital group 3	70	1	145 639	-	-	145 639
Capital group 4	01	4	137 376	-	-	137 376
Capital group 5	20	1	126 542	7 400	-	133 942
Capital group 6	40	1	121 469	102 678	57	224 204
Capital group 7	70	1	114 879	18 053	-	132 932
Capital group 8	75	1	114 833	50 000	-	164 833
Capital group 9	23	1	112 617	-	-	112 617
Capital group 10	70	1	98 213	-	-	98 213

Credit risk grades are marked as follows:

1 – regular, 1C – watch, 2 – substandard, 3 – doubtful, 4 – lost. In the case of businesses, the Bank applies a more detailed categorization - 1 (regular) is split into two sub-categories: 1A – high quality, 1B – stable.

The mix of Bank Zachodni WBK receivables as at 31 December 2004 and 31 December 2003 across geographies was as follows.

Net receivables from the non-financial and public sectors

Province	31.12.2004		31.12.2003	
	value	%	value	%
1. dolnośląskie	2 131 471	17.4 %	2 315 585	18.5 %
2. kujawsko-pomorskie	537 631	4.4 %	530 572	4.2 %
3. lubelskie	97 354	0.8 %	184 473	1.5 %
4. lubuskie	549 269	4.5 %	665 862	5.3 %
5. łódzkie	181 981	1.5 %	142 625	1.1 %
6. małopolskie	228 861	1.9 %	260 350	2.1 %
7. mazowieckie	1 726 807	14.1 %	1 768 784	14.1 %
8. opolskie	349 108	2.8 %	425 594	3.4 %
9. podkarpackie	55 032	0.5 %	93 721	0.8 %
10. podlaskie	79 017	0.6 %	72 625	0.6 %
11. pomorskie	365 293	3.0 %	313 738	2.5 %
12. śląskie	294 020	2.4 %	531 657	4.2 %
13. świętokrzyskie	178 550	1.5 %	212 264	1.7 %
14. warmińsko-mazurskie	101 203	0.8 %	119 726	0.9 %
15. wielkopolskie	4 851 039	39.7 %	4 524 271	36.1 %
16. zachodniopomorskie	499 463	4.1 %	376 354	3.0 %
Bank	12 226 099	100 %	12 538 201	100 %
Subsidiaries*	1 416 408		1 175 455	
Total	13 642 507		13 713 656	

*The amount covers inter-company transactions

2. Deposit sources by sectoral and geographical market segments

The mix of Bank Zachodni WBK liabilities as at 31 December 2004 and 31 December 2003 by sectors was as follows:

31.12.2004

Deposits	Businesses and public sector units	Private individuals	Total
PLN	6 581 548	9 232 089	15 813 637
o current	3 907 537	1 784 012	5 691 549
o term	2 665 401	7 350 198	10 015 599
o interest	8 610	97 879	106 489
FX	899 299	2 026 038	2 925 337
o current	516 920	417 932	934 852
o term	382 185	1 602 029	1 984 214
o interest	194	6 077	6 271
Total	7 480 847	11 258 127	18 738 974
Subsidiaries*			305 902
Total			19 044 876

31.12.2003

Deposits	Businesses and public sector units	Private individuals	Total
PLN	5 729 574	8 853 114	14 582 688
o current	3 554 101	1 899 261	5 453 362
o term	2 169 451	6 864 676	9 034 127
o interest	6 022	89 177	95 199
FX	655 787	2 307 840	2 963 627
o current	436 740	497 802	934 542
o term	218 957	1 800 329	2 019 286
o interest	90	9 709	9 799
Total	6 385 361	11 160 954	17 546 315
Subsidiaries*			159 994
Total			17 706 309

*The amount covers inter-company transactions

The mix of Bank Zachodni WBK liabilities as at 31 December 2004 and 31 December 2003 by geographies was as follows:

Amounts due to the non-financial and public sectors

Province	31.12.2004		31.12.2003	
	value	%	value	%
1. dolnośląskie	5 502 434	29.4 %	5 401 893	30.7 %
2. kujawsko-pomorskie	660 868	3.5 %	587 018	3.3 %
3. lubelskie	17 068	0.1 %	10 255	0.1 %
4. lubuskie	1 096 627	5.9 %	1 048 366	6.0 %
5. łódzkie	339 088	1.8 %	283 972	1.6 %
6. małopolskie	209 687	1.1 %	172 195	1.0 %
7. mazowieckie	1 888 620	10.1 %	1 496 901	8.5 %
8. opolskie	798 690	4.3 %	821 751	4.7 %
9. podkarpackie	26 833	0.1 %	25 596	0.1 %
10. podlaskie	82 929	0.4 %	67 977	0.4 %
11. pomorskie	958 705	5.1 %	836 287	4.8 %
12. śląskie	918 645	4.9 %	872 262	5.0 %
13. świętokrzyskie	141 382	0.8 %	119 776	0.7 %
14. warmińsko-mazurskie	100 166	0.5 %	84 974	0.5 %
15. wielkopolskie	5 411 441	28.9 %	5 317 116	30.3 %
16. zachodniopomorskie	585 791	3.1 %	399 976	2.3 %
Bank	18 738 974	100 %	17 546 315	100 %
Subsidiaries*	305 902		159 994	
Total	19 044 876		17 706 309	

**The amount covers inter-company transactions*

3. Information on changes in subsidies to foreign branches, taking account of the opening balance, increases and decreases with a break down into individual entities and balance at period-end

Entities of Bank Zachodni WBK Group do not have any foreign branches.

4. Information about financial instruments while taking account of the specific nature of the issuer

Bank Zachodni WBK Group categorizes financial instruments according to their nature and purpose in the following way:

- financial instruments held for trading,
- financial instruments held to maturity,
- financial instruments available for sale,
- sanctioned loans and advances and other originated receivables.

4.1. Financial instruments taking account of the opening balance, increases, decreases and balance at the period-end

Information on financial asset classification, such as: debt securities and shares, presenting changes in their balance in the period, with the following breakdown:

- securities held for trading,
- securities available for sale,
- securities held to maturity

is tabulated in notes to financial statements /Notes from 6 to 11/.

Amounts due in respect of reverse repo transactions

	OB /01.01.2004/	increase	decrease	CB /31.12.2004/
Instrument 1	5 806	99	(5 905)	-
Instrument 2	-	10 277	-	10 277
Instrument 3	-	339	-	339
Instrument 4	-	9 030	(9 030)	-
Instrument 5	-	4 687	-	4 687
Instrument 6	-	10 394	-	10 394
Total	5 806	34 826	(14 935)	25 697

Loans and advances sanctioned

	Loan book*	Earning loans*	NPLs*
Business loans	10 329 130	9 287 452	1 041 678
Personal loans	2 888 784	2 751 015	137 769
1. Overdrafts	247 397	218 706	28 691
2. Mortgages	1 947 271	1 893 418	53 853
3. Credit cards	199 641	190 862	8 779
4. Cash loans, instalment loans, other	494 475	448 029	46 446
Bank's loan book	13 217 914	12 038 467	1 179 447
Subsidiaries*	1 205 476		
Total portfolio	14 423 390		

* Gross credit portfolio

**The amount covers inter-company transactions

4.2. Financial assets and liabilities

4.2.1.

- Number and value of financial instruments, including a description of significant terms and conditions that may have impact on the size, spread over time and certainty of future cash flows

Derivatives of Bank Zachodni WBK

31.12.2004									PLN'000
Instrument	PLN interest rate SWAP	hedging IRS	FX SWAP	FX Forward	FRA	FX Options bought	Euroindex options bought	Bi-currency interest rate SWAP	
Number of transactions	234	8	199	513	89	2	18	4	
Adopted accounting principles	(1)	(4)	(2)	(2)	(1)	(3)	(3)	(1)	
Fair value*	71 414	(5 721)	(36 797)	4 811	2 493			(1 279)	
Purpose	trading	fair value hedging	trading	trading	trading	trading	trading	trading	
Nominal value	15 340 881	806 303	7 849 689	544 543	6 027 119	24 329	383 790	836 614	
Future income / payments	variable	variable	variable	variable	variable	variable	variable	variable	
Maturity	from 06-01-05 to 05-04-2010	from 24-10-05 to 29-11-2011	from 03-01-05 to 31-08-07	from 03-01-05 to 28-04-06	from 03-01-05 to 28-11-05	from 26-04-06 to 04-10-06	from 04-01-05 to 28-09-07	from 31-01-05 to 17-06-05	
Possibility of early settlement	none	none	none	none	none	none	none	none	
Price/Range of Prices	from 1.48% to 14.11%	from 2.17% to 7.69%	from 0.77% to 103.75%	from 1.22% to 8.94%	from 6.00 % to 13.00%	(1 051)	(36 160)	0.70 % to 6.69%	
Possibility to convert into other asset/liability	none	none	none	none	none	none	none	none	
Set rates/ interest payments dates	variable	variable	variable	variable	variable	variable	variable	variable	
Additional collaterals	none	none	none	none	none	none	none	none	
Other terms & conditions	none	none	none	none	none	none	none	none	
Type of risk	interest rate	interest rate	FX risk/liquidity	interest rate/FX rate	interest rate	FX rate	interest rate	interest rate/liquidity	

(1) Notional amount is posted to off balance sheet accounts. Daily fair valuation is taken to P&L and balance sheet.

(2) Notional amount is posted to off balance sheet accounts. Daily fair valuation is taken to balance sheet and income from FX differences.

(3) Notional amount is posted to off balance sheet accounts. Premium is settled under a straight-line method until the option maturity.

(4) Hedge accounting.

* Negative/positive figures mean unrealised income/loss.

Hedge accounting – additional information

Bank Zachodni WBK applies hedge accounting in line with risk management assumptions described in 4.2.14 of Additional Notes. Hedging transactions are constructed using one-currency interest rate swaps. Their purpose is to eliminate risk of fair value in hedged instruments stemming from changes in market interest rates. Bank Zachodni WBK applies fair value hedge accounting in relation to the following classes of financial instruments:

- issued debt securities (2Y and 5Y),
- loans sanctioned to corporate clients (5Y and 7Y)
- treasury bonds (4Y).

Details concerning hedge accounting instruments are disclosed in the table below

	IRS hedging own bonds	IRS hedging corporate loans	IRS hedging Treasury bonds
Number of contracts	3	3	2
Nominal value	PLN 404m	PLN 302m	PLN 100m
Fair value adjustment asset/(liability)	PLN (3 633)k	PLN (6 656)k	PLN (3 776)k
Period over which the instruments have an impact on the Bank's results	2003 – 2007	2004 – 2011	2004 – 2008

In order to arrive at the balance sheet fair value of the above instruments, apart from the mark-to-market adjustment it is necessary to take account of the accrued interest totalling PLN 19 786k.

It is also important to highlight that one of the corporate loan's hedging swap and both of Treasury bond's hedging swaps previously functioned as trading vehicles and have been incorporated into hedging structure during their lives. As at 31 December 2004 fair value disclosed in the note represents total figure of fair value accrued over the life of the instruments.

In addition, BZ WBK subsidiaries BZ WBK Finanse & Leasing S.A. and BZ WBK Leasing S.A. concluded IRS transactions with the Bank with a view to hedging the fair value of their issue of bonds and executed lease contracts. Details of the executed transactions are presented in the table below:

Company	BZ WBK Leasing S.A.	BZ WBK Leasing S.A.	BZ WBK Finanse & Leasing S.A.
Number of contracts	41	1	11
Nominal value of the hedging instrument	3Y IRS (PLN 438m)	6M CROSS CURRENCY SWAP (PLN 33m)	3Y IRS (PLN 101m)
Fair value of the hedging instrument	(699)	(2 200)	(1 999)
Hedged risk	Movements in the fair value of the bond issue arising from changes in market interest rates	Movements in the fair value of lease contracts arising from changes in fx rates	Movements in the fair value of lease contracts arising from changes in market interest rates.
Period for which the instruments impact the Companies' results	2004-2007	2004-2005	2004-2007

Instrument	One-currency interest rate SWAP	hedging IRS	FX SWAP	FRA	Euroindex op- tions bought	Bi-currency interest rate SWAP
Number of transactions	131	3	661	32	18	3
Adopted accounting principles	(1)	(4)	(2)	(1)	(3)	(1)
Fair value*	(15 772)	1 148	(3 379)	(4 056)		
Purpose	trading	to hedge fair value of BZ WBK bonds	trading	trading	trading	trading
Nominal value	5 900 208	404 000	10 451 860	2 950 000	471 727	1 023 070
Future income / payments	variable	variable	variable	variable	variable	variable
Maturity	from 08-01-04 to 23-10-08	from 24-10-05 to 23-10-08	from 02- 01-04 to 13-08-05	from 03- 02-04 to 31-01-05	from 06-02-04 to 28-09-07	from 17-05-04 to 10-02-05
Possibility of early settlement	none	none	none	none	none	none
Price/Range of Prices	from 1.15% to 14.15%	from 5.68% to 6.96%	from 0.93% to 6.42%	from 4.58 % to 5.90%	(45 285)	0.30 % to 5.75%
Possibility to convert into other asset/liability	none	none	none	none	none	none
Set rates/ interest payments dates	variable	variable	variable	variable	variable	variable
Additional collaterals	none	none	none	none	none	none
Other terms & conditions	none	none	none	none	none	none
Type of risk	interest rate	interest rate	FX rate/li- quidity	interest rate	interest rate	interest rate/liquidity

(1) Notional amount is posted to off balance sheet accounts. Daily fair valuation is taken to P&L and balance sheet.

(2) Notional amount is posted to off balance sheet accounts. Daily fair valuation is taken to balance sheet and income from FX differences.

(3) Notional amount is posted to off balance sheet accounts. Premium is settled under a straight-line method until the option maturity.

(4) Hedge accounting.

* Negative/positive figures mean unrealised income/loss.

Receivables arising from the purchased reverse repo securities – 2004 – terms and conditions /amount and value 4.1./

Subject of transaction	Scope and type of the instrument	Basis of payment calculation	Transaction settlement	Income, price setting	Security for transaction	Type of risk
Instrument 1	Mandated purchase transaction of the Company's ordinary shares listed on WSE	Value of shares calculated acc. to purchase price (excluding brokerage fees)	The client repurchased all shares	Repurchase price represented the value of shares at purchase price increased by a fee; the fee was made up of compensation and the reimbursement of the financial cost according to the average rate of 1M WIBOR for the overall transaction life, plus margin	The primary security were the shares of the Company held by the client	Risk of the client's insolvency. In case this happens, there can also emerge the risk of change in the market price of the Company's shares
Instrument 2	Mandated purchase transaction of the Company's ordinary shares listed on WSE	Value of shares calculated acc. to purchase price (excluding brokerage fees)	The client is obliged to repurchase all shares; the client is entitled to repurchase shares at any earlier date; the Bank has such a right in strictly defined circumstances (e.g. deterioration of the client's financial standing).	Repurchase price represented the value of shares at purchase price compensation and the reimbursement of the financial cost according to the average 1M WIBOR for the overall transaction life, plus margin	The primary security are the shares of the Company held by the client	Risk of the client's insolvency, in case this happens, there can also emerge the risk of change in the market price of the Company's shares
Instrument 3	Mandated purchase transaction of the Company's ordinary shares listed on WSE under the underwriting agreement	Value of shares calculated acc. to purchase price	Shares will be made available to persons indicated by the Client; shares that will not be purchased by the person indicated by the Client will be bought back by the Client	Repurchase price will represent the value of shares at purchase price; fee consist of commission and the financial cost paid monthly according to the average 1M WIBOR	-	Risk of the client's insolvency, in case this happens, there can also emerge the risk of change in the market price of the Company's shares
Instrument 4	Mandated purchase transaction of the Company's ordinary shares listed on WSE	Value of shares calculated acc. to purchase price (excluding brokerage fees)	The client repurchased all shares (e.g. deterioration of the client's financial standing.)	Repurchase price represented the value of shares at purchase price increased by a fee; the fee was made up of commission and the reimbursement of the financial cost according to the average 1M WIBOR for the overall transaction life, plus margin	The primary security was treasury bonds covered with a blockade	Risk of the client's insolvency, in case this happens, there can also emerge the risk of change in the market price of the Company's shares
Instrument 5	Mandated purchase transaction of the Company's ordinary shares listed on WSE	Value of shares calculated acc. to purchase price (excluding brokerage fees)	The client has a right to early repurchase all shares at any time; the Bank has such a right in strictly defined circumstances (e.g. deterioration of the client's financial standing.)	Repurchase price will represent the value of shares at purchase price; fee will consist of commission and the financial cost paid monthly according to the average 1M WIBOR for the overall transaction life, plus margin	The primary security are the shares of the Company held by the client	Risk of the client's insolvency, in case this happens, there can also emerge the risk of change in the market price of the Company's shares
Instrument 6	Mandated purchase transaction of the Company's ordinary shares listed on WSE	Value of shares calculated acc. to purchase price (excluding brokerage fees)	The client is obliged to repurchase all shares early; the Bank has such a right in strictly defined circumstances (e.g. deterioration of the client's financial standing.)	Repurchase price will represent the value of shares at purchase price increased by a fee; the fee consists of commission and the reimbursement of the financial cost according to the average 1M WIBOR for the overall transaction life, plus margin	The primary security are the shares of the Company held by the client	Risk of the client's insolvency, in case this happens, there can also emerge the risk of change in the market price of the Company's shares

Sell-Buy-Back transactions

As a result of adjusting the accounting policy to the amended Ordinance of the Minister of Finance on special principles of recognition, valuation methods, disclosure scope and manner of presenting financial instruments, Bank Zachodni changed the presentation of Sell-Buy-Back transactions in T-bills. In compliance with the amendment the Group doesn't lose control over instruments in SBB transactions. In consequence the transactions are disclosed as repo. Traded securities stay on the balance sheet and are subject to valuation compliant with valuation principles for securities; at the same time, a liability/deposit is posted in repo transactions accounts. In line with an agreement, interest is accrued on the contractually taken deposit.

Based on these principles, as at 31 December 2004, the Bank disclosed in its consolidated balance sheet sell-buy-back transactions of 733 253k. At the same time, on the liabilities side, the item 'Repo transactions' included deposits corresponding to securities in the amount of PLN 732 690k.

b) Methods and significant assumptions adopted for determining fair value of financial assets and liabilities

Valuation of assets and financial liabilities is presented in detail in item 12 of the Introduction to the BZ WBK Group Financial Statements

c) Principles of recognition of financial instruments purchased on the regulated market

Financial instruments purchased on the regulated market are recognized as at the stock exchange transaction date.

The applied standard for the valuation of debt securities is the transaction date.

d) Information on interest rate risk charge, including contractual dates of interest rate changes or payment terms (for all classes of financial assets and financial liabilities, both balance sheet and off balance sheet ones)

Financial assets

Instruments with the original maturity in excess of 1 year included in the Bank's portfolio are securities with a variable interest rate, i.e. fixed in each interest period, but variable in individual interest periods. In the case of municipal bonds, the interest is changed on an annual basis. For Mostostal Gdańsk S.A. bonds, the interest changes on a semi-annual basis (according to the conditions of the issue, the bonds should have been redeemed on 28 July 2003. However, the issuer failed to repurchase them. Currently the Bank is undertaking efforts to recover the receivables).

Instruments with the original maturity up to 1 year are securities with a fixed interest rate.

Financial liabilities

Toward the end of 2003, the Bank launched another issue of bonds. These bonds represent the Bank's financial liability with a fixed or variable interest rate and one defined date of redemption without a possibility to be repurchased earlier either by the customer or the Bank.

The bonds offered in Q4 2004 representing the Bank's liability, mature within 2 or 5 years and bear interest at a fixed rate. Interest is capitalized on an annual basis and paid out in lump sum at the redemption date.

Investment bonds offered by BZ WBK Finance & Leasing S.A. and BZ WBK Leasing S.A. represent a financial liability with a fixed or variable interest rate. These bonds were issued in 2003 and 2004 and have maturity of 3 years.

- e) information on credit risk charge, including the value which best reflects maximum credit risk charge as at the B/S date (excluding the value of securities on the property) in the event if the counterparty fails to fulfil the terms and conditions of the agreement on the financial instruments (for all classes of financial assets and liabilities, both on balance sheet and off balance sheet ones)

In order to present the credit risk charge, we present the data used for calculating the solvency ratio in 2004.

Structure of assets according to risk weights

	Balance sheet amount	Weighted value
Assets with 0% risk weight	8 416 815	-
1. Cash	411 972	-
2. Funds in the obligatory reserve account with the Central Bank	-	-
2a Assets arising from OBS transaction pricing	788 284	-
2b. Accrued interest recognized as suspended income	176 535	-
3. Receivables from class I entities	1 285 019	-
4. Receivables from class II and III entities	251 130	-
5. Debt securities whose issuer is class I entity	5 181 404	-
6. Debt securities whose issuer is class II and III entity	-	-
7. Assets decreasing own funds	322 471	-
Assets with 20% risk weight	3 174 434	634 887
1. Receivables due from class II entities not covered with 0% risk weight	3 026 325	605 265
2. Receivables due from class III entities – in the collateralized part	148 109	29 622
3. Debt securities whose issuer is class II entity	-	-
4. Class III entity debt securities – in the part guaranteed by class II entity	-	-
Assets with 50% risk weight	1 384 583	692 292
1. Receivables due from class III entities – in the part secured with mortgage on real estate (inhabited or leased out)	1 107 114	553 557
2. Other B/S settlement accounts	277 469	138 735
Assets with 100% risk weight	13 097 137	13 097 137
1. Assets not covered with lower risk weights	12 158 344	12 158 344
2. Securities, interests and other elements of the other entities' own funds not covered with lower risk weights	342 625	342 625
3. Fixed assets	595 851	595 851
4. Intangible assets which do not decrease the Bank's own funds	-	-
5. Other assets which do not decrease the Bank's own funds	317	317

Off balance sheet liabilities – 0% counterparty risk weight

	Original exposure method	Mark to market valuation method	Credit equivalent
1. 0% product risk weight	80	-	-
a) Credit commitments in the pipeline with the original maturity up to 1 year with an unconditional termination option	80	-	-
2. 20% product risk weight	-	-	-
3. 50% product risk weight			
a) Open and confirmed letters of credit	-	-	-
b) Quality guarantee granted and others	-	-	-
c) Credit commitments in the pipeline with the original maturity over 1 year	-	-	-

Off balance sheet liabilities – 20% counterparty risk weight

	Original exposure method	Market valuation method	Credit equivalent
1. 0% product risk weight	69 426	-	-
a) Credit commitments in the pipeline with the original maturity up to 1 year or with an unconditional termination option	69 426	-	-
2. 50% product risk weight	97 731	-	48 866
a) quality guarantees granted and others	3 247	-	1 624
b) quality guarantees and other irrevocable sanctions in principle sanctioned Letters of credit which are not credit substitute	88	-	44
c) Credit commitments in the pipeline with the original maturity in excess of 1 year	94 396	-	47 198
3. 100% product risk weight	796 085	-	796 085
a) granted guarantees of a credit substitute nature	9 215	-	9 215
b) granted B/E guarantees	-	-	-
c) term deposits with a future starting date of the deposit period	361 359	-	361 359
d) other granted off balance sheet liabilities	425 511	-	425 511

Off balance sheet liabilities –100% counterparty risk weight

	Amount	Credit equivalent
1. 0% product risk weight	1 721 934	-
a) Credit commitments in the pipeline with the original maturity up to 1 year or with an unconditional termination option	1 721 934	-
2. 50% product risk weight	3 777 091	1 888 547
a) open and confirmed letters of credit	54 241	27 121
b) quality guarantees granted and others	601 991	300 996
c) Credit commitments in the pipeline with the original maturity in excess of 1 year	3 120 859	1 560 430
3. 100% product risk weight	154 510	154 510
a) granted guarantees of a credit substitute nature	154 510	154 510
b) other off balance sheet liabilities granted	-	-

Credit risk capital requirement is calculated as a sum of assets and granted risk weighted off-balance sheet guarantees multiplied by 8%.

The total of risk-weighted assets is calculated as a total value of every asset category multiplied by percentage risk weight assigned to them.

Classification of assets and off-balance liabilities granted is made in line with Banking Supervision Commission Act no. 5/2001

4.2.2. Financial assets available for sale and held for trading, stated at the amortized cost; if fair value of these assets cannot be reliably determined, their balance sheet value should be indicated together with reasons why it is impossible to state credibly their fair value and the estimated fair value

Bank Zachodni WBK Group does not value financial assets available for sale or held for trading at amortized cost.

4.2.3. Financial assets and liabilities that are not stated at fair value:

- a) data on their fair value; if for justified reasons the fair value of such assets or liabilities has not been determined then this fact should be disclosed and the basic profile be given for financial instruments which otherwise would be stated at the price set based on the active regulated market where public trading in financial instruments is conducted and the information on such a price is commonly available.

It should be noted that if as at a reporting date it was not possible to determine a reliable market value of a given asset because there were no quotations on the active regulated market or no adequate methods for setting a fair

value, or if input data to a given model was not available or sufficiently reliable, a given asset was stated at the purchase price while taking into account potential impairment charges. In most cases, they are low equity investments with a minimum shareholding or number of votes at the AGM of a given company.

- b) in case the fair value of financial assets and liabilities is lower than their balance sheet value, the balance sheet value and the fair value of the asset should be given together with the reasons for abandoning the revaluation charges and rationale behind the belief that the indicated value can be recovered in the full amount

There is no such case in Bank Zachodni WBK Group.

4.2.4. In the case the issuer was a party to an agreement pursuant to which financial assets are converted into securities or to a buy-back agreement, the following should be presented for each transaction separately:

- a) nature and size of the concluded transactions including the description of accepted or granted guarantees and security covers, data adopted for calculating the fair value of interest income related to both contracts concluded in a given period as well as those concluded in previous periods, both completed and pending for a given period
- b) information on financial assets excluded from accounting books

Stalexport S.A.

On 20 March 2003, at the request of Stalexport SA, the Management Board of Bank Zachodni WBK agreed to swap a part of the Stalexport's debt to the Bank under settlement agreement (PLN 13 800k) to Stalexport's shares. The debt / equity swap was formally effected on 28 August 2003 by making relevant records in the Bank's ledger.

As a result, the Bank took up 6 900 325 E series shares of the nominal value PLN 2 each, i.e. PLN 13 800k in total. On 15 March 2004, the Bank sold 1,000,000 shares at the total price of PLN 3 852 k. The remaining securities represent 5.48% of the Stalexport share capital and carry 5 900 325 (5.48%) votes at the AGM. Bank Zachodni WBK has one representative on the Stalexport Supervisory Board. Shares in Stalexport SA are recognized at purchase price adjusted for impairment.

4.2.5. Effects of fair valuation of financial assets available for sale

This information is included in the movements in equity (see revaluation reserve) in the tabular part of the financial statements.

4.2.6. Information on income and costs on financial assets available for sale, which were removed from the balance sheet (sold, liquidated)

The table shows trading in shares and interests from the bank's portfolio available for sale effected in 2004

Income from sale	6 210
Cost	(1 817)

Transaction in debt securities* in 2004 are presented in the table below:

Income from sale	936 937
Cost	(946 304)
Accrued discount	(13 761)
Loss	(23 128)

* secondary market

Income arising from trading in debt securities and other securities by subsidiaries in 2004 is presented in the table below:

Income	1 210
T-bills	486
Participation units	724

4.2.7. Information on income and costs arising from the sale of financial assets whose fair value could not have been credibly stated earlier and indication of the balance sheet value of assets set as at the sale date

There was no such case in Bank Zachodni WBK Group.

4.2.8. In the case of reclassifying financial assets stated at fair value to assets stated at adjusted purchase price, reasons for changing the valuation principles need to be provided

Such a situation arose in Bank Zachodni WBK Group in case of Stalexport SA which is described in item 4.2.4.

4.2.9. In case of revaluation charges due to financial assets impairment or if the reason ceased for which such charges were made and the value of the asset was increased, it is necessary to provide amounts decreasing or increasing the value of financial assets

No.	Specification	Value acc. to purchase price 01.01.2004	Fair value as at 01.01.2004	Increase in the revaluation charge	Decrease in the revaluation charge	Sales of assets (value acc. to purchase price)	Fair value as at 31.12.2004
SHARES							
1.	Stalexport S.A.	13 800	10 350	-	500	(2 000)	8 850
DEBT SECURITIES							
2.	Municipal bonds of Środa Śląska	7 400	7 400	(111)	-	-	7 289
TOTAL		21 200	17 750	(111)	500	(2 000)	16 139

4.2.10. Interest income on debt securities, advances granted or receivables originated by the bank calculated by means of interest rates on concluded contracts, with a break-down into the categories of assets that the interest refers to; it is necessary to separately disclose the realized and unrealized interest

Unrealized interest by maturity

	Treasury bonds and bills	NBP Bonds	Municipal bonds
Up to 3 months	27 726	28 140	61
From 3 to 12 months	92 588	-	1 552
Bank in total	120 314	28 140	1 613
Up to 3 months	132	-	-
From 3 to 12 months	458	-	-
Companies in total	590	-	-

4.2.11. As regards the revaluation charges in respect of advances granted or receivables originated by the bank, it is necessary to disclose interest accrued but not cashed on those receivables

As at 31 December 2004, the accrued and unrealized interest on receivables originated by Bank Zachodni WBK Group totalled PLN 178 663k.

4.2.12. Interest expense on financial liabilities calculated by means of interest rates on concluded contracts, with a break-down into interest expense related to liabilities held for trading, other short-term and long-term financial liabilities; costs of realized and unrealized interest for a given period should be disclosed separately

Interest accrued and unpaid - consolidated	
Deposits from the financial sector	14 702
- current	24
- term	14 678
Deposits from the non-financial sector	112 008
- current	196
- term	111 812
Deposits from the public sector	752
- current	114
- term	638

4.2.13. Information on the notional amount of base instruments subject to derivative instruments contracts

Such information is included in Additional Note no. 4.2.1.

4.2.14. Objectives and principles of risk management

Bank Zachodni WBK S.A.

One of the key objectives of Bank Zachodni WBK is to create strong and stable value for shareholders, while safeguarding customer deposits. To this end, the Bank must employ proper mechanisms for identification, control and management of the various risks to which the Bank is exposed.

The following three risk areas may be identified in Bank Zachodni WBK S.A: market risk (including but not limited to interest rate risk, liquidity risk and FX risk), credit risk and operational risk.

Market risk

Management structure

As part of the Bank's risk management policy, the Bank's Management Board designated the Assets and Liabilities Committee as a body responsible for strategic balance sheet management and for ensuring compliance with the policies covering the liquidity risk, interest rate risk and FX risk.

At the monthly meetings, ALCO monitors the Bank's exposure against its capital base and the limits defined by the external regulators (e.g. governmental or banking supervision bodies), AIB Group or the Bank's authorities.

ALCO members are senior managers from individual divisions which generate and manage the market risk.

The market risk is managed centrally in the Treasury Division. With a direct access to the financial market (including the money market and derivatives market), this unit effects relevant purchase/sale transactions in order to maintain – within the binding limits – the market risk associated with the Bank's retail, commercial or corporate operations.

The Treasury Division receives support from the Assets and Liabilities Management Department, which is responsible for ongoing identification and measurement of the market risk arising from retail, commercial and corporate operations of the Bank and for transferring this risk to the Treasury Division.

Liquidity risk

Bank Zachodni WBK manages liquidity risk in accordance with its liquidity policy.

The policy is to counter-balance the contracted or contingent outflows with expected / contracted inflows or realisation of liquid assets (mainly debt securities) to resist any extraordinary or crisis situations triggered both by internal factors (e.g. sudden increase in the value of facilities drawn under the sanctioned credit lines) or external ones (e.g. material drop in liquidity on the FX swaps market).

The policy covers all assets and liabilities as well as off-balance sheet items (both PLN and FX – denominated) impacting the liquidity level. Contractual and behavioural maturity is also taken into account, based on the statistical analysis of stability of the deposit base and the credit portfolio.

Daily reports present the liquidity risk as liquidity gaps both in individual time periods and in a consolidated form.

There is also a contingency plan in place to cater for critical liquidity problems. A multi-pronged plan sets forth clearly defined guidelines and scope of responsibilities in the case of critical liquidity problems arising from either internal or external factors.

Interest rate risk

Bank Zachodni WBK pursues an interest rate risk management policy in order to reduce the Bank's exposure to adverse fluctuations.

The risk is measured as the Potential Maximum Loss (PML) resulting from negative interest rate changes. PML is estimated at the 99% trust level, based on the 3-year fluctuation history, while assuming a 1-month period of maintaining the FX position.

FX risk

The FX risk policy of Bank Zachodni WBK serves as the major document regulating the management of FX risk.

The policy reduces the Bank's exposure to adverse fluctuations of the FX rates which might affect the value of the FX portfolio.

The FX risk is measured as the Potential Maximum Loss (PML) resulting from open FX positions and negative FX rate movements. PML is estimated at the 99% trust level, based on the 3-year fluctuation history.

In addition to the limits that curtail the Potential Maximum Loss for individual currencies, total positions and intra-day and overnight positions, there are also stop-loss limits applied.

There is also a contingency plan in place to cater for critical FX problems

Management of structural balance sheet risk

Within the mainstream of its active balance sheets management, Bank Zachodni WBK identified balance sheet items which resist general interest rate fluctuations. The Bank's books show a surplus of liabilities over assets resistant to general interest rate fluctuations. The resultant net position generates a variable revenue stream shaped by the level of interest rates.

In order to limit the fluctuations arising from the balance sheet structure, Bank Zachodni WBK follows the policy of managing net liabilities resistant to interest rate movements. In compliance with this policy, the ALCO Committee monitors positions of transactions hedging risk posed by the structure of balance sheets.

Own funds management

In order to ensure sufficient equity to match the current and future size of the Bank Zachodni WBK operations and to eliminate the related risks, the Bank's policy will endeavour to maintain a strong capital base.

As at 31 December 2004, the Bank's own funds added up to PLN 3,011.8m with a solvency ratio at 12.46%. The respective figures for Bank Zachodni WBK Group amounted to PLN 3,021.9m and 12.92%.

The effectiveness of the Bank's funds is safeguarded through the management of the structural balance sheet risk.

Credit risk

Bank Zachodni WBK credit delivery activities focus on increasing a high quality loan book with a good yield and customer satisfaction.

Credit risk arises mainly from lending activities on the retail, corporate and inter-bank markets. This risk is managed as part of the policy approved by the Management Board on the basis of the adopted credit delivery processes and procedures as well as on the basis of discretionary limits allocated to individual credit officers based on their knowledge and experience. The Bank's internal system of credit grading and monitoring enables the staff to identify likely defaults that might impair the loan book.

Credit Forum

To effectively manage credit risk, Bank Zachodni WBK established a decision making body known as Credit Policy Forum whose key role is to develop and approve credit policies, best practices, sectoral analyses, credit grading systems and credit risk assessment addressed to the Branch Network and BSC units directly responsible for business growth and support. The Credit Policy Forum is a platform for arrangements and communication with the use of best practices of the Poland Division and the AIB Group with regard to managing risk-weighted assets. The Credit Policy Forum is composed of senior representatives of individual Bank Zachodni WBK divisions.

Credit policies

Credit policies contain guidelines for identification and assessment of areas where specific types of risks manifest themselves, also providing for the methods of limiting those risks to a level acceptable to the Bank (e.g. FX risk in the case of foreign currency loans). Credit policies comply with the AIB Group standards and are adapted to the specificity of the lending activities of Bank Zachodni WBK.

In 2004 Bank Zachodni WBK performed a periodical review of its key credit policies (e.g. policy on lending to the clients classified in the 'watch' grade), taking into consideration the assumptions of the adopted strategy and changes in the external conditions.

Credit grading

In 2004 Bank Zachodni WBK S.A. aligned its credit grading system with the new legislative developments in Poland and preserved its conservative approach to risk assessment.

Also, intensive work has been undertaken to develop internal scoring / rating systems dedicated to the biggest loan books which conform to the New Capital Accord and the Capital Requirement Directive. These efforts are accomplished in close liaison with external, internationally recognized advisors and are being coordinated by AIB Credit Risk Management.

Provisioning

Bank Zachodni WBK creates provisions in line with the applicable laws. Because of amendments to these laws (Ordinance of the Finance Minister dated 10 December 2003 regarding creation of provisions against risks associated with banking activities, Journal of Laws no. 218, section 2147), in 2004 the Bank decided to review its NPL portfolio, assuming a conservative approach to the valuation of those collateral items which may reduce the provisioning basis.

At the same time, Bank Zachodni WBK was working towards adoption of the new provisioning rules compliant with IFRS 39 starting from January 2005.

Ensuring adequate level of specific provisions is the responsibility of the Provisions Committee.

Risk return

Bank Zachodni WBK continues to implement risk based methods of grading loans, allocating capital and measuring returns.

Credit decision making process

The process of credit decision making as embedded in the risk management policy is based upon discretionary limits vested in lending officers, commensurate with their knowledge and experience relating to particular activities (corporate banking, commercial banking and retail banking). Credit exposures in excess of PLN 15,000,000 are referred to the Credit Committee composed of senior managers and top executives of BZ WBK.

Bank Zachodni WBK continually strives to ensure best quality credit service to meet the borrowers' expectations and relevant risk policy standards. To this end, the Bank created the roles of Chief Credit Officer and Credit Directors whose job is to make credit decisions and ensure good quality of the loan books. This approach will allow to segregate the sales process from the credit risk approval function.

In terms of retail banking products, Bank Zachodni WBK has been implementing scoring systems. The process started two years ago when decision making systems capable of assessing retail customers' requests for selected products were implemented. This year will bring harmonisation of decision platforms and implementation of application scoring for further retail banking products as well as behavioural scoring for bank accounts. Scoring will

also be applied to smaller companies. This action aims at improving the quality of risk management across the retail loan book, accelerating decision making processes and ensuring compliance with the Basel requirements. There are also plans to use scoring towards calculation of provisions under IFRS 39. Scoring is being implemented with the assistance of internationally recognized consulting firms.

Credit reviews

Demonstrating the utmost care about the loan book quality, Bank Zachodni WBK performs regular reviews to ensure conformity with the best credit practices, to determine the actual quality of the credit portfolio, to confirm that adequate credit grading and provisioning processes are in place and to objectively assess professionalism in credit management. The reviews are performed by the Credit Quality Assurance Department which is a function independent of the risk-taking units.

In 2004 Bank Zachodni WBK S.A. aligned its credit grading system with the new changes arising from the Finance Ministry's Ordinance and preserved its conservative approach to risk assessment. The loan book was also reviewed in relation to impairment of particular credit exposures in line with IFRS 39.

Operational Risk

Operational risk is exposure to losses related to the failure of internal processes, human and system errors and external factors.

Operational risk management in the Bank Zachodni WBK Group is operated at the following three levels of responsibility:

- All organizational units are responsible for operational risk that may manifest itself in the area of their operations (identification of risk across conducted activities and implemented changes, assessment of controls, risk ratio monitoring, loss reporting, learning lessons from operational losses so as to eradicate any imperfections which contributed to their occurrence and to rule out reoccurrence of such incidents in the future);
- The Operational Risk Management (ORM) Team is responsible for coordination of the whole process (creation of policies, systems, new tools, providing support to other units, reporting, analysis, maintenance of databases containing ORM related information, initiating the lessons-learned process);
- Internal Audit is responsible for overseeing and assessing the quality of operational risk management (independent assessment of the process, review of risk identification standards and assessment of control mechanisms).

Furthermore, there is an Operational Risk Management Committee in the Bank, which provides a forum for official discussions about operational risk issues, sets and monitors ORM objectives and prioritizes high risk issues that are presented to the Bank's Management Board.

In accordance with the "Bank Zachodni WBK Information Security Policy" and its supporting standards, the Bank is pursuing an active risk management policy in this respect. A risk analysis is being performed across IT systems. All projects are being reviewed for compliance with the existing standards and any information confidentiality, integrity or availability threats are being followed up.

Bank Zachodni WBK has adopted Business Continuity Management policies and standards to analyze any needs with regard to business continuity management. There are also relevant plans in place, which are developed and updated.

Other operational risk areas the Bank focuses on include anti money laundering, fraud prevention and personal data protection.

Bank Zachodni WBK Group is also developing an ORM methodology compliant with AIB standards and reflecting NBP and Basel recommendations.

Selected subsidiaries of Bank Zachodni WBK S.A.

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

The purchase of fixed assets for leasing purposes requires access to adequate funding sources with the concurrent fulfilment of targets set out in the companies' financing policy:

Timely settlement of companies' liabilities, minimisation of settlement risk and supplier risk

The timely settlement of companies liabilities is understood first of all as making payments to lease assets suppliers at the dates allowing for the quick collection of the asset by its user. The loans raised by the companies and the bonds issued by them serve this purpose. In the view of the Management Boards of the companies, the design of the loans agreements as well as the management of the short- and long-term liquidity prevent the threat of failure to meet their liabilities.

Minimization of the liquidity risk

As at 31 December 2004, the companies had agreements concluded with three banks offering credit lines to finance the leasing business. Apart from loans, the companies had liabilities arising from the bonds issued in 2003-2004.

Minimisation of the interest rate risk

The companies actively manage their position as regards interest rate risk. Both fixed rate- based assets and liabilities are hedged by IRS transactions.

Minimisation of the FX risk

The companies minimise the FX risk by applying the principle of financing lease contracts with matched currency liabilities. Additional instruments supporting the FX position management are forward FX transactions.

Minimisation of the operational risk

In view to mitigate material operational risks associated with business operations, the companies have followed through the following actions:

- they have liaised with Bank Zachodni WBK S.A. on a on-going basis as regards implementation of best practices and policies of operational risk mitigation,
- they have implemented policies and standards re. operational risk, data protection, information security and money laundering prevention,

- in 2004, they started work on the implementation of a new BCM policy,
- in 2004, they conducted two BCM tests in the back-up location which were successfully completed.

BZ WBK Faktor Sp. z o.o.

The Management Board of BZ WBK Faktor Sp. z o.o. responsible for managing the company's risk passed its powers to the following Departments: Risk Assessment Department and Operational Department. These departments are responsible for managing individual risk areas, monitoring the company's general risk on a on-going basis and for shaping the current policy within the framework set by the Management Board.

Market risk management

The Management Board of BZ WBK Faktor Sp. z o.o. is responsible for the strategic management of the balance sheet. Its main areas of activity include management of capital, funding sources and liquidity as well as market risk identification and its management. BZ WBK Faktor Sp. z o.o. manages its liquidity within the framework set out by AIB Group and the company's Supervisory Board.

Liquidity risk management

BZ WBK Faktor Sp. z o.o. monitors its liquidity position on a on-going basis. This involves the need to take account of the funds paid out by the company and client funding within the financing limit set by Bank Zachodni WBK S.A. On a daily basis, the Operational Department monitors the pay outs to clients related to their financed invoices and repayments made by their debtors.

Factoring (credit) risk management

The factoring activity of the company focuses on the growth in the factoring turnover and the resultant growth of the factoring portfolio, ensuring at the same time top quality, good profitability and customer satisfaction.

The factoring risk is managed based on the policies defined by the Management Board, accepted factoring processes and procedures as well as based on the discretionary limits system adjusted to the knowledge and experience of the management staff. The internal monitoring and customer grading systems applied by BZ WBK Faktor Sp. z o.o. allow for early recognition of threats to the quality of the factoring book.

Operational risk management

In each of operational risk management areas (external IT providers, back-office outsourcing through Bibby Factors Polska, fraud prevention, business continuity), BZ WBK Faktor Sp. z o.o. has identified key risks, which are monitored and controlled on an on-going basis.

As part of the operational risk management, Faktor co-operates closely with Bank Zachodni WBK S.A., in particular, in reference to counteracting money laundering, operational risk self-assessment and analysis, fraud prevention, personal data protection, etc.

4.2.15. Hedge accounting principles applied to fair value hedging, cash flow hedging and hedging of investments in foreign entities

Bank Zachodni WBK Group applies the hedge accounting for hedging the fair value. The adopted principles have been described in the Introduction to the BZ WBK Group's Consolidated Financial Statements and in item 4.2.1 of Additional Notes.

4.2.16. In the case of hedging a planned transaction or probable future liability, provide information about the purposes and principles of financial risk management, taking account of a break-down into hedges of basic types of planned transactions or probable future liabilities

Bank Zachodni WBK Group does not apply the hedge accounting in respect of planned transactions or probable future liabilities.

4.2.17. If gains or losses on the valuation of hedging instruments, being both financial derivatives as well as assets or liabilities of a different profile, in the case of cash flow hedging impacted the revaluation reserve

The effects of fair value hedging are fully recognized in the Profit & Loss Account.

5. Information about share subscription option contracts or sales of ordinary share option contracts

As at 31 December 2004, Bank Zachodni WBK Group did not conclude any share subscription option contracts or sales of ordinary share option contracts.

6. Detailed information about assets which constitute security for own liabilities and liabilities of a third party and the value of liabilities which are secured by these assets

As at 31 December 2004, debt securities in Bank Zachodni WBK represented the security for an advance from a Banking Guarantee Fund. Details are provided in Note 6B.

As at 31 December 2004, in Bank Zachodni WBK subsidiaries, assignments of receivables and guarantees backing loan agreements totalled PLN 308 979k.

7. Repo/reverse repo transactions not included in the balance sheet

As at 31 December 2004, Bank Zachodni WBK Group's balance sheet does not include any repo/reverse repo transactions.

8. Sanctioned financial liabilities, including irrevocable liabilities

Letter of credit backing the payment for bonds of Autostrada Wielkopolska S.A.

On 31 October 2000, the Bank took up 1 752 B series bonds of Autostrada Wielkopolska S.A. The purchase price is the PLN equivalent of EUR 6 250k. The final redemption date is 31 May 2037.

Payment for taking up the bonds was backed with a letter of credit opened for that purpose. The drawdowns are in PLN based on the exchange rate as at the drawdown dates. At any time, AW S.A. can demand a payment of a subsequent tranche. By 31 December 2004, the drawdown from the letter of credit totaled PLN 24 986k which represents the equivalent of EUR 6 126k. The equivalent of EUR 124k is still to be paid. In line with the adopted schedule, the total amount was to be paid by 2004-end, however due to delays in the schedule of drawdowns, the letter of credit has not been utilized.

Unpaid part of the share capital of Commercial Union Polska Towarzystwo Ubezpieczeń na Życie S.A.

Bank Zachodni WBK has 4 125 shares of Commercial Union Polska Towarzystwo Ubezpieczeń na Życie S.A. with the total nominal value of PLN 8 250k. The shares were taken up in two parts: in December 1992 (PLN 145k) and December 1999 (PLN 8 722k). As a result, the total value of the purchased shares is PLN 8 867k. However, in 1999, the share capital was not paid by all shareholders. The unpaid part due from the Bank is PLN 821k and represents its liability towards the Company. So far, there has been no need to pay the outstanding amount, as the Company's performance did not require obtaining funds from that source.

Withdrawal of a part of the share capital of BZ WBK Nieruchomości S.A. i Wspólnicy Spółka Komandytowa

On 22 December 2004, Bank Zachodni WBK S.A. concluded an agreement with BZ WBK Nieruchomości S.A. (the Bank's subsidiary) on changing the limited partnership BZ WBK Nieruchomości SA i Wspólnicy spółka komandytowa agreement. The main subject of the agreement is lowering the contributions of partners: Bank Zachodni WBK S.A., as a limited partner, to PLN 21,797k and BZ WBK Nieruchomości S.A., as a general partner, to PLN 2k.

In view of the above, it was decided to pay back the contribution of PLN 6 837k to Bank Zachodni WBK made by it in January 2005. Till the capital registration, the amount of PLN 6 837k represents the Bank's liability.

At the same time, Bank Zachodni WBK liability as a limited partner was capped at PLN 21 797k representing a commandite sum.

Bank Zachodni WBK participates in the Company's profits and losses pro rata to its contribution, i.e. 99.99%.

BZ WBK Nieruchomości S.A

Bank Zachodni WBK has a 99.99% shareholding in BZ WBK Nieruchomości S.A. The Company's share capital totals PLN 250k. In line with art. 308 § 1 and art. 624 § 2 of the Commercial Companies Code, the share capital must be increased up to PLN 500k by 2005-end.

9. Information about off-balance sheet liabilities, in particular about contingent liabilities including a list of granted civil law and bank guarantees (also b/e and other commitments of a guarantee nature), separating the ones granted to connected entities

Contingent liabilities – granted and received

	31.12.2004	31.12.2003
Granted liabilities:	4 739 854	4 374 730
- financing-related	4 035 037	3 786 813
of which: import letters of credit	54 078	70 394
of which: credit lines	3 619 600	3 350 983
- guarantees	704 817	587 917
of which: confirmed export letters of credit	3 247	-
Received liabilities:	614 239	533 857
Total	5 354 093	4 908 587

As at 31.12.2004, the Bank granted guarantees for the total of PLN 704 817k, of which PLN 20k represents guarantees granted to the connected entities /BZ WBK Nieruchomości S.A./. Guarantees granted to the subsidiaries BZ WBK Leasing S.A. and Dom Maklerski BZ WBK S.A. were eliminated as part of inter-company transactions.

Liabilities related to sell/buy transactions

	31.12.2004r.	31.12.2003r.
1. Fx transactions	19 920 880	21 426 109
- bought foreign currencies	9 976 810	10 658 112
- sold foreign currencies	9 944 070	10 765 599
- differences arising on SWAPs	-	2 398
2. Transactions in securities	1 247 982	1 256 926
- securities to be released	1 148 052	1 073 096
- securities to be received	99 930	183 830
3. Transactions in financial instruments	44 085 127	18 568 830
- bought	22 841 346	10 549 906
- sold	21 243 780	8 018 924
Total	65 253 989	41 251 865

10. Information about the proposed dividend payment if it has not been formally approved, and also about not disclosed cumulated dividends from preference shares

Bank Zachodni WBK will allocate 40% of net profit as a dividend. Dividend per share will be PLN 2.43 (PLN 0.32 for 2003) no. of shares 72 960 284.

Management Boards of Bank Zachodni WBK two subsidiaries presented a 2004 profit distribution proposal allocating PLN 22 833k to the dividend.

11. Information about the dividend approved for payment

Bank Zachodni WBK has not approved formally the dividend amount yet.

Companies composing Bank Zachodni WBK Group have not approved formally the dividend amount yet.

12. Liabilities towards the State Treasury or local government units arising from gaining the ownership title to buildings and structures

As at 31 December 2004, Bank Zachodni WBK Group did not have any liabilities towards the State Treasury or local authorities units arising from gaining the ownership title to buildings or structures.

13. Income, costs and impact of discontinued operations in the accounting period or of the operations planned to be discontinued in the next period with the reasons behind that

On 22 April 2004, Bank Zachodni WBK S.A. sold 850,000 registered shares of CardPoint S.A. based in Poznań. The stake accounted for 100% of CardPoint S.A. share capital. The buyer of the entire shareholding was NOVA EUROCONEX HOLDINGS B.V. based in Holland.

The CardPoint company's business is acceptance of transactions executed by means of payment and credit cards. At the moment of sales, this activity was fully spun off from the operations and services provided by BZ WBK Group. Therefore, in line with IFRS 5, operations conducted by CardPoint are considered as discontinued operations.

CardPoint – selected financial highlights as at 31 March 2004.

	PLNk
Balance sheet total	8 233
Income	17 329
Costs	(18 914)
Operating profit/loss	(1 585)
Tax charges	238
Net profit/loss	(1 347)
Cash flows from operating activities	(581)
Cash flows from investment activities	(273)
Cash flows from financing activities	41
Profit on the sales transaction executed by BZ WBK Group (before taxation)	55 135

14. Costs of commenced investments and production of fixed assets for the Bank's own needs

31.12.2004

As at 31 December 2004, the investments commenced in Bank Zachodni WBK Group were PLN 15 491k. Commenced investments in hardware and other assets totaled PLN 6 154 k and the construction investments as well as the original furnishing of outlets totaled PLN 9 337k.

31.12.2003

As at 31 December 2004, the investments commenced in Bank Zachodni WBK Group were PLN 12 659k. Commenced investments in hardware and other assets totaled PLN 10 953k and the construction investments as well as the original furnishing of outlets totaled PLN 1 706k.

15. The capital outlays incurred and planned for the upcoming 12 months from the balance sheet date, including outlays for non-financial fixed assets

The capital expenditure incurred by Bank Zachodni WBK in 2004 totaled PLN 60 610k:

- information technology PLN 49 186k,
- real estate PLN 11 424k,

The capital outlays (cash flows) of Bank Zachodni WBK planned to be incurred over the next 12 months are PLN 103 955k.

In 2004, BZ WBK subsidiaries incurred capital outlays of PLN 4 961k and the planned outlays for the next 12 months total PLN 8 934k.

16.1 Information about the issuer's transactions with connected entities, including entities connected with Bank Zachodni WBK in terms of capital or organization as stipulated by the Banking Law, with regard to transferring rights and liabilities, taking account of the Bank's credit policy and a percentage share related to transactions with these entities

Receivables	of which, from fully consolidated subordinated entities	of which, from subordinated entities accounted for using an equity method	of which, from a parent company (AIB Group)	Total 31.12.2004
Amounts due from financial sector	234 590	9	1 146 759	1 381 358
Short-term	43 088	5	1 039 309	1 082 402
Long-term	191 502	4	107 450	298 956
Amounts due from non-financial sector	3	-	-	3
Short-term	3	-	-	3
Long-term	-	-	-	-
Other assets	684	-	51 325	52 009
Total	235 277	9	1 198 084	1 433 370

Receivables	of which, from fully consolidated subordinated entities	of which, from subordinated entities accounted for using an equity method	of which, from a parent company (AIB Group)	Total 31.12.2003
Amounts due from financial sector	517 932	-	506 126	1 024 058
Short-term	197 278	-	460 575	657 853
Long-term	320 654	-	45 551	366 205
Amounts due from non-financial sector	-	14	-	14
Short-term	-	14	-	14
Long-term	-	-	-	-
Other assets	26 230	-	26 649	52 879
Total	544 162	14	532 775	1 076 951

As at 31 December 2004, the above transactions accounted for 7.64 % of amounts due from the financial, non-financial and public sectors (as at 31.12.2003 – 7.63%).

Liabilities	of which, toward fully consolidated subordinated entities	of which, toward subordinated entities accounted for using an equity method	of which, toward a parent company (AIB Group)	Total 31.12.2004
Amounts due to financial sector	404 348	60 116	2 600	467 064
Short-term	404 348	60 116	2 600	467 064
Long-term	-	-	-	-
Amounts due to non-financial sector	1 818	448	-	2 266
Short-term	1 818	448	-	2 266
Long-term	-	-	-	-
Other liabilities arising from financial instruments	16 841	-	-	16 841
Special funds and other liabilities	13 189	-	26 527	39 716
Costs and income settled over time	640	-	-	640
Total	436 836	60 564	29 127	526 527

Liabilities	of which, toward fully consolidated subordinated entities	of which, toward subordinated entities accounted for using an equity method	of which, toward a parent company (AIB Group)	Total 31.12.2003
Amounts due to financial sector	238 251	72 109	226	310 586
Short-term	238 251	72 109	226	310 586
Long-term	-	-	-	-
Amounts due to non-financial sector	1 781	356	-	2 137
Short-term	1 781	356	-	2 137
Long-term	-	-	-	-
Other liabilities arising from financial instruments	-	-	-	-
Special funds and other liabilities	35	-	21 503	21 538
Costs and income settled over time	-	-	-	-
Total	240 067	72 465	21 729	334 261

As at 31 December 2004, the above transactions accounted for 0.14 % of amounts due from the financial, non-financial and public sectors (as at 31.12.2003 – 1.75%).

16.2. Information pertaining to connected entities, about:

a) receivables and liabilities

b) costs and income, including interest and commissions, costs of provisions for loans and advances

c) sanctioned financial liabilities including irrevocable ones

d) other information necessary for producing the consolidated financial statements

Information about receivables and liabilities is presented in item 16.1.
Detailed figures in respect of the Bank's liabilities are presented in item 9.

Income on transactions with connected entities

	of which, with fully consolidated subordinated entities	of which, with subordinated entities accounted for using an equity method	of which, with a parent company (AIB Group)	Total 01.01- 31.12.2004
Interest income	12 659	1	31 366	44 026
Commission income	21 493	7	-	21 500
Other operating income	5 992	562	-	6 554
Income from shares or interests	-	-	(1 763)	(1 763)
Total	40 144	570	29 603	70 317

	of which, with fully consolidated subordinated entities	of which, with subordinated entities accounted for using an equity method	of which, with a parent company (AIB Group)	Total 01.01- 31.12.2003
Interest income	26 602	-	68 417	95 019
Commission income	26 802	15	-	26 817
Other operating income	12 203	647	-	12 850
Total	65 607	662	68 417	134 686

Costs of transactions with connected entities

	of which, with fully consolidated subordinated entities	of which, with subordinated entities accounted for using an equity method	of which, with a parent company (AIB Group)	Total 01.01- 31.12.2004
Interest expense	20 107	975	34	21 116
Commission expense	782	35	-	817
Other operating costs	25	-	-	25
Costs of bank's operations	24	98	25 631	25 753
Profit on financial operations	-	-	3 821	3 821
Total	20 938	1 108	29 486	51 532

	of which, with fully consolidated subordinated entities	of which, with subordinated entities accounted for using an equity method	of which, with a parent company (AIB Group)	Total 01.01- 31.12.2003
Interest expense	14 665	5	11	14 681
Commission expense	1 567	-	-	1 567
Other operating costs	255	160	-	415
Costs of bank's operations	104	-	33 187	33 291
Profit on financial operations	-	-	46 964	46 964
Total	16 591	165	80 162	96 918

The following consolidation eliminations related to intercompany transactions of fully consolidated entities were made:

- assets were decreased by PLN 685 945k, including:
 - amounts due from the financial and non-financial sector by PLN 656 143k,
 - debt securities by PLN 5 360k,
 - other securities and other financial assets by PLN 19 461k,
 - other assets by PLN 1 861k,
 - prepayments by PLN 3 120k,
- liabilities were decreased by PLN 685 945k, including:
 - amounts due from the financial and non-financial sector by PLN 641 513k
 - liabilities arising from debt securities by PLN 5 309k,

- other liabilities arising from financial instruments by PLN 19 461k,
- special funds and other liabilities by PLN 16 492k,
- income and costs settled in time by PLN 640k,
- profit/loss from the previous years by PLN 1 737k,
- net profit/loss by PLN 793k.
- OBS items were decreased by PLN 4 937 956k
- Costs were decreased by PLN 60 833k, including:
 - Interest expense by PLN 34 588k,
 - Commission expense by PLN 18 299k,
 - Operating costs by PLN 7 709k,
 - Other operating costs by PLN 237k
- Income was decreased by PLN 61 626k, including:
 - Commission income was reduced by an amount of PLN 33 645k,
 - Income from fees by PLN 28 512k,
 - Net income from the sale of products, goods and materials PLN (6 606)k,
 - Other operating income by PLN 6 075k

All the transactions were executed at arms length

17. Information on joint undertakings, which are not subject to consolidation

In 2004, entities of Bank Zachodni WBK Group did not participate in joint undertakings with other entities, which are not subject to full consolidation.

18. Income and costs of the Bank's brokerage operations

BZ WBK Brokerage House and BZ WBK Asset Management – subsidiaries of Bank Zachodni WBK S.A. – run brokerage operations within the Bank Zachodni WBK Group. Income from the brokerage operations totaled PLN 75 479k in 2004, while costs were PLN 53 197k.

19. Write downs of irrecoverable receivables against costs, broken into write down categories and manners – against the raised provisions, against costs on financial operations and against the other operating costs, with the specification of losses incurred due to loans and advances

Until 1 July 2003, the BZ WBK Write Down and Write Off Manual introduced by way of Management Board Member's Ordinance no. 221/2001 dated 7 December 2001 with subsequent amendments was in force. Since 2 July 2003 regulations set forth in the BZ WBK S.A. Write down and Write Off Manual introduced by way of Management Board Member's Ordinance no. 104/2003 dated 26 June 2003 have been applied.

In accordance with the said regulations, write down against provisions can be applied only when the provision covers the whole principal to be written down /except for cases when only interest is written down/.

In 2004, in Bank Zachodni WBK S.A. the write-off and write-down totalled PLN 35 221k while the central write-off against the provisions totalled PLN 223 456k.

In the same period, BZ WBK Leasing S.A. and BZ WBK Finanse & Leasing S.A. raised provisions for unrecoverable receivables against costs in the amount of PLN 26 028k.

In 2003, the write-off and write-down totalled PLN 52 921k while the central write-off against the provisions totalled PLN 252 721k.

In the corresponding period, BZ WBK Leasing S.A. and BZ WBK Finanse & Leasing S.A. raised provisions for unrecoverable receivables against costs in the amount of PLN 51 558k.

When writing down/off receivables, the Bank applies regulations of the CIT Act dated 15 February 1992 with subsequent amendments and recommendations stemming from the Tax policy for writing down/off, central write-downs and sale of debts adopted by the Management Board on 2 April 2003.

20. Costs of raising provisions for future liabilities toward staff with a break-down into individual categories

The costs related to raising provisions for future liabilities towards the staff of Bank Zachodni WBK as at 31 December 2004 were as follows:

- | | |
|-------------------------------------|---------------|
| • provision for bonuses and awards | - PLN 34 312k |
| • provision for ZUS | - PLN 8 889k |
| • provision for retirement packages | - PLN 6 574k |

As at 31 December 2004, costs related to raising provisions for the future liabilities towards employees of the subsidiaries totalled:

- | | |
|-------------------------------------|-------------|
| • provision for bonuses | - PLN 746k, |
| • provision for ZUS | - PLN 51k |
| • provision for retirement packages | - PLN 17k |

21. Costs incurred for financing staff pension schemes

Bank Zachodni WBK Group does not incur costs related to financing staff pension schemes.

22. Information about custodian services

Bank Zachodni WBK provides custodian services in accordance with Stock Exchange Commission license of 09 August 1999. The Bank's custodian services are addressed to residents - private individuals and legal enterprises - and to foreign institutional investors present on the Polish capital market. They involve, inter alia, maintaining securities accounts, settling transactions, handling dividend and interest payments, ensuring redemption of debt securities, performing portfolio valuations, executing instructions stipulated in authorisations given by customers, and representing them at the General Annual Meetings of public companies. The Bank also acts as a depository for investment funds. Apart from the Investment Arka Obligacji FIO (Arka Bond Fund), since 2003, Arka Global Index 2007 and LUKAS Stable Growth Fund have also been the Bank's customers. They are managed and represented by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A.

23. Information about asset securitization

Bank Zachodni WBK Group does not securitize assets.

24. Average staffing level with a break-down into professional groups

31.12.2004

As at 31 December 2004, the staffing level in Bank Zachodni WBK S.A. totaled 7 091.88 FTEs.

As at that date, the Bank employed 7 121 people.

In 2004, the average staffing level in Bank Zachodni WBK was 7 188.52 FTEs.

In 2004, the average staffing level in the Banku Zachodniego WBK subsidiaries consolidated line by line was 359,58 FTEs and 406 people.

The table below presents the employment structure in Bank Zachodni WBK Group with a break-down according to education:

Education	No. of staff	Structure %
University/college degree	4 507	59.8 %
High school degree	2 913	38.6 %
Vocational	33	0.4 %
Other	88	1.2 %
Total	7 541	100 %

31.12.2003

As at 31 December 2003, the staffing level in Bank Zachodni WBK S.A. totaled 7 416.83 FTEs.

As at that date, the Bank employed 7 462 people.

Average staffing level in Bank Zachodni WBK in 2003 was 8 308,05 FTEs.

In 2003, the average staffing level in Bank Zachodni WBK subsidiaries consolidated under full method was 356.31 FTEs and 384 people.

The table below presents the employment structure in Bank Zachodni WBK Group with a break-down according to education:

Education	No. of staff	Structure %
University/college degree	4 556	58.2 %
High school degree	3 169	40.5 %
Vocational	37	0.5 %
Other	65	0.8 %
Total	7 827	100%

- 25. Remuneration and bonuses (both in cash and in kind) paid or due (separately) to Members of the Management Board and Supervisory Board of the issuer in the issuer's company, irrespective of whether they were taken to costs or resulted from the profit distribution, and, where the issuer is a parent entity or a majority investor, separately for the remuneration and bonuses received as a result of holding a position in subsidiary, interdependent and associated undertakings (separately for each of the groups). Also aggregated data on the other connected entities should be presented with regard to remuneration, together with the remuneration from the profit, paid out to or due to the Management Board Members and Supervisory Body Members.**

31.12.2004

Remuneration paid to the Members of Bank Zachodni WBK Supervisory Board

First and last name	Position	amount (PLN'000)
Marian Górski	Chairman of the Supervisory Board	140.6
Waldemar Frąckowiak	Member of the Supervisory Board	121.3
Aleksander Galos	Member of the Supervisory Board	116.3
Marek Grzegorzewicz	Member of the Supervisory Board	43.8
Aleksander Szwarc	Member of the Supervisory Board	116.8
Jacek Ślotała	Member of the Supervisory Board	88.6
Dermot Gleeson	Member of the Supervisory Board	21.4
John Power	Member of the Supervisory Board	19.5
TOTAL		668.4

Members of the Supervisory Board who decided not to be remunerated.

First and last name	Position	amount (PLN'000)
Gerry Byrne	Deputy Chairman of the Supervisory Board	-
Don Godson	Member of the Supervisory Board	-
Declan Mc Sweeney	Member of the Supervisory Board	-

Remuneration paid to the members of Bank Zachodni WBK Management Board

First and last name	Position	amount (PLN'000)
Jacek Kserń	President of the Management Board	1 117.7
Cornelius O'Sullivan *	First Vice President of the Management Board	2 617.4
Declan Flynn *	Member of the Management Board	1 157.6
Michał Gajewski	Member of the Management Board	507.0
Michael Keegan *	Member of the Management Board	571.9
Justyn Konieczny	Member of the Management Board	718.6
Janusz Krawczyk	Member of the Management Board	497.0
Jacek Marcinowski	Member of the Management Board	474.6
James Murphy *	Member of the Management Board	247.2
Mateusz Morawiecki	Member of the Management Board	490.6
Feliks Szyszkowski	Member of the Management Board	440.9
Maciej Węgrzyński	Member of the Management Board	1 037.9
TOTAL		9 878.4

The amount of remuneration paid to the Management Board Members of Bank Zachodni WBK S.A. includes: basic salary for 2004, awards for 2003, pay due to termination of employment contract, annual leave equivalent, salary due to non-competition agreement, costs of insurance, costs of accommodation, costs of health care.

*In respect of Messrs O'Sullivan, Flynn, Murphy and Keegan (Irish nationals on assignment to BZWBK from Allied Irish Banks plc, Dublin, Ireland), whose terms of assignment cover payment of salaries in their home country currency and such sums are impacted by movements in currency exchange rates. Furthermore, their terms of assignment include reimbursement of Allied Irish Banks plc's costs in respect of pension contributions, medical insurance cover, Allied Irish Banks plc profit sharing scheme and other benefits. Costs in respect of accommodation and school fees are also paid by BZWBK in specific cases. The total of this reimbursement including relevant Polish social security costs and Polish income tax liability in 2004 amounts to PLN 4 011k.

In 2004, none of the Members of the Management Board or the Supervisory Board of Bank Zachodni WBK received any remuneration from subsidiaries or associated entities.

In 2003, total remuneration for individuals managing and supervising the subsidiaries of BZ WBK Group totalled PLN 5 201k.

31.12.2003

Total remuneration paid to the Members of the Management Board of Bank Zachodni WBK and the members of the Supervisory Board in 2003 totalled PLN 12 396k and PLN 657k, respectively.

In 2003, none of the Members of the Supervisory Board or the Management Board of Bank Zachodni WBK received any remuneration from subsidiaries or associated entities.

In 2003, total remuneration for individuals managing and supervising the subsidiaries of the BZ WBK Group totalled PLN 4 688k.

26. Non-repaid advance payments, loans, borrowings, guarantees, civil law guarantees or other agreements representing receivables of the issuer, its subsidiary, interdependent and associated undertakings, with information on the interest rate and the repayment details of the amounts granted by the issuer and separately by the subsidiary, interdependent and associated undertakings (separately for each of the groups) to Members of the Management Board and Supervisory Board as well as to the employees of the issuer, separately for the Members of the Management Board and Supervisory Board and the employees as well as, separately, for the spouses, relatives and next of kin, adopted children or adoptive parents as well as other persons to which Members of the Management Board and the Supervisory Board are personally connected, along with the information on the interest rate and the repayment details

31 December 2004

Board Members

As at 31 December 2004, the Members of the Management or Supervisory Board did not avail of any loans, advances and guarantees granted by Bank Zachodni WBK's subsidiaries or associates.

As at 31 December 2004, loans and advances sanctioned to the Members of Bank Zachodni WBK Management by the Bank totalled respectively PLN 2 844k, CHF 22k, and to Supervisory Board Members - PLN 252k respectively.

The balance of borrowings sanctioned to relatives and next of kin of the Bank's Management Board Members totalled PLN 116k and CHF 30k.

The balance of borrowings from the Company's Social Fund granted to the BZ WBK Management Board Members was PLN 5k.

All loans and advances were sanctioned based on the general terms and conditions .

Bank Zachodni WBK Group's employees

As at 31 December 2004, the balance of borrowings sanctioned to BZ WBK employees was PLN 105 890k (including the debt reflected on joint accounts, which stood at PLN 14 516k), while the volume of borrowings sanctioned to employees of subsidiaries and associates was PLN 6 487k.

The balance of borrowings from the Company's Social Fund granted to the employees of Bank Zachodni WBK, as at 31 December 2004, totaled PLN 20 238k.

All loans and advances were sanctioned based on the general terms and conditions.

31 December 2003

Board Members

As at 31 December 2003, the Members of the Supervisory Board did not avail of any loans, advances and guarantees granted by Bank Zachodni WBK, its subsidiaries or associates.

As at 31 December 2004, loans and advances sanctioned to the Bank Zachodni WBK Management Board Members by the Bank totalled PLN 234k and CHF 25k.

The balance of borrowings sanctioned to relatives and next of kin of the Members of the Bank's Management Board totalled PLN 180k and CHF 30k.

The balance of borrowings from the Company's Social Fund granted to the BZ WBK Management Board Members was PLN 6k.

All loans and advances were sanctioned based on the general terms and conditions as specified in the Bank's offering.

Bank Zachodni WBK Group's employees

As at 31 December 2003, the balance of borrowings sanctioned to BZ WBK employees was PLN 81 210k (including the debt reflected on joint accounts, which stood at PLN 10 388k), while the volume of borrowings sanctioned to employees of subsidiaries and associates was PLN 3 633k.

The balance of borrowings from the Company's Social Fund granted to the employees of Bank Zachodni WBK, as at 31 December 2003, totaled PLN 20 002k.

All loans and advances were sanctioned based on the general terms and conditions.

27. Significant events related to previous years included in the financial statements for the current period

There were no significant events related to previous years to be included in the financial statements for 2004.

28. Significant post-balance sheet date events, which have not been reflected in the financial statements

There were no significant post balance sheet events which were not included in the financial statement in the BZ WBK Group.

29. Significant events in the accounting year triggering substantial change in the structure of the balance sheet and the financial result

No significant events changing the balance sheet structure and the financial result took place in Bank Zachodni WBK Group.

30. The relations between the legal predecessor and the issuer as well as the method and the scope of taking over assets and liabilities

Bank Zachodni WBK Group entities did not participate in any business merger in 2004.

31. Financial statements and comparable financial data, at least in relation to the key balance sheet and the P&L account lines adjusted for relevant inflation rate, indicating the source of the rate and the application methods, taking the last financial statement as the base period – if the accumulated average annual inflation rate from the past three years of the issuer's operations has reached or exceeded 100%

In recent years Poland has not witnessed inflation rate above 20% - accumulated average annual inflation rate from the previous three years was below 100% - therefore, there was no need to adjust the financials for inflation rate.

32. Specification of differences, along with explanations, between the data disclosed in the financial statements and the comparable financial data and the previously produced and published financial statements

The information presented in Bank Zachodni WBK SA consolidated annual report as at 31 December 2004 is prepared in compliance with Polish Accounting Standards resulting from current binding laws.

In order to obtain comparability of 2003 balance sheet positions BZ WBK Group adjusted amounts of factoring settlements by PLN 11 131k relating to blocked factoring receivables. The adjustment decreases positions IV Loans and advances to non-financial sector and III Deposits of non-financial sector.

Moreover, the intangible assets capital expenditures were excluded from the cumulated position - PLN10 160k.

Changes in presentation of the profit & loss account were made in respect to the following items of the consolidated statements of Bank Zachodni WBK Group.

Profit & loss account (PLN'000)		31.12.2003*	changes		31.12.2003 after changes
I	Interest income	1 422 099			1 422 099
II	Interest expense	(593 033)			(593 033)
III	Net interest income (I-II)	829 066			829 066
IV	Commission income	646 171	(4 485)	(1)	641 686
V	Commission expense	(109 704)			(109 704)
VI	Net Commission income (IV-V)	536 467	(4 485)		531 982
VII	Net income from sale of products, commodities and materials	51 381			51 381
VIII	Costs of sold products, commodities and materials	-			-
IX	Costs of sales	-			-
X	Profit/loss on sale (VII-VIII-IX)	51 381			51 381
XI	Income from shares or interests, other securities and other financial instruments with a variable yield	52 403			52 403
XII	Profit on financial operations	73 184	(59 617)	(2)	13 567
XIII	FX profit	144 664	60 740	(3)	205 404
XIV	Profit on banking operations	1 687 165	(3 362)		1 683 803
XV	Other operating income	61 103	(14 141)	(4)	46 962
XVI	Other operating costs	(85 344)			(85 344)
XVII	Costs of bank's operations and general management	(1 039 899)	(18 626)	(5)	1 021 273
XVIII	Depreciation/amortization of fixed assets and intangibles	(225 433)			(225 433)
XIX	Allocations to provisions	(732 910)	1 129	(6)	(731 781)
XX	Release of provisions	592 017	(2 252)	(7)	589 765
XXI	Net balance of provisions (XIX-XX)	(140 893)	(1 123)		(142 016)
XXII	Profit on operating activities	256 699			256 699
XXIII	Profit on extraordinary operations	506			506
XXIV	Write-down of subordinated entities' goodwill	-			-
XXV	Write-down of subordinated entities' negative goodwill	3 165			3 165
XXVI	Gross profit (loss)	260 370			260 370
XXVII	Income tax	(123 476)			(123 476)
XXVIII	Other obligatory profit reduction (loss increase)	(20)			(20)
XXIX	Share in net profits (losses) of subordinated entities accounted for using the equity method	270			270
XXX	(Profits) losses of entities with Bank's minority shareholdings	(8 271)			(8 271)
XXXI	Gross profit (loss)	128 873			128 873

* data presented in extended consolidated quarterly report SAB QSr IV/2003 of Bank Zachodni WBK S.A. published on 24.02.2004.

Changes made for year 2003 aim to ensure the comparability of the profit & account statements.

Individual changes arising from detailing the NBP interpretation and harmonizing the presentation as well as reclassifying income and costs in subsidiaries' statements are presented below:

- 1) an elimination shift of PLN 4 485k was made as a result of income reclassification between XV Other operating profit and IV Commission incomes relating to distribution fee adjustment (refers also to item 4),
- 2) & 3) fx swap points were reclassified of PLN 60 740k,
- 4 & 5) Net presentation of re-invoiced income and costs were taken to P&L account adjusting XVII. Costs of bank's operations and general management and XV Other operating profit" by the amount of PLN 18 626k,
- 6 & 7) presentation of valuation of securities held for trading was standardized (refers also to item 3).

This year has seen a change in the way of presenting financial instruments in OBS positions of subsidiaries under the heading "II. Commitments arising from purchase/sale transactions ". As a result of the corrections and consolidations adjustments made, the value of this item as at 31.12.2004 totals PLN 65 253 989k and differs from the value published in the SAB QSr4-2004 report by PLN 1 080 352k. As a result of corresponding revaluations, the value of this item as at 31.12.2003 is PLN 41 251 865k and differs by PLN 398 650k from versions published earlier.

33. Changes in the accounting principles policies and consolidated reporting introduced since the previous accounting year (accounting years), their reasons, titles and impact on the Bank's business and financial standing, liquidity, net income and profitability

In this reporting period, there were no changes to the accounting principles. Financial effects arising from the change to the manner of producing a financial statement have been described in it. 32 of Additional Explanatory Notes to the consolidated financial report.

34. Correction of fundamental errors, their reasons, titles and the impact of the resulting financial implications on the financial standing, liquidity, the financial result and profitability

The 2004 consolidated statements of Bank Zachodni WBK Group do not include any corrections of fundamental errors because there were no such errors.

35. If there is uncertainty as to the possibility to continue in business (going concern), the additional notes should include the description of the uncertainty as well as a statement that it exists paralleled by the indication that, as a result, the financial statements might include the related adjustments. The information should also include the description of the actions taken or envisaged by the issuer's unit aimed at eliminating it.

There is nothing that would indicate the impossibility of Bank Zachodni WBK Group to continue in business.

36. If the financial statements are produced for the period of the merger, the additional note should indicate that these are financial statements produced following the merger as well as the date of the merger and the accounting treatment of business combination (acquisition, uniting of interests)

In 2004, there was no merger that would include any of the Bank Zachodni WBK Group entities.

37. If the issuer does not produce consolidated financial statements, the additional note to the financial statements should present the legal basis for the waiver of the obligation to produce the consolidated financial statements along with the data justifying the departure from consolidation, valuation based on equity method, name and registered office of the unit producing the consolidated financial statements at the higher level of the group and the place where it is published, key economic and financial ratios defining the operations of the connected units in a given accounting year and in the past accounting year, such as: income from sales and financial income, net financial result, equity broken down into groups, value of fixed assets, average annual employment and other information if required by force of separate regulations

Bank Zachodni WBK produces consolidated financial statements of the Group.

- 38. Information on adjustments and values of individual items in the financial statement for which other methods and valuation principles were adopted, in the case of making appropriate adjustments of the financial statement of the unit covered by the consolidated financial statement to the methods and principles adopted by the dominant entity, and in the case of waiving the adjustments – justification for the waiver.**

In the consolidated financial statements of Bank Zachodni WBK Group for 2004, there were no adjustments to the individual items of the financial report for which methods or valuation principles were adopted other than the ones adopted by the parent entity.

- 39. If the issuer developing consolidated financial reports exempts, based on the separate regulations, a unit from the obligation to be included in the consolidation, or by means of the equity method, in the additional explanatory note to the consolidated financial report, a legal basis must be presented along with the data excluding exemptions, basic business and financial indicators, displayed by the connected units in the current and previous accounting year, such as: income from sales and financial income, net financial result and own funds, with a break-down into groups, value of fixed assets, average annual manpower and other information required based on separate regulations**

All the companies within the Bank Zachodni WBK Group have been subject to full consolidation or accounted for using equity method which has been described in detail in item 12 of Introduction to the consolidated financial statements.

- 40. Moreover, in the case of information other than the one indicated above, required based on the applicable accounting regulations or other information which can significantly impact the assessment of the property, financial standing, financial result as well as their changes – this information should be disclosed in the appropriate part of the financial statement**

Significant litigations pending:

Suit filed by Bieltex S.A. against Dzierżoniów Powiat

On 11 July 2002, the District Court in Świdnica, issued a verdict in the suit filed by Bieltex S.A. in Bielawa against Dzierżoniów Powiat (with the Bank as the secondary intervener supporting the plaintiff's claim) which acknowledged the claim and adjudicated that the defendant's statement was invalid, i.e. the waiver of agreement on the purchase of "Sudety" Reservoir (the disputable amount: PLN 18 328k). The verdict is very important for the Bank due to the fact that the receivable arising from the payment for the reservoir was transferred by Bieltex S.A. for the benefit of Bank Zachodni S.A. in 1999 and, based on this, the Bank restructured the plaintiff's debt by way of writing off part of their credit liabilities. The defendant appealed against the verdict. By force of the ruling dated 5 March 2003, the Court of Appeal dismissed the appeal thus sustaining the verdict issued by the Lower Court. Dzierżoniów Powiat filed a final appeal (cassation). On 21 May 2004, the Supreme Court heard the case. As the parties were negotiating a compromise solution to all pending court cases, the Supreme Court deferred the hearing until 21 July 2004.

At the hearing on 21 July the Supreme Court decided that it was impossible to conclude the proposed arrangement as it goes beyond the subject matter of the final appeal and would make it impossible to use legal coercive measures. Hence, the litigants have applied for suspension of proceedings with a view to reaching an out-of-court arrangement.

The Supreme Court suspended the proceedings at the joint request of the parties in view of the talks held aimed at reconciliatory solution of all disputable issues involving the Bank, Dzierżonów Poviát and Bieltex.

On 09 November 2004, an out-of-court arrangement was concluded. It concerned regulating the legal status of the Sudety Reservoir and related financial settlements. The parties agreed in the arrangement, inter alia, the mode of conduct re. litigation held before the Supreme Court. With a letter of 09 November 2004, the Poviát withdrew the final appeal lodged.

Suit filed by Dzierżonów Poviát against Bieltex S.A. and BZ WBK S.A.

Legal action brought in by Dzierżonów Poviát against ZB Bieltex in bankruptcy and Bank Zachodni WBK S.A. - disputable amount totals PLN 18 328k. On 24 July 2003, Dzierżonów Poviát filed a claim, served on the Bank on 24 December 2003, to establish the contents of the entry in the Land and Mortgage Register against the actual legal status. This claim is related to a separate legal action aimed at identifying the existence of a purchase-sale agreement (re: the purchase of the above Sudety Reservoir) dated 17 September 1999. The above described separate court proceedings resulted in verdicts of the Lower and Higher Courts, which confirmed the validity of the agreement on the sale of Sudety Reservoir. Dzierżonów Poviát lodged a final appeal to the Supreme Court. The final appeal is rejected and thus the verdicts of the Lower and Higher Courts (favourable to the Bank) are sustained, the proceedings instituted by Poviát Dzierżonowski on 24 December 2003 will be irrelevant. On 1 March 2004, the court suspended the proceedings until the Supreme Court has resolved the appeal.

In view of the fact that on 09 November 2004, an out-of-court arrangement was concluded and it concerned regulation of the legal status of the Sudety Reservoir and related settlements, the parties agreed, among others, on the manner of conduct re. the litigation before the Regional Court - the parties filed a joint request to reinstate the suspended proceedings and next Poviát withdrew its claim.

On 22 November 2004, the Regional Court in Dzierżonów issued a verdict on the discontinuance of proceedings. The verdict is legally valid.

Suit filed by Agrofirma Spółdzielcza against BZ WBK

Disputable amount: PLN 3 760k. On 10 May 2002, Agrofirma Spółdzielcza in Wroniawy filed a claim for the payment of PLN 3 760k along with statutory interest due for the period from 9 May 2002 to the payment day, which was served on the Bank on 23 December 2002. The above amount is the total of the alleged damage of PLN 3 506k due to the settlement by the Bank of forward f/x transactions along with interest of PLN 254k due for the period from 28 December 2001 to 8 May 2002. The plaintiff claims that on 28 December 2001, the Bank closed and settled the transaction with the value date as at this day unlawfully, i.e. without any additional instruction placed by the plaintiff on that day. The plaintiff made an allegation that they were deceitfully induced by the Bank's staff to conclude f/x buy-sale transaction. The plaintiff was allegedly ensured during conversations about the profitability of concluded transactions and the possibility to "roll" them in case they would bring losses to the plaintiff. The Bank carried out detailed explanatory proceedings and assessed that the charges made by Agrofirma Spółdzielcza are groundless as they are not confirmed by facts and documents and the allegations made by the plaintiff's legal representative depart from the truth. The Bank raised a provision for the disputable amount of PLN 1 500k. With its decision of 30

April 2004, the court fully dismissed the action brought by Agrofirma Spółdzielcza in Wroniawy. On 8 June 2004, the plaintiff filed an appeal with the court. On 15 June this year, the Court called upon the plaintiff to pay the appeal fee. Since he failed to do it on time, the plaintiff's appeal was dismissed.

The plaintiff lodged a complaint against the appeal dismissal.

On 18 November 2004, the Appeal Court in Wrocław reversed the decision of the Lower Court on the dismissal of the plaintiff's complaint against the verdict of 30 April 2004 (dismissing Agrofirma's claim). On 27 December 2004, the Bank was served the plaintiff's appeal. On 10 January 2005, the Bank responded to the appeal.

Suit filed by Centrum Leasingu i Finansów CLIF S.A. (Finance & Leasing Centre) against BZ WBK S.A

Suit filed by Centrum Leasingu i Finansów CLIF S.A. (Finance & Leasing Centre) with its registered office in Warsaw against BZ WBK S.A. - disputable amount totals PLN 2 738k. On 19 May 2003, Centrum Leasingu i Finansów CLIF SA, filed a claim for the payment of PLN 2 738 k, i.e. the difference between the total value of assets with ownership rights transferred onto the Bank (the security) and the value of receivables from lease contracts assigned onto the Bank.

In its letter dated 19 January 2004, the plaintiff changed the value of the claim to PLN 1 445k. In the statement of claim dated 20 April 2004, the Bank sustained its stance and responded to the allegations made by the plaintiff in the letter dated 19 January 2004. The date of the hearing was set for 4 August 2004. During the court trial parties sustained their stances. The date of the next trial was set for 6 December 2004. The created provision totals PLN 1 873k. Given the amount of the provision, the bank's proxy produced an opinion that raising a legal risk provision for this case is purposeless.

On 15 December 2004, the parties concluded a settlement in court as a result of which the court discontinued the proceedings.

Suit filed by PPHU PREFBUD Sp. z o.o. with the registered office in Olsztyn against BZ WBK S.A.

Legal action brought in by PPHU PREFBUD Sp. z o.o. with the registered office in Olsztyn against Bank Zachodni WBK S.A. to establish the content of the L&M register against the actual legal status – disputable amount is PLN 5 250k. The summonses were served on the Bank on 12 January 2004. As the bank filed a separate claim the repayment of the loan by the plaintiff (debtor in rem), the plaintiff has raised an objection that the mortgage was perfected in breach of law (resolution of the partners was required in accordance with art. 230 of the Commercial Companies Code) and is now seeking to remove the mortgage charge established for the benefit of the Bank over the plaintiff's property. The bank responded to the statement of claim. According to the court's decision of 12 March 2004, the case was transferred to the District Court. In its decision of 29 March 2004, the District Court determined the final amount of the court fee and called upon the plaintiff to pay the difference between the interim and final mortgage charge of PLN 99k. In its letter of 1 April 2004, the plaintiff filed for exemption from costs. In accordance with the court decision dated June 2004 the plaintiff was exempted from court fee of PLN 20k. There are no grounds for raising a legal risk provision.

The above case – brought before the court by the Bank for the payment of PLN 5 250k (the value of the open mortgage) – is pending until the verdict is reached in respect of the case for establishing the content of the entry in the Mortgage and Land Register against the actual legal status.

The claim dismissal with a verdict of 28 December 2004 – the ruling is not legally valid.

Suit filed by Bank Zachodni WBK S.A. against Władysława Rychlik, Eryk Rychlik, Henryk Rychlik, Anna Biskupska, Andrzej Buszkiewicz to declare bankruptcy

Suit filed by Bank Zachodni WBK S.A. against Władysława Rychlik, Eryk Rychlik, Henryk Rychlik, Anna Biskupska, Andrzej Buszkiewicz to declare bankruptcy - the disputable amount of all five claims totals PLN 136 250k. On 3 June 2004, the Bank lodged five separate claims for declaring bankruptcy of the above persons. The case concerns a group of private individuals with family and social links who run farms and business operations that are linked in organizational and functional terms. In view of the above, the aforementioned individuals are treated as one group. The bankruptcy petitions are aimed to safeguard the debtors' assets against an uncontrolled collapse. The Bank does not exclude a possibility of an arrangement with the creditors and implementation of a sound turnaround program. The court appointed a Court Supervisor.

On 06 December 2004, the bankruptcy of the Rychlik Group entities was declared. The verdict on bankruptcy declaration (covering the liquidation of assets) became legally valid. The court appointed a Creditors Board. The bankruptcy proceedings are in progress.

Suit filed by METRON-TERM Sp. z o.o. in Torun against Bank Zachodni WBK SA to remove inconsistencies between the property legal status disclosed in L&M register no. 36891 and the actual legal status – disputable amount is PLN 3 000k.

The claim was served on the Bank on 27 April 2004. The plaintiff seeks to eliminate the discrepancy between the legal status of the property recorded in the Land and Mortgage Register at no. 36891 and the actual legal status by removing the open mortgage charge of up to PLN 3 000k encumbering the property located in Toruń at ul. Szosa Lubicka 17a in favour of BZ WBK, 1st Toruń branch. Branch 1 in Torun. In addition, the plaintiff demanded measures for the safeguarding claim by including a warning about the court proceedings in III KW no. 36891 run by the Regional Court in Toruń Unit V of L&M Register concerning determination of contents of the Land and Mortgage Register entry with the actual legal status with regard to the open mortgage recorded in section 4 of the Register.

In view of an arrangement signed on 25 June 2004 re. the debt repayment, the court suspended the proceedings at the joint request of the parties.

FX structure of assets and liabilities

Bank Zachodni WBK S.A.

	Components of fx position B/S long (+)	Components of fx position B/S short (-)	Components of fx position B/S short (-)	Components of fx position index short (-)
HUF	52	17	-	-
CZK	1 339	1 637	-	-
EEK	2	1	-	-
AUD	980	178	-	-
JPY	6 821	74	-	-
USD	2 617 698	1 202 500	-	-
CAD	644	304	-	-
GBP	47 907	104 238	-	-
DKK	2 383	1 687	-	-
NOK	3 495	3 798	-	-
CHF	789 007	122 926	-	-
SEK	21 300	7 616	-	-
EUR	2 291 315	1 886 977	-	-
TOTAL	5 782 943	3 331 953	-	-

	Components of fx position off B/S long (+)	Components of fx position off B/S short (-)
HUF	-	-
CZK	536	609
AUD	-	1 166
USD	3 135 179	4 548 445
JPY	-	6 909
GBP	61 969	6 176
DKK	-	600
NOK	612	-
CHF	92 129	758 483
SEK	67 648	81 047
EUR	464 387	851 677
TOTAL	3 822 460	6 255 112

Subsidiaries

	Components of fx position off B/S long (+)	Components of fx position off B/S short (-)
USD	4 617	5 762
CHF	54 273	53 529
EUR	285 594	236 678
TOTAL	344 484	295 969

Segmental Reporting and Consolidated Income Statement

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

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

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

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

The segment's profits and assets were determined prior to inter-segment exclusions. Sale prices between the segments are close to market prices. Operating costs and income are appropriately allocated to a relevant segment. Costs and income which cannot be rationally assigned are stated in "unallocated costs" and "unallocated income". Assets and liabilities which cannot be assigned to the identified segments are disclosed under "unallocated assets" and "unallocated liabilities".

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

Consolidated income statement
12/31/04

	Branch operations	Treasury operations	Investment banking	Leasing operations	Eliminations	Total
1. Total segments income	2 583 294	555 881	243 999	139 623	(929 797)	2 593 000
Segments income (external)*	2 099 132	142 825	213 469	137 574		2 593 000
Segments income (internal)	484 162	413 056	30 530	2 049	(929 797)	-
2. Total segments costs	(2 116 280)	(497 053)	(92 028)	(98 966)	929 797	(1 874 530)
Segments costs (external)	(1 680 311)	(31 676)	(79 346)	(83 197)		(1 874 530)
Segments costs (internal)	(435 969)	(465 377)	(12 682)	(15 769)	929 797	-
3. Dividend income	-	-	54 293	-		54 293
4. Movements in provisions	(126 786)	-	378	(4 628)	-	(131 036)
Increase	(417 023)	-	(134)	(28 943)		(446 100)
Release	290 237	-	512	24 315		315 064
5. Segments income on investment in associates	-	-	6 122	-	-	6 122
6. Segments gross profit	340 228	58 828	212 764	36 029	-	647 849
7. Unallocated income						-
8. Unallocated costs						(71 791)
9. EBT						576 058
10. Income tax						(113 790)
11. Minority interest						(17 816)
12. Net profit						444 452

* External income of Investment Banking contains the result on sale of CardPoint 55 135 PLN k

Additional information
12/31/04

	Branch operations	Treasury operations	Investment banking	Leasing operations	Total
1. Segments assets	12 800 094	10 955 718	434 607	1 422 600	25 613 019
2. Segments investments in associates			77 781		77 781
3. Unallocated assets					1 897 074
Total assets	12 800 094	10 955 718	512 388	1 422 600	27 587 874
1. Segments liabilities	19 545 312	2 456 932	379 748	1 116 192	23 498 184
2. Unallocated liabilities					1 067 742
3. Equity					3 021 948
Total liabilities	19 545 312	2 456 932	379 748	1 116 192	27 587 874
1. Amortization	183 181	1 585	4 259	2 734	191 759
2. Capital expenditure	41 926	4 380	3 135	1 582	51 023

Consolidated income statement
12/31/03

	Branch operations	Treasury operations	Investment banking	Leasing operations	Eliminations	Total
1. Total segments income	2 524 057	606 932	170 386	124 727	(997 938)	2 428 164
Segments income (external)	1 980 251	178 242	146 049	123 622		2 428 164
Segments income (internal)	543 806	428 690	24 337	1 105	(997 938)	-
2. Total segments costs	(2 252 894)	(548 228)	(86 634)	(94 585)	997 938	(1 984 403)
Segments costs (external)	(1 810 069)	(37 398)	(67 192)	(69 744)		(1 984 403)
Segments costs (internal)	(442 825)	(510 830)	(19 442)	(24 841)	997 938	-
3. Dividend income	-	-	26 000	-		26 000
4. Movements in provisions	(118 242)	-	(7 327)	(15 324)	-	(140 893)
Increase	(671 606)	-	(9 746)	(51 558)		(732 910)
Release	553 364	-	2 419	36 234		592 017
5. Segments income on investment in associates	-	-	270	-	-	270
6. Segments gross profit	152 921	58 704	102 695	14 818	-	329 138
7. Unallocated income						506
8. Unallocated costs						(69 024)
9. EBT						260 620
10. Income tax						(123 476)
11. Minority interest						(8 271)
12. Net profit						128 873

Additional information
12/31/03

	Branch operations	Treasury operations	Investment banking	Leasing operations	Total
1. Segments assets	13 063 907	7 693 338	380 529	1 251 519	22 389 293
2. Segments investments in associates			70 934		70 934
3. Unallocated assets					1 708 471
Total assets	13 063 907	7 693 338	451 463	1 251 519	24 168 698
1. Segments liabilities	18 477 525	1 101 327	301 734	619 581	20 500 167
2. Unallocated liabilities					1 125 819
3. Equity					2 542 712
Total liabilities	18 477 525	1 101 327	301 734	619 581	24 168 698
1. Amortization	208 456	772	3 885	2 069	215 182
2. Capital expenditure	76 330	610	2 797	2 251	81 989



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