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r e p o r t

Natalia Mańczak, "Light"

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L e t t e r
o f t h e S u p e r v i s o r y
B o a r d C h a i r m a n



M a r i a n G ó r s k i
B Z W B K S u p e r v i s o r y B o a r d C h a i r m a n

D e a r C o l l e a g u e s ,

In 2003, the Polish economy showed two very different faces. The first six months saw a low pace of economic growth, low increase in personal consumption and decrease in investments by several percentage points which resulted in a minor rise in business lending. Fortunately, the second half of the year was more favourable for the Polish economy as the State managed to keep the inflation under control and the economic revival became more evident owing to which in 2003 the GDP grew up by 3.7 percent. Poor economic conditions in the first half of the year and the revival recorded in the latter part of 2003 had a major impact on the banking sector performance, including the results of Bank Zachodni WBK. This should be backed by information on falling interest rates over the first six months of 2003 and tax rate changes in the fourth quarter which increased the tax charge in Bank Zachodni WBK by ca. PLN 56m. At the same time, last year, BZ WBK focused on building solid foundations for its further development, which was costly and time consuming, but which will undoubtedly reward already in the nearest future. I refer mostly to the completion of the central IT system implementation, branch network restructuring as well as the Segmentation and CRM Programme.

Despite difficult business environment conditions and high capital expenditure, the Bank's last year results, including a 5 percent rate of return on equity, place Bank Zachodni WBK among top three banks operating in Poland. The information is all the more optimistic as in 2003 the Bank managed to reduce its operating costs, improve the loan portfolio quality, intensify the sale of strategic products and increase its deposit value much above the index for the entire banking sector. It is worth noting that in the last months of 2003 a lot of effort was put into enhancing the quality of services provided by BZ WBK as well as into pursuing a more aggressive sales policy. It was reflected in the establishment of Corporate Banking Centres and the Mobile Sales Teams. All the above information evidences high quality of Bank Zachodni WBK products, creativity of its staff and management as well as the adopted action strategy. All this makes us assess the last year as successful and take an optimistic view going forward.

On behalf of the Supervisory Board, I would like to express the belief that in spite of difficult business environment in which we worked last year, we did not fall short of the expectations of Bank Zachodni WBK shareholders. What is more, I am sure that in 2003 we built the foundations for increasing the efficiency of the Bank's operations and bringing about a regular, significant improvement in its results in the nearest future. I would like to thank the Company's Management Board and all the employees of Bank Zachodni WBK for their hard and effective work.

P r e s i d e n t ' s
S t a t e m e n t



J a c e k K s e ń
P r e s i d e n t o f T h e M a n a g e m e n t B o a r d

D e a r C o l l e a g u e s ,

Last year, Bank Zachodni WBK completed the implementation of its modern IT system, continued the execution of its strategy "Po pierwsze klient" and commenced the implementation of a few major projects which will have a significant impact both on the Bank's operations and the level of provided services in the near future.

The complex 17-month long roll-out of the new IT system (ICBS) was completed in April 2003. The new system enables the Bank to focus on service quality enhancement, substantially improves the monitoring of daily operations of the Bank's units and ultimately increases the effectiveness of managing Bank Zachodni WBK. Thanks to the new system, our customers have gained an enhanced access to our products and services. Following its successful pilot, the mass roll-out began in the middle of the year and by 31 December 2003, the program had been implemented in 204 branches providing services to over 50 percent of customers. The implementation of Segmentation and CRM will end in 2004 and is bound to contribute to building better and stronger relationships with customers, and consequently, will substantially enhance the quality of service provided by Bank Zachodni WBK.

In 2003, Bank Zachodni WBK restructured its branch network. As a result of the process we relocated some of the branches, while those less effective, were closed. At the same time, we focused on building a strong position on the Warsaw market, where we recently opened 19 new outlets, thanks to which our franchise in the capital city ranks fourth in terms of the number of branches.

An important success of the last year was an effective restructuring of the loan book. In 2003, we reduced the impaired loan ratio from 16.8 percent down to 12.6 percent, while this ratio for the entire banking sector was 20 percent. The effective management and safety of Bank Zachodni WBK are also evidenced by high ratings issued by Fitch Ratings and Moody's Investors Service. Last year, these ratings were BBB+ and A2, respectively. It is worth adding that last year the "Rzeczpospolita" daily awarded Bank Zachodni WBK the title of the most friendly public company, the Bank won the "IT Leader" title while its prize products were highly recognized and one of the most prestigious awards the Bank won was the European Medal.

2003 was the year of focus on the sale of strategic products targeted to selected customer segments. In that period we managed to enrich our product proposition by a few novelties which were welcomed by our customers. One of them was MasterCard credit card and the new "Pajacyk" BZ WBK VISA affinity card issued together with Polska Akcja Humanitarna (Polish Humanitarian Organisation). Bank Zachodni WBK, was one of the first banks to offer its customers bridging loans for EU financed projects within the PHARE and SAPARD funds, and as the first proposed differentiated tariffs for business clients. We also conducted two new subscriptions for the 4-year Tracker Products - GLI EURO INDEX October 2007 and GLI AMER INDEX October 2007. These products

enable the Bank to achieve gains from the stock exchange investments and at the same time ensure a 100 percent return on the invested capital. Bank Zachodni WBK's proposal addressed to companies growing their business on foreign markets was also extended by the European Package and the "Easy Exports" Programme. Last year, Bank Zachodni WBK branches launched the sale of the latest products offered by the Bank's subsidiaries — participation units in the new investment fund ARKA European Bonds FIO and bonds issued by BZ WBK Leasing.

The subsidiaries in the BZ WBK Group may consider last year exceptionally successful. Dom Maklerski BZ WBK acquired the CSFB business in Poland and increased its market share in the equities market from 5.3 percent to 8.4 percent and at present takes up the fifth position on the market. BZ WBK Finanse & Leasing is among the four largest leasing companies operating in Poland and its market share exceeds 7.3 percent. In 2003, BZ WBK Arka funds, handled and managed by BZ WBK AIB Investment Fund Corporation and BZ WBK Asset Management, recorded very good results. It is worth highlighting that in 2003 Bank Zachodni WBK Group was extended by two new companies: Faktor (factoring services) and CardPoint (POS services) which are wholly owned by BZ WBK.

Last year was the year of building solid foundations, which will allow us to deliver very good financial results and increase the number of our customers in the near future. All that was possible thanks to our people. Their knowledge, skills, commitment and creativity represent the largest and most valuable asset of Bank Zachodni WBK Group. Therefore, let me thank all the employees for their hard and effective work in 2003. I would also like to thank the Supervisory Board for the good and harmonious co-operation.

A handwritten signature in black ink, appearing to read "Jack Winiarski". The signature is fluid and cursive, with the first name "Jack" and the last name "Winiarski" clearly distinguishable.

A p p r a i s a l
o f B Z W B K a c t i v i t i e s
i n 2 0 0 3
p r e p a r e d b y
S u p e r v i s o r y B o a r d

In 2003, the total net income of Bank Zachodni WBK was PLN 1 590.0m, i.e. 6.7% down on the previous year. The main reason behind that were interests rates substantially lower than in the previous years and very slowly improving economic conditions in the country. The last year's performance was also impacted by the implementation of important and necessary projects, which will form strong foundations for Bank Zachodni WBK in the upcoming years.

Last year's PBT was PLN 209.3m, i.e. 42.5% lower against 2002. That was primarily driven by high depreciation charges arising from the newly implemented IT system, the taken restructuring actions and development of specialised IT projects.

One of the bank's largest successes last year was the reduction of operating costs by as much as 4% which was possible thanks to tight and effective cost control. As a result, the total costs of Bank Zachodni WBK in 2003 were PLN 1,255.4m, which represents a 7.1% growth against 2002. Having eliminated additional charges which emerged in 2003, i.e. ICBS depreciation, network rationalisation costs and the new IT platform for the Treasury Division (the total of PLN 129.3m), the comparable total costs were trimmed by 3.4%.

2003 saw the continuation of the staff restructuring. The redundancies in H1 2003 were triggered by the organisational changes in the Business Support Centre as well as the ICBS and new branch model roll out in the bank's outlets. The Management Board's decision, dated 22 July 2003, gave rise to another restructuring step, i.e. group redundancies in the Business Support Centre and the branch network. Excessive staffing levels were also identified in the network rationalisation process, which was carried out over the entire year. The group redundancies affected the total of 1 569 employees (1 557 FTEs).

2003 also saw the reduction in the NPL ratio from 16.8% to 12.6%. If we deduct the loans classed as "technical NPLs" (loans covered by guarantees of reliable parents of the borrowers), which total PLN 171m, the ratio is further reduced to 11.3%. It should be emphasised that this is the best result in the banking sector where the average NPL ratio is at 20%. Further reduction in the NPL ratio and the drop in the cost/income ratio will be the bank's primary objective for the years to come which was incorporated in the strategy of Bank Zachodni WBK.

Despite adverse tendencies in the deposit market, the deposits of the Bank's customers totalled PLN 17,546.3m to exceed the 2002-end level by 1.6%. In view of the changing savers' preferences who are seeking higher rates of return than those offered by traditional deposits, the bank developed a wide range of alternative products. In 2003, Bank Zachodni WBK carried out and placed 8 issues of its own bonds totalling PLN 715.2m. The bank's branches were also selling products of the subsidiary undertakings, which fuelled the growth in the sales of ARKA funds leading to the growth of their net assets at 84.9%. The total financial resources, including mutual funds and savings bonds, entrusted to the bank by customers from the non-financial and budget sectors were PLN 19,557.1m and exceeded the 2002 level by 6%.

The most important project implemented last year was the ICBS roll-out which was completed in April 2003. This operation, which was failure-free and almost model-like, was highly recognised and now will allow to monitor day-to-day operations of the bank which will contribute to the management efficiency in Bank Zachodni WBK. CRM & Segmentation is another large project whose implementation was commended in 2003. After a successful pilot, the project mass roll-out was commenced in the middle of the year and by 31 December 2003, the roll-out had been completed in 204 branches servicing over the half of the bank's customers. The CRM & Segmentation project will be completed in 2004 and will certainly enable the Bank to build better and sustainable customer relationships which will be inevitably followed by the improvement in the quality of the customer proposition delivered by Bank Zachodni WBK.

As at the end of 2003, the share price of Bank Zachodni WBK S.A. was PLN 75.90 which represented a 5.28% increase against the early 2003.

Bank Zachodni WBK is effectively managed and is considered a safe bank which was evidenced in 2003 by high ratings granted by renown rating agencies, i.e. Fitch Ratings and Moody's Investors Service. Those ratings last year were BBB+ and A2, respectively. Last year, Bank Zachodni WBK was called the most friendly public company by the "Rzeczpospolita" daily. It also won the title of the Information Technology Leader, while the bank's products were highly recognised and received a number of awards and distinctions, including the European Medal.

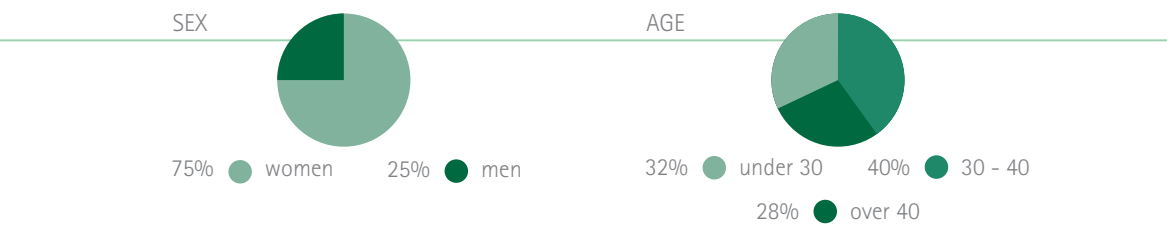


Monika M. Korona, "Blue Act"

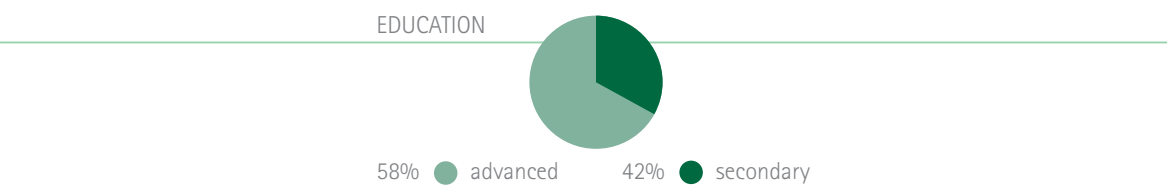
T h e b a n k
&
t h e p e o p l e

Who are we?

Bank Zachodni WBK is a strongly feminized institution – women account for as much as 75 percent of all staff. Most of them are young, as 32% of the bank's staff are under thirty. The largest group is represented by employees between thirty and forty years of age – as much as 40 percent of us fall within this range.



The vast majority of Bank Zachodni WBK employees have third level education. Nearly 58 percent of our employees graduated from higher education institutions, slightly more than 41 percent have secondary education.



Definitely, most of us are Polish. However, the Irish – our strategic investors – are also strongly represented. On top of that, the staff comprises also American, English, French, Hungarian, Tunisian and Nigerian citizens.

We help the weaker

Since its inception, Bank Zachodni WBK has been donating funds for charity initiatives (corporate giving). In 2003 we allocated over PLN 1m to this cause, the bulk of which was used by institutions supporting children and youth.

Beneficiaries of our last year's corporate giving are primarily organizations operating locally which offer assistance to young people who have been through a difficult lot. One of them is Association of Housing Assistance for Orphans from Baranowo near Poznań, Wrocław Society of Blind Children's Friends, Fund for Children Suffering from Leukaemia and Cancer "Krwinka" from Łódź, Society of Assistance for Children Suffering from the Down Syndrome, "Orzeszek" kindergarten in Poznań, Nursing Home for Children run by the Sisters of the Order of Virgin Mar in Jazskotlo, Orphanage in Gniewków, Social Welfare Centre in Żarów. Thanks to funds that Bank Zachodni WBK allocates to corporate giving initiatives, in 2003, Group of Schools no. 2 in Dzierżoniów could

continue the action "A Bowl of Soup for Each School Child", Municipal Social Welfare Centre in Klecko could buy X-mas parcels for its charges, and the Orphanage in Kijaszków — equip children with school accessories and purchase winter clothes. Monies donated by Bank Zachodni WBK allowed also to create gyms and physical therapy rooms, purchase equipment for the Family Orphanage no. 1 in Bystrzyca Olawska, organize the "Indian Summer" artistic and preventive workshops by Żarów municipality.

Last year, Bank Zachodni WBK distributed nearly PLN 130k to organizations, which provided help to adults. Thanks to these funds, Anti-Crisis Centre in Marysin run by Brothers of the Order of St. John of God could provide a 24h assistance to individuals who found themselves in a difficult position, St. Brother Albert Society continued operations of Wrocław Hostel for Women and Mothers with Children while "Arka" Foundation in Wrocław ran a home for the mentally handicapped.

As much as PLN 170k Bank Zachodni WBK allocated to health care last year. Society of Support for Cardiological Ward in St. John Hospital in Starogard Gdański "Heart for Heart" purchased, also thanks to our monies, professional beds for patients under intensive cardiological care. With our assistance, the Special Educational Centre run by Sisters of the Order of St. Joseph in Wierzbie could fund the purchase of special keyboards and devices allowing the individuals with dysfunctions of upper limbs to operate a computer, while Warsaw Foundation for Diabetic Children could purchase insulin pumps, which were distributed among diabetic children. Polish Sclerosis Multiplex Society in Wrocław purchased, with our help, "Betaferon" — the medicine indispensable for people suffering from SM, Foundation of Friends of Children Suffering from Cancer "Happy Islands" at the Children's Oncology and Hematology Clinic of the Jagielloński University Medical Centre in Kraków bought the medical equipment and Sisters of the Order of St. Teresa of the Child Jesus running the Social Welfare Centre for Children in Ścinawka bought a rehabilitation bed with an anti-decubitus mattress.

Direct corporate giving is not the only form of support provided to people severely experienced by twists of fate. In June 2003 we offered a BZWBK credit card "Akcja Pajacyk" to our clients. It was issued in conjunction with the Polish Humanitarian Action (PHA) of Janina Ochojska. Part of income from the issue and transactions made with this card is earmarked for the purchase of lunches for children under PHA program. So far, thanks to the BZ WBK "Akcja Pajacyk" card, ca 35k lunches have been funded.

It should be added that Bank Zachodni WBK offering includes other affinity cards issued together with a number of universities. Holders of these cards, when executing card transactions, support Jagiellonian University in Kraków, Wrocław University and Mikołaj Kopernik University in Toruń.



W e s u p p o r t i m p o r t a n t i n i t i a t i v e s

In 2003, Bank Zachodni WBK was a sponsor of several important social and cultural initiatives. One of the most important events, which we co-funded, was the 15th Final of Great Orchestra of Christmas Aid in Wrocław and Poznań. It should be added that apart from the Bank's financial and organizational involvement in Jurek Owsiak's initiative, a great many of our employees raised and then counted the money earmarked for the purchase of medical equipment for infants.

As a tradition now, BZ WBK sponsored Rysiek Riedel Festival in Tychy under the slogan "Be Careful" which informs young people about drug-taking implications.

Cultural events sponsored last year by Bank Zachodni WBK included primarily Wratislavia Cantans — the largest festival of oratorio music in Europe and Review of Actor Songs, one of the most renowned and popular festivals held in Poland.

Year 2003 was exceptional for Poznań inhabitants — the town celebrated the 750th anniversary of its location. On this occasion, Poznań held many interesting cultural events, among them, concerts of Peter Gabriel and Ibrahim Ferrer from Buena Vista Social Club, exposition of "Unrecognized" by Magdalena Abakanowicz, installation by Leon Tarasewicz in the Great Theatre Hall, the concert of Myslovitz rock group, the concert of almost 1000 harmonica players "The Enchanted World of Harmonica", initiative "Poznań of Poets", "Benches" project, European Youth Meeting, Theatre Festival of "The City" and a great Location Parade. Bank Zachodni WBK was a sponsor of the 750th anniversary of Poznań location.

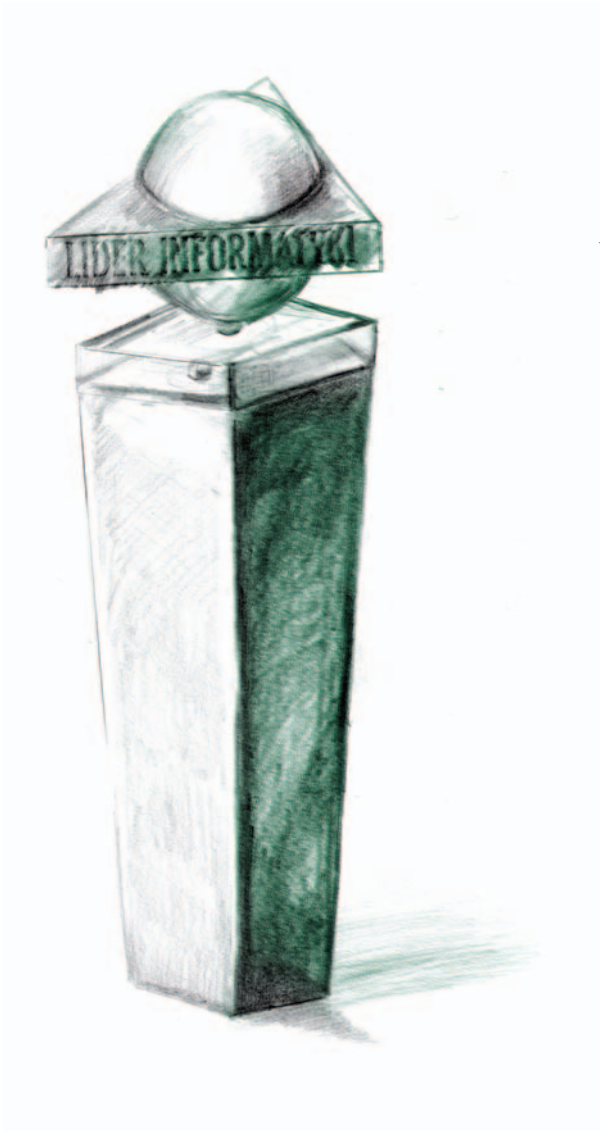
For many years BZ WBK has been granting scholarships to most talented students of Poznań Academy of Fine Arts. We continued this tradition in 2003 and this year's Annual Report has been illustrated with their works.



Katarzyna Klich, "Person in red"

A w a r d s

A w a r d s
f o r B Z W B K S.A.
i n t h e y e a r 2 0 0 3



B Z W B K - I T L e a d e r

During the ceremony at Teatr Narodowy (National Theatre) in Warsaw, awards of the "2003 IT Leader" competition organized for the seventh time by "Computerworld" weekly were presented. In the finance and banking category, the "2003 IT Leader" award went to BZ WBK. Twenty companies, including three banks made it to the competition finals. Bank Zachodni WBK was awarded the "2003 IT Leader" title for completing this year the implementation of the new IT system – ICBS which enables centralized and more effective customer service, which in practice translates into any branch banking capacity.

E u r o p e a n
M e d a l
f o r V i s a G o l d

European Medal is a nation-wide undertaking aimed at bringing the idea of Poland's integration with the European Union closer to the world of entrepreneurs. The medal is awarded for products and services which meet European standards. The award is also a recommendation issued by the Office of the Committee for European Integration (co-organizer and patron of the undertaking) and by Business Centre Club. The Verification Committee pointed to such elements as compliance with the norms imposed by the law, licenses, patents, business dynamics, awards received, certificates and the company's preparedness for Poland's EU accession. Visa Gold credit card and Bank Zachodni WBK fulfilled all the committee's requirements.



A w a r d s
f o r B Z W B K S . A .
i n t h e y e a r 2 0 0 3



B Z W B K -
l e a d e r i n
I T s t a f f e d u c a t i o n

Bank Zachodni WBK was bestowed the title of Staff IT Education Leader in 2003 in a competition organized by ALTKOM Akademia. As it was stated in the note justifying the decision of the board awarding the title: "The board members justified their decision with BZ WBK's special concern about IT education of their staff and consistent delivery of the staff development policy". Bank Zachodni WBK was awarded the title of the Leader for IT training related to the ICBS roll-out (5600 trained individuals) and implementation of distance learning courses (CBT, available via Intranet). It is worth note-taking that the Bank did not enter the competition out of its will but it was nominated by the external institutions cooperating with it. Hence, the award is a recognition expressed for the bank not only by the competition board but also by its business partners. ALTKOM Akademia is a leader in the Polish IT education market. The feature of the company's offering are over 400 in-house developed and authorized training courses related to various technologies.

V i s a P o l s k a A w a r d

In 2003, Bank Zachodni WBK received a prestigious VISA Payment System Quality Award. VISA dedicates this award to member banks which considerably contribute to the improvement in the efficiency parameters of the system related to the acquiring and settlement of card transactions. BZ WBK's success is even more prestigious as the VISA Polska Association of Member Banks incorporates 32 banks operating in Poland and the award is presented only once a year, to one bank only. BZ WBK was awarded for its significant commitment to improving efficiency parameters of its system. Recently, significant improvement has been recorded in BZ WBK with regard to time parameters of settlements of cash withdrawals effected with VISA cards. Also, the ratio of transactions rejected in POS terminal network has dropped.



A w a r d s
f o r B Z W B K S . A .
i n t h e y e a r 2 0 0 3



B Z W B K -
p a t r o n o f s t u d e n t s

In January 2004, in historical interior of the mansion in Modlnica, professor Franciszek Ziejka, rector of Jagiellonian University, hosted the most generous donors of Jagiellonian University Own Scholarship Funds for 2003. Among the honorable guests there was Bank Zachodni WBK which received a bronze statuette of Queen Jadwiga. The award is an expression of recognition of the patronage thanks to which talented, young but unfortunately poor people from Central and Eastern Europe receive support. 229 students will benefit from the support of Own Scholarship Funds this school year.

S i l v e r E m b l e m ,
T r u s t e d B r a n d

Reader's Digest monthly, one of the largest periodicals world-wide asked their Polish readers about brands which enjoy the highest trust in Poland. In the third Europe-wide survey, in the category "Bank", Bank Zachodni WBK ranked second winning Silver Emblem, Trusted Brand 2003.



Drawings - Katarzyna Klich



Monika M. Korona, "Green Drawing"

S c h o l a r s h i p p r o g r a m s

S c h o l a r s h i p
p r o g r a m s



J o a n n a P r e u h s
g r a d u a t e o f
P o z n a ń S c h o o l o f F i n e A r t s

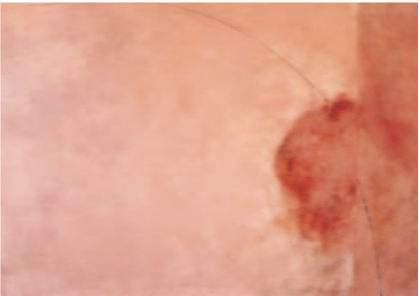
Born in 1977 in Opole, graduate of Poznań School of Fine Arts (ASP), painting faculty. She received her diploma with honors under the supervision of professor W. Dudkowiak.

Selected exhibitions:

- 2001, Poznań — individual exhibition;
- 2001, Kraków — collective exhibition "Landscape in Modern Painting";
- 2001, Poznań — collective exhibition in BZ WBK;
- 2001, Poznań — collective exhibition of ASP in the Poznań (Palmiarnia) Greenhouse;
- 2003, Poznań — individual post-graduation exhibition "Towards the Stone";
- 2003, Opole — individual exhibition "After-images".

Selected awards and scholarships:

- 2002, Poznań — scholarship awards in the BZ WBK competition;
- 2003, Opole — first prize of "Trybuna Opolska" (for successful debut) in the annual exhibition "Autumnal Salon".





B i a n k a R o l a n d o
s t u d e n t o f
P o z n a ń S c h o o l o f F i n e A r t s

Born in 1979 in Warsaw, fourth year student of the Poznań ASP.

Selected exhibitions:

2001, Avignon (France) – individual exhibition at "Galerie Entreprendre";

2002, Poznań – graphics exhibition with prof. Bouve Lyonem (USA);

2002, Warszawa – individual exhibition of paintings, Siemens Gallery;

2002, Poznań – individual exhibition of graphics "Pascal. Inspirations", Dom Bretanii (House of Britannia).

Selected awards and scholarships:

2000, Kraków – laureate of "Prometa European Young Talents in Fashion Design" competition (delivered projects were displayed at Teatr Stary (Old Theater) in Kraków);

2002, Warsaw – laureate of "Warszawa cienkim piórkim i grubą kreską" ("Warsaw with a thin quill and thick line") competition, Caricature Museum;

2003, Katowice – laureate of a poster competition with the EU as the theme;

2003 – scholarship of School of Fine Arts in Hamburg.



"Prague"

"Picture 126"

"Picture 128"



Krzysztof Domaradzki
graduate of
Poznań School of Fine Arts

Born in 1979 in Poznań, graduate of Poznań ASP. Diplomas in drawing with professor M. Zaborowski and workshop graphics with professor T. Jackowski received with honors.

Selected exhibitions:

2000, Warszawa — post-competition exhibition "2000 Drawing";

2002, Poznań — post-competition exhibition in a BZ WBK building;

2003, Poznań — post-graduation exhibition "Mild Hallucinations" in Jesuits' Gallery.

Selected awards and scholarships:

2000 — Third Prize in the National Drawing Competition for the ASP students "2000 Drawing";

2002/2003 — scholarship trip within the Socrates-Erasmus program, studies at Universidad de Castilla - La Mancha in Cuenca (Spain);

2002/2003 — scholarship of the Minister of Culture for outstanding performance in studies.



S c h o l a r s h i p
p r o g r a m s



A g n i e s z k a K r u p i e ņ c z y k
s t u d e n t o f
P o z n a ń S c h o o l o f F i n e A r t s

Born in 1978 in Gorzów Wielkopolski, at the moment, a fifth year student of photography at the Poznań ASP.

Selected exhibitions:

2003, Cluj-Napoca (Romania) — individual exhibition (installation);

2004, Poznań — individual exhibition "Is it Still You?" at "Naród Sobie" Gallery.

Selected awards and scholarships:

2000, Rzeszów — special award of a photographic magazine "Positive" in the Third International Unconventional Photography Competition;

2003, Cluj-Napoca (Romania) — winning the competition for a foreign scholarship in the first semester of the 2003/04 year at University of Art and Design;

2003, Poznań — first place in a competition organized by the Primus Inter Pares Association of Polish Students for the title of the best student of the Poznań ASP;

2003 — 1-year artist scholarship awarded by the Culture and Arts Minister.



Scholarship
programs



Maciej Burda
graduate of
Poznań School of Fine Arts

Born in 1976 in Włocławek, graduate of ASP.
He received his diploma in painting with honors
under the supervision of professor J. Kalucki.

Selected exhibitions:

2000, Poznań — individual exhibition in the Hall
of ASP;

2000, Poznań — collective exhibition of ASP
students in the Stary Browar Gallery;

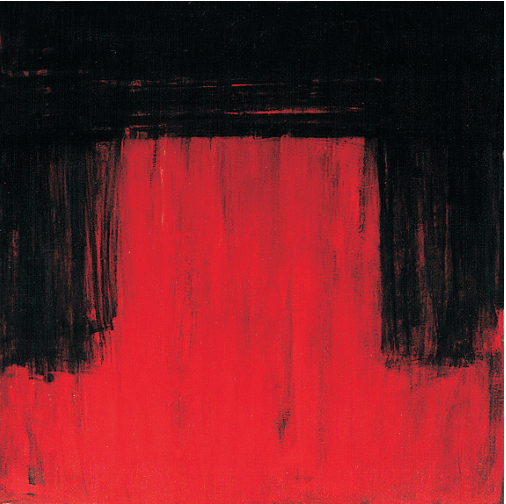
2001, Poznań — diploma exhibition BWA;

2002, Bydgoszcz — collective exhibition BWA.

Selected awards and scholarships:

2000 — scholarship of the President of DCD
International;

2001 — honorable mention in the National
Biennial Painting Exhibition “Bielska Jesień”.



"Without Inscription"

"The Bridge"

"Nicely"

S c h o l a r s h i p
p r o g r a m s

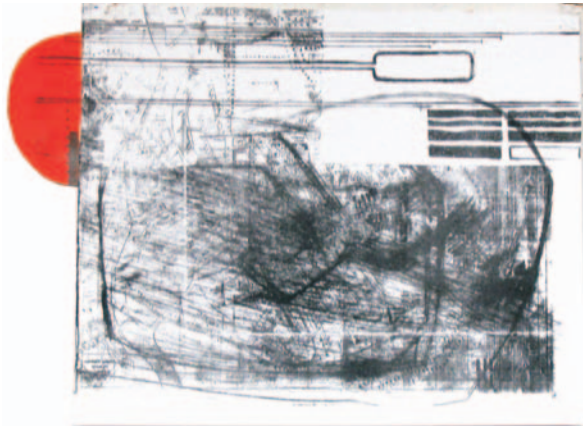
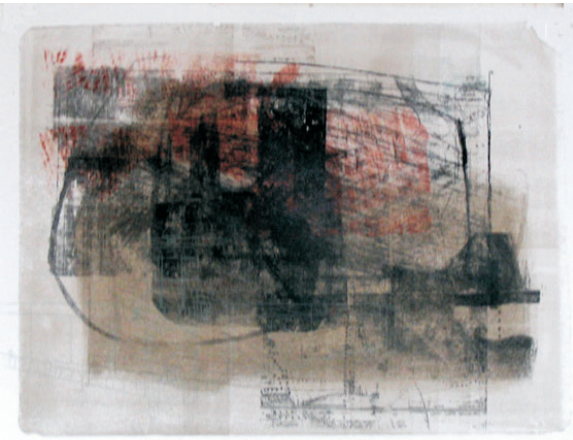


Magdalena Wołoszyn
graduate of
Poznań School of Fine Arts

Born in 1978 in Lubin. A fourth year student at
ASP in workshop graphics faculty.

Selected awards and scholarships:

2003, Poznań — scholarship of Bank Zachodni
WBK.



"untitled"

"Airmen"

"Zone"



Monika Korona
graduate of
Poznań School of Fine Arts

Born in 1976 in Warsaw. She defended her diploma dissertation at ASP in Poznań in workshop graphics with professor Z. Lutomski and in Interdisciplinary Studio of Conservation and Restoration of the Modern Art, preparing a multimedia movie "Traces of Culture" and a theoretical thesis "Heritage of the Visual Art" under the guidance of professor Iwona Szmelter.

Selected exhibitions:

1999, Rijeka (Croatia) – Second International Exlibris Exhibition Kortil Gallery;

1999, Lublin – graphics exhibition, "Po scho-dach" Gallery;

1999, Lenden (Germany) – graphics exhibition Hofam Muhlenbach;

2000, Mexico – Second International Exlibris Exhibition;

2001, Warsaw – presentation of Multimedia Projection ("Ślady Kultur" movie ("Traces of cultures") at the Centrum Sztuki Współczesnej (Modern Arts Center) in Zamek Ujazdowski.

2002, Riwiera Hiszpańska – exhibition of drawings "Conversation";

2003, Rijeka (Croatia) – Fourth International Exlibris Exhibition – Kortil Gallery.

Selected awards and scholarships:

1999, Poznań – scholarship of Bank Zachodni WBK;

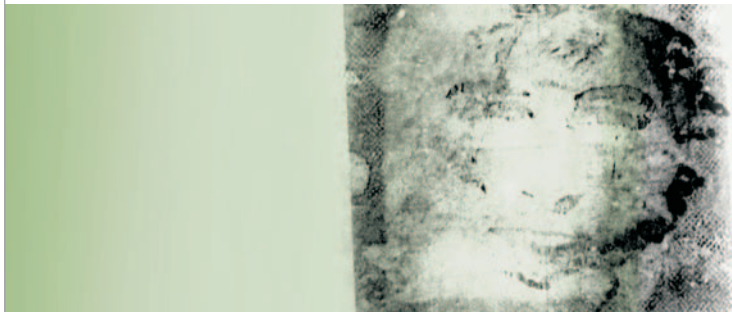
2000, Poznań – scholarship of the Rector of ASP.



"Red landscape"

"Hat"

"Yellow landscape"



Natalia Mańczak
graduate of
Poznań School of Fine Arts

Born in 1977 in Walcz. She defended her diploma dissertation in painting in architecture town planning with professor J. Gawron at the Poznań School of Fine Arts (ASP). In June this year, she will defend her diploma dissertation in light designing with professor W. Dreszer.

Selected exhibitions:

2000, Oregon (USA) — painting in CC College;

2002, Poznań — individual diploma exhibition "Painting with Light" at the IT Gallery;

2003, Warsaw — young design exhibition in Design Institute;

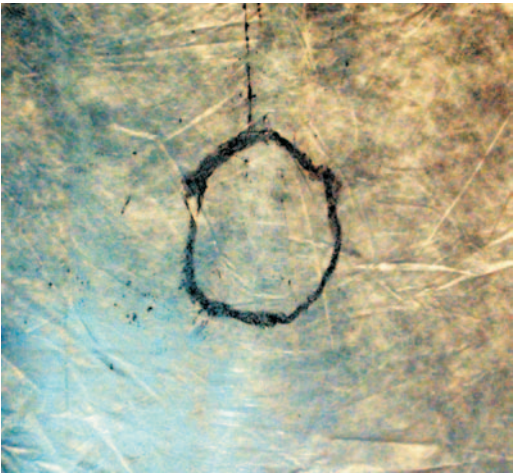
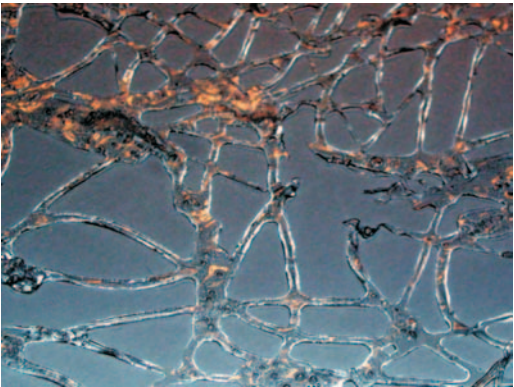
2003 — stained glass exhibition in Wrocław and Zielona Góra;

2003, Copenhagen — young design exhibition in Oksenhallen.

Selected awards and scholarships:

2003, Poznań — scholarship of Bank Zachodni WBK;

2004, the United Kingdom — scholarship at the Heartfordshire University.



"Bionics: Fields"

"Stone Reflection"

"Bionics: Net"



K a t a r z y n a K l i c h
g r a d u a t e o f
P o z n a ń S c h o o l o f F i n e A r t s

Born in 1976 in Gdynia, graduate of ASP in Poznań. Diploma in drawing received with honors, under the supervision of professor B. Wojtasiak. She took up concurrent studies in the Poznań ASP in graphics, also completed with a diploma. At the moment, employed in ASP as an assistant in the drawing studio of professor B. Wojtasiak.

Selected exhibitions:

2000, Poznań – exhibition in the Hall of ASP accompanying the Science and Arts Festival;

2000, Poznań – exhibition at the Poznań Fair Premises accompanying the Logistic Congress 2000;

2001, Poznań – diploma exhibition in the Arsenal Gallery.

2003, Poznań – graphics exhibition in the Nowa Gallery;

2003, Cuenca (Spain) – exhibition of Socrates-Erasmus scholarship holders.

Selected awards and scholarships:

1999, Poznań – scholarship of the President of Poznań International Fair Management Board;

2001, Poznań – scholarship for the 2001/2002 school year funded by the President of BZ WBK Management Board;

2002, Cuenca (Spain) – Socrates-Erasmus scholarship.



"Landscape" - calography

"Person" - drawing

"Person" - calography



Joanna Preuhs, "Considering Stone"

Report of
the Management Board

Report of the Management Board on Bank Zachodni WBK Group Performance in 2003

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1. M a c r o e c o n o m i c
s i t u a t i o n i n 2 0 0 3

Looking at selected economic figures for 2003, one could say that we have witnessed a breakthrough year. After two extremely lean years of 2001 and 2002, when the GDP growth totalled 1.2% on average, distinct acceleration was recorded, and economic growth rate in 2003 reached 3.7%. According to the CSO data, the GDP growth rate has been picking up steadily throughout the year, reaching 2.2%, 3.8%, 3.9% in the first three quarters, respectively. GDP growth in the fourth quarter can be estimated at 4.5%.

Domestic demand was the main factor contributing to the growth acceleration in Poland and it was driven almost exclusively by high private consumption growth of 3.1% yoy (it added ca. 2 percentage points to the overall GDP growth rate). The second most important factor behind high GDP growth was net exports. It contributed to 1.2 percentage point of GDP growth, which was more than twice as much as recorded in the previous year. Two features draw attention as concerns net exports – excellent export performance and relatively low imports amid low fixed investments. High export dynamics could primarily be attributed to favourable trends in the world currency market. It was thanks to the unexpected rise of the euro against the dollar up to 1.26 last year, that the zloty/euro exchange rate went up above 4.70. However, it was also an after-effect of deep restructuring that took place in Polish industry during the years of economic stagnation. Most of enterprises improved their efficiency, sharply reduced costs, reorganised production lines. Consequently, they became much more competitive on international markets, which was strengthened also by favourable exchange rate movements mentioned above.

Gross fixed investments recorded a decrease by 0.9% in 2003. Even though in the second half of the year they had finally recovered from the red – their growth reached 0.4% and 0.1% in 3Q 2003 and 4Q 2003, respectively – such performance was disappointing and did not confirm hopes for investment activity revitalisation. More distinct acceleration of fixed investments should be expected in 2004 amid better financial results of enterprises (especially of exporting sector boosted by strong euro), low interest rates environment, and lower taxes for entrepreneurs. Exports should also continue expanding and we forecast GDP growth rate in 2004 to reach at least 4.5%. Figure below summarises information concerning the growth of GDP and its components in 2003.

GDP and its components, % yoy	1 Q 2003	2 Q 2003	3 Q 2003	4 Q 2003*	2003
GDP	2.2	3.8	3.9	4.5	3.7
Domestic demand	2.3	2.0	2.3	2.6	2.3
Total consumption	1.0	2.8	2.9	3.2	2.5
Private consumption	1.4	3.8	3.4	3.7	3.1
Gross accumulation	12.7	- 1.6	- 0.3	0.9	1.8
Fixed investments	- 3.6	- 1.7	0.4	0.1	- 0.9

Source: CSO, BZ WBK; * own estimates

The improvement, although clear, still does not apply to all sectors of the economy, especially if we analyse statistics of the labour market. The fall of unemployment rate, observed in the second half of 2003, resulted mainly from seasonal effect, while companies were continuously cutting employment, which accompanied by the slow growth in wages resulted in contraction of households' disposable income (at least from registered sources). Situation on the labour market favours low inflationary pressure – despite the fact that the downward trend of CPI has been put on hold, inflation at the end of 2003 totalled only 1.7%. Food prices were the most significant factor that drove the inflation up in recent quarters, as their annual dynamics reached 2.1% yoy, i.e. the highest level since March 2002 (while in March 2003 it was as low as -3.5% yoy). Inflation data for the last couple of months confirmed that CPI rise in Poland is not excessively fast and is driven mostly by supply-side factors. This year will be important for inflationary perspectives because we will see the impact of tax adjustments connected with Poland's EU accession, and also the delayed effect of 2003 summer draught on food prices. Nevertheless, one should not be afraid of any unpredictable and uncontrolled inflation hike – CPI growth rate should pick up to ca. 2% already in 1Q 2004, and then fluctuate in 2.5%-2.8% yoy band in the second half of the year. In December 2004, we predict to see inflation rate at 2.5% yoy.

In 2003, broad money M3 increased by 5.5% yoy. Total deposits in the banking sector rose by 3.7% yoy (as compared to a fall of 4.2% in 2002). What is important, households' deposits recovered from the depression – their twelve-month dynamics improved to -2% in December 2003 from -6.8% yoy recorded in mid-2003. Last year expansion was also observed in corporate deposits (they grew 24% yoy from 1.4% in 2002), which confirmed better financial stance of Polish enterprises. Total assets of the banking system accelerated as well in 2003 (8.6% yoy against 5.3% in 2002). This was achieved by acceleration of growth in the loans for households (14.1% yoy against 8.5% in December 2002) and a bit higher dynamics of corporate loans (2.7% yoy against 1.6%). One should remember that exchange rate movements were to some extent responsible for higher dynamics of monetary aggregates – in 2003 the domestic currency weakened against euro and it inflated the value of euro-denominated liabilities and claims of the consolidated banking system. Revitalisation in monetary statistics, with higher demand for banking credit, was also connected with rising inflation rate and reviving business activity which should be also continued in 2004.

Given the lack of inflationary pressure (CPI at 0.5% yoy on average in 1H 2003) and no threat for the central bank inflation target, in 2003 the Monetary Policy Council (MPC) was continuing policy of gradual interest rate reductions. During each of six consecutive monthly meetings in 1H 2003 the MPC decided to cut central bank's main interest rates. The scale of reduction was consistent with MPC's "small steps approach" adopted in 2002, i.e. each time the NBP reference rate (the most important for the financial market in Poland) was lowered by 25 basis points. In effect, since the beginning of 2003 until the end of June, the NBP reference rate was reduced by 150bps, the lombard rate by 200bps and deposit rate by 100bps, reaching the levels of 5.25%, 6.75% and 3.75%, respectively.

At the beginning of 2004, the new Monetary Policy Council was gradually established. The ten-person Council comprises the Governor of the National Bank of Poland and nine members appointed by the three governing bodies: the Sejm, the Senate and the President on an equal basis. There is no doubt that on the average, views presented by the new MPC members will be much less 'hawkish' than those favoured by the stepping down members. Nearly all the future MPC members see possibilities for a continued reduction of the interest rates referring to the absence of inflationary pressure. Therefore, we can expect two decisions on cuts by 25 bps in the first half-year. In the second year-half when inflation reaches the targeted level and economic growth becomes tangible in most of the economy sectors, the cycle of interest rate reductions should come to a definite end as not to expose the economy to inflationary pressure.

At the end of January 2004, the Polish government has finally accepted the programme of fiscal reforms (so-called Hausner's plan). Of course, it did not eliminate uncertainty over fiscal policy, as the biggest hurdle on the road to the reform will be votes in the parliament on bills prepared by the government, which will take place during next quarters of this year. What's more, in the third quarter of this year the work on very difficult budget for 2005 will begin. Therefore, uncertainty regarding fiscal policy and politics and the resultant high volatility on the Polish financial market is bound to continue for a considerable period of time.

Main macroeconomic indicators		2000	2001	2002	2003	2004F
GDP	% yoy	4.0	1.0	1.4	3.7	4.5
GDP	PLN bn	712.3	750.8	771.1	804.7	858.8
Industrial production	% yoy	6.7	0.6	1.5	8.5	6.1
Retail sales in real terms	% yoy	1.0	0.2	3.3	7.3	8.1
Unemployment rate*	%	15.1	19.4	20.0	20.0	19.2
Real gross wages growth	% yoy	1.3	1.6	1.5	1.8	1.6
Current account	EUR bn	-10.7	-8.0	7.2	-2.9	-4.7
Current account	% GDP	-6.0	-3.9	-3.6	-1.6	-2.5
Budget deficit*	PLN bn	-15.4	-32.6	-39.4	-37.0	-45.3
Budget deficit*	% GDP	-2.2	-4.3	-5.1	-4.6	-5.3
Inflation	% yoy	10.1	5.5	1.9	0.8	2.3
Inflation*	% yoy	8.5	3.6	0.8	1.7	2.5
Production prices	% yoy	7.8	1.6	1.0	2.7	3.2
USD/PLN	PLN	4.35	4.09	4.08	3.89	3.67
EUR/PLN	PLN	4.01	3.67	3.85	4.40	4.59
Intervention rate NBP*	%	19.00	11.50	6.75	5.25	4.50
WIBOR 3M	%	18.48	16.10	9.09	5.68	4.87

Source: GUS, NBP, own calculations and forecasts

* year-end, F - forecast

Forecasts as at 30-01-2004

2. Financial performance

Financial performance

The table below presents major developments in key categories of the profit and loss account of Bank Zachodni WBK Group in 2003 compared with 2002.

Key profit and loss account items	2003	2002	Change
Total income 1	1,748.4	1,805.8	-3.2%
Total costs (excl. restructuring costs) 2	1,306.3	1,251.1	+4.4%
Provisioning	(140.9)	(169.2)	-16.7%
Profit-before-tax (before restructuring charge)	304.7	388.5	-21.6%
Restructuring charge	44.3	-	-
Tax	63.6	113.4	-43.9%
Exceptional tax charge (tax rate change impact)	59.9	-	-
Profit-after-tax	128.9	272.7	-52.7%
			PLN m
1 includes other operating income			
2 includes other operating costs and depreciation; excludes restructuring costs (PLN 44.3 m)			

In 2003, Bank Zachodni WBK Group produced total income of PLN 1,748.4m, 3.2% down on the previous year level. Reduction in total income is mainly due to lower interest income and profit on financial operations in lower interest rates environment. This was partially compensated by an increase in commission income which increased by 15.5% over the previous year, mainly due to growing sales of the Group's services.

Profit-before-tax (before restructuring charge) was PLN 304.7m and was 21.6% lower yoy. This is an accumulated impact of lower deposit margins, depreciation charge for the new ICBS system (PLN 69.5m) and investment in the Treasury IT platform (PLN 15.5m).

Provisioning and revaluation charge reduced by 16.7%, reflecting a noticeable improvement in the quality of the Group's assets.

The corporate tax rate changed from 27% to 19% with effect from 2004. This has led to a once off reduction in value of deferred tax assets (PLN 59.9m), which is reflected in higher tax charge in 2003.

Profit-after-tax for 2003 was PLN 128.9m.

Restructuring

In 2003, Bank Zachodni WBK Group implemented restructuring initiatives that will have significant impact on its future performance. This included branch network restructuring, reduction in staffing levels and

ongoing cost reduction. The full benefit of these initiatives will be reflected in the Group's performance in 2004.

In 2003, in the Bank's branch network 38 outlets were rationalised (32 closures). The cost of this rationalisation, including write-down in book value of properties, amounted to PLN 44.3m and was taken to profit and loss account in 2003 as an exceptional item.

Manpower levels were reduced by 1.75k FTEs, mostly as a result of organisational changes introduced to the Business Support Centre, implementation of the ICBS in the Bank's outlets, branch network restructuring and additional staff reductions implemented in the second half of the year.

Income

Net interest income totalled PLN 829.1m and was 1.2% up on the prior year.

Income on financial operations was down by PLN 166.9m, reflecting a slower pace of interest rates reduction in 2003 compared to 2002. Additionally, a sharp increase in market rates in October 2003 negatively impacted value of trading income. Included in this figure are FX SWAP transactions of PLN 60.7m (with mtm), compared to 2002 figure (PLN 222.5m incl. mtm). FX Swap income declined due to falling PLN interest rates in the first half of the year and a reduction in the use of these instruments for trading and liquidity management purposes.

Commission income, which is the biggest element of the Group's non-interest income, exceeded the 2002 figure by 15.5% to reach PLN 536.5m. This was achieved thanks to a bigger income from account management fees, cash transactions, credit and card fees, brokerage commissions and fees collected for distribution of ARKA funds.

Foreign exchange profit in 2003 totalled PLN 144.7m, representing a slight fall (2.4%) compared to the previous year figure.

Income from equity investments increased by 41.6% to PLN 52.4m, mainly as a result of sale of the dominant entity's stake in Projekty Bankowe Polsoft Sp. z o.o., at a profit of PLN 17.4m.

Costs

The total costs of Bank Zachodni WBK Group (before restructuring charges) amounted to PLN 1,306.3m and were higher by 4.4% than previous year. Excluding the impact of ICBS depreciation (2003 - PLN 69.5m, 2002 - PLN 6.7m) and a new Treasury IT platform (PLN 15.5m), the underlying total costs fell by 1.9%.

The Group's staff and operating costs totalled PLN 1039.9m which represents a 2.1% decrease on 2002 figures.

The staff-related costs declined by 1.4% to PLN 540.4m. The decrease under this line was due to staff severance carried out by the Bank in the last months of the year. The effects of these actions will be fully visible in 2004.

The operating costs reduced by 2.8%. Adjusting for the costs incurred by the dominant entity in connection with the Treasury IT platform (PLN 15.5m) and restructuring (PLN 11.2m), this category of costs is decreased by 8%. This fall reflects the effect of the restructuring activities carried out across the Group. Thanks to the renegotiation of contracts with suppliers of goods and services and implementation of new organisational and technical solutions, a substantial reduction was achieved in the costs connected with IT usage, telecommunication, office materials, machinery/equipments repair and maintenance, and Bank security.

Other operating costs went up by PLN 58m to PLN 85.3m due to a number of factors, the major being the Bank restructuring process which generated costs of PLN 44.3m, of which PLN 33.1m was included in other operating costs.

Depreciation increased by 39.7% to PLN 225.4m due to full year impact of ICBS depreciation.

B a l a n c e s h e e t s t r u c t u r e

As at the end of 2003 the balance sheet of Bank Zachodni WBK Group totalled PLN 24,168.7m and was lower by 3% than previous year.

Total financial resources of the Group, including deposits from non-financial and public sector customers, investment bonds, bonds of BZ WBK Finanse & Leasing and BZ WBK Leasing (PLN 792.6m) amounted to PLN 18,510m, and were 5% higher compared to 2002. Taking into account participations in investment funds (PLN 1,483.8m), total funds increased by 8.5% yoy.

Total lending to the non-financial and public sector, reached PLN 13,724.8m at the end of 2003, an increase by 10.2% on the previous year figure. This is attributable to a fast growth in mortgage sales (35.3%), financial lease receivables (42.4%) and good development of business lending.

The Group's loan portfolio is well diversified. There is no single dominant sector and the biggest share of 8.5% is for production of groceries and soft drinks.

In parallel with the noticeable increase in lending, the Group experienced a decline in the level of non-performing loans, and consequently a fall in the level of provisions. At the end of 2003, the "sub-standard", "doubtful" and "loss" receivables (excluding interest) from non-financial and public sector accounted for 11.9% of the gross portfolio with the loan loss coverage ratio at 41.4%. Excluding "technical NPLs", which means impaired loans guaranteed by a creditworthy parent of the borrower (PLN 171m) from the impaired loan portfolio, the ratio reduces to 10.7%. In 2002, the corresponding loan quality ratios were 16.2% and 14.5% (excluding technical NPLs).

B a n k Z a c h o d n i W B K r a t i n g

On 12 December 2003, Fitch Ratings, an international rating agency, confirmed the following ratings for Bank Zachodni WBK:

- Long-term: BBB+
- Short-term: F2
- Individual: C/D
- Support: 2
- Long-term rating outlook: positive

3. Business
development

Corporate strategy
“Po pierwsze klient”

“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.”

Delivery of this vision requires the development of strong brand of Bank Zachodni WBK, i.e. a system of values and behaviours which will be commonly found in its operations, will make it distinctive on the market and will be immediately associated with the Bank. The three main pillars underlying the quality of the Bank's brand are: Dependable, Engaging and Pioneering. In 2003, the Bank strove to enhance all aspects of its target image, focusing mostly on the development of foundations, i.e. being regarded as dependable. Further work on the Bank's brand perception is scheduled for the two successive years and will be carried out under the motto “engaging Bank” and “pioneering Bank”, respectively.

Priorities for 2003: security, reliability and quality

In line with the priorities adopted for 2003, the attributes connected with security, reliability and high service quality were developed particularly vigorously. A number of actions were undertaken to minimise operational risk, with particular focus on IT security and business continuity management. The efficiencies introduced during the year led to improvement of many processes and procedures in the Bank. Examples include electronic banking services or issuance of credit cards with a guaranteed turnaround time. In order to improve service quality, regular customer satisfaction surveys were launched, a process which also includes monitoring of progress in individual branches. On the basis of thus obtained knowledge corrective actions were taken. Responsibility for development and delivery of the corrective programmes was assigned to dedicated Regional Quality Improvement Teams.

Employees' values and behaviours

Recognising the relation between service quality and degree of assimilation of the customer-facing values in the organisation, the Bank strives to shape the desired behaviours and attitudes among staff. To achieve this, there are actions taken at different levels. Communication plays a prominent role. In 2003, employees were briefed, through a cascading process, about the “Po pierwsze klient” strategy assumptions for the years to come and about objectives related to service quality. Workshops were held to facilitate understanding and enhance commitment to the proposed strategy values and behaviours and to support development of implementation plans for individual

organisation units. The “Po pierwsze klient” strategy values are effectively supported by the Recognition Programme started in mid-2003. The objective of the programme is to reward individuals nominated by co-workers who are actively demonstrating the key internal behaviours that support our core values. Intranet, commonly used by employees, played an important role in the communication process. Another important initiative is the work on development of Bank Zachodni WBK Customer Service Quality Standards, which define the values and behaviours that our staff are expected to follow when dealing with internal and external customers.

Segmentation and CRM Programme

The Bank pays particular attention to building its relations with customers, which is reflected in the Segmentation and CRM Programme, to which substantial resources were committed. As a part of the programme, our customer base was split into segments and relationship models (Classic and Premium) in accordance with pre-defined criteria. Premium customers were allocated to portfolios managed by advisors identified in a special HR selection process. There are defined quality standards binding on the Premium customer advisors (described in detail in the Service Quality Standards and included in the training agenda) which set the requirement to demonstrate a pro-active approach to Premium customer needs. Moreover, branches were equipped with basic IT tools for development and management of customer portfolios. As the project progresses, it is planned to implement new, more advanced tools which will provide customer advisors with relevant IT and operational support. They will allow each Premium customer to be reached with an optimum proposal through application of appropriate sales methods and service standards. Following a successful pilot, in 2003 mass roll-out commenced. By the end of 2003, the process covered 204 branches servicing more than a half of the Bank's customers. The programme will be continued throughout 2004.

Modification of strategic proposal

As a result of aligning the Bank's strategy to the current market conditions, in 2003 the list of strategic products was expanded. Following the review, the strategic offer for personal customers now includes home mortgages, credit cards, cash loans, deposits, mutual funds, 24Prestige account and electronic banking services. Strategic products addressed to business customers include: leasing, business loans (including Biznes Hipoteka), factoring, package for professionals, foreign payments, Treasury and electronic banking services. These products are the fundamental tools used to attract new customers and build long-term relations with them. The Bank makes all efforts to ensure the customer proposition is distinctive and competitive on the market.

R e t a i l B a n k i n g

In 2003, the Bank's retail banking activity was driven primarily by the actions aimed at developing the strategic offering as well as protecting and growing the savings base.

Development of credit offering

With a focus on customers' expectations and the market's requirements, the Bank systematically modified its credit offering for personal customers. The Bank's flagship products, namely home mortgages, cash loans and credit cards were expanded with new options and their supporting procedures were reviewed and streamlined to make them more customer-friendly.

Last year particular emphasis was placed on increasing the attractiveness of the home loan ("Własny Dom") which allows to build long-term relations with customers. The Bank consistently reduced the interest rate on the variable interest rate mortgage loans offered by way of promotion in the first year of lending. The interest rate of 6.99%, applicable at the beginning of the year, was replaced with a lower interest rate of 5.49% which became effective in early July 2003. At the same time, the Bank's offering was complemented with home loans with subsidies from the governmental line launched in May 2003 under an agreement with Bank Gospodarstwa Krajowego S.A.

As part of programme for home mortgages, in August 2003 the Bank began offering property insurance for customers seeking a mortgage. The product improves the quality of collateral and facilitates customers in dealing with all the formalities in addition to offering a comprehensive cover at an attractive price. During the year a number of other changes were introduced with a view to improving attractiveness of this facility, including the "repayment holidays" option and extension of the repayment period for EURO loans up to 25 years. In order to anticipate the needs of customers who avail of home mortgage or are seeking one, having already other obligations towards banks, a consolidation loan was added to the offering. The product allows all debts to be treated as one mortgage-backed obligation repayable according to one schedule.

Apart from a regular enhancement of home mortgages, the Bank conducted promotional campaigns which increased recognition of the Bank's brand as an institution offering a distinctive product. As a result of these actions, the home mortgage portfolio grew by 35.3% to PLN 1,821.6m.

In line with a strategy for personal customers developed in 2003, lending terms were improved for the existing customers of the Bank and many product innovations were introduced, e.g. a cash loan secured with liquid assets as unsecured cash loan. There was also a high demand among customers for seasonal credit facilities such as Christmas or holidays cash loans.

In 2003, the Bank's credit card offering was enriched with a number of new innovative features in an effort to create a competitive product that fully meets customer needs (credit cards are discussed in detail in the part devoted to electronic banking).

Development of deposit offering and alternative savings products

As part of the endeavours to protect and develop the savings base, the Bank would successively diversify and enhance its deposit products. In 2003, 3-, 6-, 12-, and 24- month IMPET deposits were put on offer. They were based on fixed interest rates set in thresholds, depending on the deposit amount. 2003 also saw two subscriptions for the Guaranteed Investment Deposit AMER INDEX and one subscription for EURO INDEX. These deposits allow customers to earn profits from stock exchange investments while guaranteeing a 100% return of the invested capital. Also, 7- and 14-day deposits available in electronic channels were launched, which had a reduced minimum amount requirement. Deposits under the BZWBK24 proposition constitute not only an attractive product that attracts customers' surplus funds, but is also an efficient tool for migrating banking operations to electronic channels.

In view of the shift in customers' preferences towards investment and savings products offering higher rates of return than deposits, Bank Zachodni WBK made available to customers a wide range of alternative products. In 2003, the Bank completed 8 issues of its own bonds totalling PLN 715.2 m as part of the 1st and 2nd BZ WBK Investment Bonds Issue Programme. The Bank's branches also sold products offered by subsidiaries, including mutual funds and bonds of BZ WBK Leasing. Arka Funds continued to enjoy strong popularity, which was reflected in net asset growth by 84.9%, increasing the portfolio of BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych to PLN 1,483.8 m.

At the beginning of 2003 the conditions for opening 24Prestige account were modified by lowering the income threshold in line with the new Premium customer segment features. As a result, the number of such accounts in the Bank's portfolio doubled, thus increasing the number of people availing of a special product offering. The account entitles its holder to lower fees and discounts when purchasing subsequent products of the Bank and the Group. Following the enterprise-wide implementation of the Segmentation and CRM, all holders of this type of account will also enjoy customer-tailored service and specialist advise of an assigned relationship manager.

Pursuant to the adopted policy, the Bank will continue to focus on delivering the comprehensive, high quality, innovative and transparent offer. It will thus reinforce the customers' satisfaction and loyalty and will counteract the outflow of savings to other financial institutions.

C o m m e r c i a l B a n k i n g

In the area of commercial banking, the Bank was building its competitive edge based on the development of individual strategic products and the offering for the selected customer segments. At the same time, with regard to the forthcoming accession of Poland to the EU, the Bank was getting ready to take the leading position on the structural funds market. It also continued its mission to inform the customers on the threats and opportunities created by the integration with the European Union.

Development of selected aspects of the offering

In order to improve the Bank's strategic offering, in February 2003 the Package for Professionals was launched. It is addressed to strictly defined professionals and combines products that meet both their business and private needs. This proposal, apart from the comprehensive offering and customised service, provides a set of price preferences. Thanks to its competitive pricing, the package enhances the recruitment of new customers, reinforces the loyalty of the existing ones and boosts the sales of strategic products, such as: mortgage loans, credit cards, leasing or ARKA funds.

The attractiveness of a business mortgage loan "Biznes Hipoteka" was increased by the extension of available lending purposes, the introduction of lower margins and a preferential minimum interest rate of 2.5% for the loans up to PLN 3m in the first year of lending. Thanks to the introduced enhancements and the promotional campaign in May, the demand for Biznes Hipoteka among SMEs noticeably increased. Until the end of December 2003, such loans were granted for the total of PLN 185 m.

With a view to increasing the availability of business loans, while maintaining the adequate quality of securities, in January 2003 Bank Zachodni WBK entered into an agreement with Bank Gospodarstwa Krajowego S.A. governing the mutual co-operation with regard to guarantees and sureties for the repayment of loans granted by Krajowy Fundusz Poręczeń Kredytowych (the National Credit Guarantee Fund). The instruments offered by Bank Gospodarstwa Krajowego are treated as an alternative form of security for the repayment of credit facilities available in the Bank's offering.

In the context of dynamic development of exports, the Bank expanded its offering with products designed for companies targeting foreign markets. In August 2003, the European Package was introduced. It combines the features of a current account in Polish Zloty with a selected foreign currency account. This facilitates access to attractive credit products, including foreign exchange overdrafts and re-financing facilities. In order to facilitate the exporters' growth and expansion into foreign markets, the Easy Export Programme was launched. Within this programme, the Bank, in co-operation with Bank Gospodarstwa Krajowego and Korporacja Ubezpieczeń Kredytów Eksportowych (Export Credits Insurance Corporation) offers loans, guarantees and insurance covers connected with the funding of exports.

Innovative pricing policy

Commencing August 2003, a new pricing policy was introduced for current accounts of corporate customers. Bank Zachodni WBK as the only bank in Poland implemented an innovative system of tariffs, similar to the solutions used by mobile operators. Apart from the previous standard tariff, customers were offered four different pricing options: Blue Tariff, Silver Cash Tariff, Silver Electronic Tariff and Golden Tariff. Each of these options includes discounts for the most common transactions, depending on the average current account balance. The new proposal allows businesses to reduce their banking costs by selecting a tariff that best fits the company's settlement preferences. As at 31 December 2003, 15 thousand customers used the new tariffs.

Razem do Unii

As part of the "Razem do Unii" ("Together in the EU") programme, the Bank was increasingly effective in facilitating to its customers an access to the aid funds offered by the European Union. In the Bank's branches the representatives of small and medium-sized enterprises availed of the support of over 170 specially-trained European advisors who provided them with the information on pre-accession funds, indicated the cheapest sources of funding and presented the Bank's offering. The Bank also participated in funding the subsidised projects and ensured effective utilisation of the obtained funds. In June 2003, the Bank's offering was expanded with an investment loan to fund initiatives that increase business competitiveness and are refinanced through PHARE. Further on, a new investment loan was introduced to fund agricultural and rural development initiatives carried out under SAPARD programme.

Information and education activities

In the first half of 2003, another edition of free training courses and workshops for SMEs was held. This marked the end of the First Polish Forum "Your Company in Europe". In the second half of the year another forum called "Europe in Your Company. You Can Do More" was launched which was a follow-up on the previous initiative. These educational activities equip SMEs with practical knowledge on the functioning of EU, thus increasing their chances of success in the common market. Bank Zachodni WBK organises the forum in collaboration with state institutions and leading Polish companies under the auspices of the Office of the Committee for European Integration.

Another important information initiative of the Bank are the conferences with the participation of the Bank's Chief Economist. In 2003, two cycles of meetings for commercial and corporate customers were completed. The matters discussed included current economic situation, the scenario of its development, long-term macro-economic projections as well as the prospects related to Poland's EU entry.

C o r p o r a t e B a n k i n g

Bank Zachodni WBK develops its services for corporates based on the Customer Relationship Management (CRM), a tried-and-tested philosophy in Corporate Banking. In line with CRM recommendations, the Bank builds relations with customers and satisfies their complex needs through a single point of contact.

Customer base and infrastructure

Initially, only the group of the biggest corporate customers availed of personalised service under the CRM concept. However, in 2003 a decision was made to deliver this kind of service through Business Centres to all Premium customers borrowing more than PLN 4m. As a result, the centres are responsible for managing relations with customers with lower credit exposures and are supported by branches which perform a complementary

function in the process. This approach is compliant with the Bank's Segmentation and CRM programme and has as its very core the principles of the "Po pierwsze klient" strategy.

In 2003, in the Corporate Business Centres in Warsaw and Kraków a pilot was run of a new relationship model for accounts where credit exposure exceeds PLN 4m. The sales experience and results confirmed that customers favour the new approach and it clearly distinguishes the Bank's offering in the market.

By 31 December 2003, there were four fully operational Business Centres based in Warsaw, Wrocław, Poznań and Kraków. After the required start-up phase, in January 2004 the Business Centre in Gdańsk was opened.

Offer for businesses

Apart from distinctive service proposition for large businesses, the Bank has a competitive product offering for them which attracts an increasing number of new customers. Traditionally, the most popular products include credit facilities: working capital loans, syndicated loans and long term project finance. The financing is a good start to expand relationship with clients by offering them additional products, especially cash management and treasury products. In 2003, the Corporate Banking portfolio grew to PLN 6.8 bn.

Investment Banking

2003 was a very intensive year for Bank Zachodni WBK units involved in investment banking. The most important investment undertakings include the issue of the Bank's own bonds, service of transactions on the capital market mandated by customers and the investment portfolio development in line with the Bank's policy.

Operations mandated by customers

The Bank pursued a standard investing activity, i.e. provided services in the area of financial consulting and the organization of funding. In particular, these were connected with transactions on the capital markets and leveraged buy-outs (LBO).

Bank Zachodni WBK, in the syndicate with Credit Suisse First Boston, was the advisor to the Minister of the State Treasury in the sale offer of over 121m Telekomunikacja Polska shares owned by the State Treasury. The offer was addressed to domestic and international business investors. Bank Zachodni WBK acted as Joint Lead Manager and was responsible for the sale of shares on the domestic market (ca. 30% of the offer). Shares with the total value of PLN 1.64bn were placed, which makes it the largest undertaking on the Polish equity market in 2003.

In addition, the Bank participated in the public offer of EMAX S.A., where it acted, amongst others, as an underwriter.

The Bank managed the programmes of debt securities issues for customers. Within the non-public offer it conducted the issue of municipal bonds for Gmina Wrocław with a total nominal value of PLN 100m. It also executed the public issues of bonds of the Bank's two leasing subsidiaries and in this way provided them with inflow of funds necessary for further, dynamic development of their core business. BZ WBK Finanse & Leasing S.A. raised this way PLN 88m and BZ WBK Leasing S.A. over PLN 199m.

The Bank also participated in the public offer of IMPEL S.A. where it acted as an underwriter.

Issue of the Bank's investment bonds (PEOL)

Until May 2003, the Bank continued the "1st Programme of Bank Zachodni WBK Investment Bonds Issue" (I PEOL). It was launched in November last year with a plan to place on the market up to 6m bearer bonds of PLN 100 each. In 2003, the allocation was made of the third series of 12M bonds with a nominal value of PLN 97.3m and the fourth series of 9M bonds with a nominal value of PLN 90.9m. The total nominal value of the bonds issued and allocated within the 1st Issue Programme amounted to PLN 536.9m. The year-end saw the redemption of all four series.

In October, the Bank commenced the "2nd Programme of Bank Zachodni WBK Investment Bonds Issue" (II PEOL) planning to bring to the market up to 50,000,000 coupon bonds with a total nominal value up to the equivalent of PLN 5bn and maturity from one year to ten years. Within the 2nd Programme, in Q4 2003 six series of investment bonds with fixed interest were issued, including three series with 2-year maturity and three with 5-year maturity. The sale of 2-year bonds raised PLN 448m and the 5-year bonds were bought for PLN 79m. All issued bonds are quoted on the unregulated market run by Centralna Tabela Ofert (Central Table of Offers).

Investment portfolio development

In 2003, the Bank continued to adjust its investment portfolio to the adopted structure.

February saw the finalization of the conditional agreement concluded at the end of last year which pertained to the sale of the Bank's entire stake held in its subsidiary Projekty Bankowe Polsoft Sp. z o.o., transferring the freehold onto the buyer. In addition, the Bank purchased shares of Lubelskie Zakłady Przemysłu Skórzanego Protektor S.A, increasing its shareholding up to 36.6%*. Along with other shareholders of Commercial Union Polska Towarzystwo Ubezpieczeń Ogólnych S.A., the Bank participated in increasing the Company's share capital and took up shares pro rata to its shareholding. In December, it entered into the agreement on sale of 217,070 shares of Dom Maklerski BZ WBK S.A. (BZ WBK Brokerage House) to the issuer for their redemption. Over this period, the Bank, in line with the requirements of the Commercial Companies Code, participated in increasing the share capital of BZ WBK Nieruchomości S.A. by PLN 150k by way of the share issue which it fully took up.

* includes a trading portfolio that constitutes 0.58% of LZPS Protektor share capital

In 2003, two new subsidiary undertakings were registered in which the Bank took up and paid for a 100% stake. One of them is BZ WBK Faktor Sp. z o.o. established in 2002 whose purpose is to provide factoring services, manage debt portfolios and monitor debtors. The other is CardPoint S.A. established in April 2003 to provide services in the area of payment card acquiring. In early August 2003, Bank Zachodni WBK contributed in kind an organised part of the banking enterprise in the form of Centrum Akceptacji Kart (Card Acquiring Center).

The non-cash contribution covered 800,000 preferred, registered shares with a nominal value of PLN 10.00 each. All shares were taken up by the Bank based on a pre-emptive right.

Along with a group of Polish banks, Bank Zachodni WBK got involved in the rehabilitation process of Wschodni Bank Cukrownictwa S.A. in Lublin. In July 2003, the purchase of the Bank's shares was completed. The total nominal value of the transaction was PLN 14.4m. The purchase was financed with a loan from the Banking Guarantee Fund. The taken up shares account for a 7.23% shareholding in Wschodni Bank Cukrownictwa S.A. and the same percentage of votes at Annual General Meeting.

Moreover, as part of the debt/equity swap, Bank Zachodni WBK was allocated Stalexport shares representing ca. 6.4% of the Company's share capital.

E l e c t r o n i c B a n k i n g

In line with the "Po pierwsze klient" strategy, in 2003, Bank Zachodni WBK extended the scope and functionality of its electronic services. It also continued the process of migrating standard operations to electronic channels to release the branch potential required for building sustainable customer relations. At the same time, the credit card offering was developed with the card handling process improved, with a view to creating a product meeting the highest market standards.

Electronic channels

In 2003, BZWBK24 e-Banking service offering was complemented with new short-term deposits and standing orders. Our Bank's customers could make on-line balance inquiry, effect payments and manage surplus funds through the Internet, phone or GSM mobile. The customer service was greatly facilitated to include the introduction of the 'any branch' Banking (possibility to change parameters at any branch of the Bank), waiting room of orders, functionality to charge the accounts of pre-paid mobiles via the Internet and text message service. The wide range of services, the service functionality and interactive demos for customers in branches encouraged an increasing number of individuals and businesses to use BZWBK24. In 2003, the number of users grew by 126.4k to increase the total number of electronic Banking customers to 441.3k. The vast majority of those customers are personal customers representing ca 80%. The most frequently used electronic channel was the Internet with 317.3k hits by personal and business customers.

In February 2003, Bank Zachodni WBK Communications Centre commenced selling Banking products on the phone. The first services included information on home loans and investment deposits, accepting credit card applications, opening personal accounts and selling credit card insurance. In 2003, the Bank sold 3.6% of all cards and issued over 35% of card insurance policies via the Communications Centre.

More and more big companies were using MiniBank24 services provided under the office-Banking offering. This is one of the best systems in the Polish market owing to the following features: extensive functionality, good security (use of digital signature technology) and central help-desk ensuring top customer service quality. In 2003, the number of active installations of MiniBank24 grew by over 1k to reach 3.9k. This means that almost 12.8k businesses have access to the system.

Migration of transactions and customer service to automated channels

The Bank encourages its customers to widely use electronic delivery channels while taking system actions as part of the Migration Project. Its deliverable is to migrate simple Banking transactions from branches to cheaper automated channels. The main methods of influencing customers are pricing incentives, enhanced functionality and reliability of the infrastructure, and promotion of electronic culture. The Project focuses on talking to customers in branches, involving in particular individual training with the use of special demo terminals. Successful implementation of the Project is a prerequisite for the success of the Segmentation and CRM Programme as it releases the branch staff from the need to conclude standard banking operations and allows them to focus on sales as well as on establishing and forging long-term customer relations.

Cards

In 2003, Bank Zachodni WBK confirmed its position as one of major issuers of credit cards in Poland. Over that period, the Bank issued 48.8k new credit cards to close the year with the portfolio of 134.4k cards.

With the customers who travel across the EMU Region in mind, the Bank's offering was extended to include the new MasterCard BZ WBK in the Silver and Gold versions and the respective card payments abroad settled in Euro. During the year, also Silver and Gold BZ WBK Akcja Pajacyk affinity cards were introduced. The Bank's partner in this undertaking is Polska Akcja Humanitarna (Polish Humanitarian Organisation) which provides meals for kids at schools and is highly recognised in the society. Not only did the Bank undertake to share with the partner the card issuance fee but also the transaction fee which had been unheard of before on the Polish affinity card market.

A particularly high number of innovations were introduced to the credit card. Following a thorough review of the credit card procedures, some improvements were made to shorten the time of waiting for a credit card to be issued to 6 days. The interest-free period was extended to 54 days and an instalment loan related to the credit card payments was introduced. The new product called RATIO allows you to repay the transactions made with the card under an instalment plan and is easily accessible (launched at a telephone order). Furthermore, the

Bank offered new credit card insurance package, including the optional "Your Security Package" protecting customers against incidents such as work inability, loss of job, death following an accident.

The Bank's debit card offering was extended to include cards for the Euro fx accounts and 24Prestige accounts. As at the end of 2003, the number of valid debit and charge cards held by the Bank's customers was 1,024.7k, i.e. 1.7% down on the end of the previous year. This slight decrease recorded in this segment is driven by the growing popularity of credit cards which offer increased functionality, the decision to stop issuing charge cards and the procedure of cleansing the Bank's data bases.

The high quality of the Bank's card offering has been confirmed by the fact that the BZ WBK VISA Credit Gold card was awarded a European Medal by the Polish European Integration Office and the Business Centre Club. Moreover, in November 2003, "Gazeta Bankowa" recognised the high standard of the Bank's card offering under the "Card instead of Cash" category. In addition, the Bank received the prestigious PSQ Award from Visa International for high capacity of the credit card service system.

Bank Zachodni WBK also provides payment card services to third parties and is one of the major players on the respective market. It ensures high-tech IT infrastructure to its customers and on-line access to information on cards issued. In 2003, the volume of cards serviced by the Bank on behalf of third parties totalled 370k. The list of Bank Zachodni WBK customers include: Lukas Bank, Nordea Bank Polska and co-operative banks.

C o - o p e r a t i o n w i t h
i n t e r n a t i o n a l f i n a n c i a l
i n s t i t u t i o n s

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, etc.

Good relationship with foreign partners translates into competitive pricing for customers. It also drives the volume of business, and consequently income streams. What encourages banks to use the services of Bank Zachodni WBK for handling transactions on the Polish market is professional service and technologically advanced, highly efficient IT solutions. The Bank's advantage is also its membership in the Allied Irish Banks Group, which positively affects its risk perception.

Thanks to the above and the customer activity, Bank Zachodni WBK is one of the top banks in the Polish banking sector in terms of the size of the F/X turnover. In the reporting period, 515k F/X transactions totalling PLN 27bn were cleared, which represents a 24% growth against the previous year.

Apart from the correspondent banks, Bank Zachodni WBK has a strong relationship with Western Union

Financial Services. In order to enhance customers' satisfaction with the Western Union transfers, in 2003 a system designed to improve the handling of cash transactions was implemented in the Bank's branches. This, combined with the expansion of the network of branches offering fast transfers, resulted in a 50% increase in their volume against 2002.

Satisfaction of the Bank's partners is proven by the awards granted in 2003. Deutsche Bank awarded Bank Zachodni WBK for a high ratio of correctly formatted payment orders transferred via SWIFT, and Western Union awarded the Bank for its major contribution to the D2B project which concerns money transfers to beneficiaries' accounts in Poland.

C u s t o d i a n
s e r v i c e s

In 2003, Bank Zachodni WBK increased its activity to strengthen its position on the custodian services market. As a result, it achieved a substantial growth in assets kept by customers in the securities accounts. As at 31 December 2003, their value was PLN 2,600m.

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 maintaining securities accounts, settling transactions, handling dividend and interest payments, redemption of debt instruments, valuations of portfolios, executing instructions stipulated in authorisations given by customers, and representing them at the General Meetings of Shareholders 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 FIZ and LUKAS Stable Growth Fund FIO have also been the Bank's customers. They are managed and represented by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A.

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

Gradual economic recovery in 2003 had a positive impact on the stock exchange climate. A change in investment sentiment was noted already at the end of the first half of the year, however it was not until the second half-year that the stock exchange market responded with an increase in trading activity. In this favourable environment brokerage houses, including BZ WBK Brokerage House, recorded a very good financial performance.

In 2003, BZ WBK Brokerage House increased its stock exchange turnover by 119.6% to PLN 5,584.3m, expanding its market share from 5.3% to 8.4%. The growth rate outperformed the market (39%) thanks to the dynamic development of customer base and attractive services. In February 2003, BZ WBK Brokerage House signed an agreement with Credit Suisse First Boston, Polska whereby it acquired an organised part of the latter and obtained an exclusive right to deal in Polish shares on behalf of foreign customers represented by Credit Suisse First Boston, London. At the same time the company introduced brokerage services for Polish corporate customers in international markets. In November, the services were made available to personal customers as well. BZ WBK Brokerage House - as the first company in the market - started to provide such services via the Internet.

The turnover of BZ WBK Brokerage House in the secondary bonds market increased by 12.9% to PLN 316.6m, giving it a 4% share in the overall annual trading at the Stock Exchange. At the same time, the number of forward contracts concluded through the Brokerage House rose by 46.1% to 999.9k, with a market share increase to 11.8%. The key asset of the subsidiary in the futures market is its competitive offering which is distinctive both in terms of quality and price.

BZ WBK Brokerage House has been an active player in the WIG 20 options market since it was launched in September 2003. At the end of the year, the company's share in this developing market was 8.7%.

In 2003, BZ WBK Brokerage House participated in the primary market sale of BZ WBK investment bonds (issued within the 1st and 2nd Issue Programme) and the bonds of BZ WBK Leasing. When the bonds were introduced to the CeTO market, the company acted as an agent in their trading and repurchase. Consequently, the company's turnover in the CeTO market rose in 2003 by 8.662% to PLN 1,189m, increasing its market share from 2.2% at the end of 2002 to 12.4% a year later.

BZ WBK Brokerage House sustained its leading position in terms of the number of operated internet accounts. At the end of 2003, the number of such accounts was over 10.1 thousand and 42% higher than last year. The company also made a good progress in migrating retail transactions to automatic channels, mainly thanks to a wider use of the Internet. In the cash (shares and bonds) market, 71% of retail trading was generated by orders received over the Internet or the phone, whereas the corresponding figure for the futures market was 86%. At the end of 2002, migration ratios for retail customers in the two markets were 55% and 85%, respectively. Corporate customers were serviced solely over the phone.

BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A.

Falling profitability of term deposits resulting from regular interest rate cuts in the first half of 2003 coupled with a strong bullish trend in the stock exchange in the second half-year were conducive to further development of investment funds. The assets of all investment funds operating in Poland rose by nearly 50% at that time.

The pace of growth of the eight funds managed by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych was 84.9% and outperformed the market. The value of accumulated assets reached PLN 1,483.8m, which increased the company's market share from 3.6% at the end of 2002 to 4.5% at the end of 2003.

In line with the market trend, in the first half of the year Arka Bonds Fund recorded the biggest asset growth. Over the year the assets of the Bonds Fund increased by 222.7%, bringing its value up to PLN 181.7m.

In the second half-year the upturn in the stock exchange gave an impetus to the development of share funds. The fastest asset growth rate was recorded by ARKA Balanced Fund which increased by 1,532% to PLN 81.7m and ARKA Stable Growth Fund which increased by 937% to PLN 130.6m. ARKA Balanced Fund proved the best in its category in terms of profitability with the return rate of 25.9% over 12 months. Also ARKA Shares Fund (51.5%) and ARKA Stable Growth Fund (12.3%) were among the top performers in their respective categories.

By accumulated assets, the leader among the company's funds was ARKA Capital Protection Fund which increased by 23.8% yoy to PLN 891.1 m.

In 2003, the company added three new funds to its offer. In May, Lukas Stable Growth Fund was launched, the first "white label" fund in Poland. The Fund was opened in co-operation with Lukas Bank and is available in its branch network only. In August the first fund investing abroad was launched. The ARKA European Bonds Fund is addressed to customers who choose to invest in safe securities denominated in Euro. In December the company arranged subscription of its first close-ended index tracker fund Arka Global Index 2007.

Apart from new funds, the company introduced a number of innovative changes which enhanced the attractiveness of its offering. Since the beginning of September 2003, an innovative management fees system has been in place, which links the level of fees to customer's portfolio value. There is also a new system for distribution and administrations fees which favours long-term investments.

At the end of 2003, ARKA Funds were available from 400 BZ WBK Branches and 48 Customer Service Points of BZ WBK Brokerage House. Participation units in Lukas Stable Growth Fund could be purchased in 102 branches of Lukas Bank S.A.

BZ WBK AIB Asset Management S.A.

Thanks to the recovering economy, improved performance of companies and better stock exchange climate, 2003 saw an increase in demand for asset management services.

High customers' interest in stock exchange investments witnessed in the second half-year allowed BZ WBK AIB Asset Management to substantially increase the assets of portfolios with share contribution. Over the

year share portfolios grew by 49% to PLN 27.3m, whereas balanced portfolios experienced a growth of 243% to PLN 71.1m. The respective portfolios outperformed other products offered by BZ WBK AIB Asset Management in terms of overall results.

Bonds Plus portfolio was popular with customers as well, especially in the first half-year. Many of them, satisfied with their investments and the level of service offered, continued to invest through the company, partially changing the portfolios' structure by adding shares.

At the end of 2003, the value of assets managed by the company, along with investment funds of BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych, totalled PLN 1,687.5m.

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

Bank Zachodni WBK Group carries on leasing activities through two companies: BZ WBK Finanse & Leasing and BZ WBK Leasing, which specialise in funding different asset categories.

BZ WBK Finanse & Leasing focuses on the lease of two product groups: machines and equipment ("Maszyneria" offer) as well as computers and office equipment ("Biuromania" offer). In order to finance its dynamically developing core business, the company acquired new funding through a bonds issue. The issue became effective on the last day of January 2003 with a total of 880 series A1 3 year bearer bonds, with a nominal value PLN 100 000 each, being allocated to qualified investors. The bonds were admitted to trading on regulated CeTO market. Thanks to the strong capital back-up and well-developed sales network, the company was able to offer its services on competitive conditions. As a result, a 31% increase was recorded in the sale of machines and equipment, and with its PLN 244.4m worth of leased assets the company became a leader in this market segment.

The other leasing company - BZ WBK Leasing - provides funding for motor vehicles and means of transport for business customers ("Autostrada" and "Autotrans" offers) and for private individuals ("Autostart" offer). The company has streamlined the process of concluding car leasing agreements by introducing full customer service in the Bank's branches. This allowed the BZ WBK Group to become distinctive on the market and increase its sales in the HGV/LGV segment by 61.2% (PLN 407.3m by net value of assets) and in the passenger cars segment by 36.2% (PLN 51.2m by net value of assets).

In order to give SMEs a better access to its services, at the end of December BZ WBK Leasing entered into a loan agreement with the European Bank for Reconstruction and Development, borrowing EUR 15m (or its equivalent in Polish Zloty). The funds come from SME Finance Facility, a programme supported by the European Union, and are earmarked to finance vehicles lease for SMEs.

Like its sister company, BZ WBK Leasing funds development of its core business by issuing own bonds. In July 2003, the Securities & Stock Exchange Commission approved introduction to public trading of up to 10m of bearer bonds of BZ WBK Leasing with a nominal value of PLN 100 each. In the third quarter of 2003 the company issued the first two series of 3-year bonds with a total nominal value up to PLN 200m. The subscription, which yielded over PLN 199m, was completed on the last day of October. The bonds are traded on an OTC market.

In 2003, the two companies leased out net assets totalling PLN 717.5m, i.e. 42.9% more than last year. They continued to develop their delivery channels and sales processes. Furthermore, they put a strong emphasis on risk assessment. The actions taken to achieve these objectives were comprehensive in nature and included IT, organisational and procedural modifications.

AIB WBK Fund Management Sp. z o.o.

In 2003, AIB WBK Fund Management continued its co-operation with the three funds: Magna Polonia National Investment Fund S.A., Nova Polonia PEF and Prospect Poland Fund.

As part of NFI Magna Polonia Fund management, a number of shares of companies owned by the Fund were sold and several new blocks of shares were acquired.

On 12 June 2003, on the basis of a decision of the Securities & Stock Exchange Commission of 20 May 2003, an ownership title to 1,963,795 shares of NFI Magna Polonia was transferred to the account of AIB WBK Fund Management as a due fee for managing the fund in the years 1995-2001. The acquired shares account for 6.53% of the fund's share capital and carry a corresponding number of votes. The value of the transaction, according to the closing price of the shares of NFI Magna Polonia as at 12 June 2003, was about PLN 9.5m.

AIB 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 consultancy/advisory services.

In 2003, as part of its investment portfolio management the company sold shareholdings in 5 companies.

Moreover, the company acquired and subsequently sold off 300 bonds of BZ WBK Finanse & Leasing. It also purchased from the market four series of investment bonds issued within the 1st BZ WBK Investment Bonds Programme (I PEOL), which were then redeemed by the issuer.

AIB WBK Faktor Sp. z o.o.

BZ WBK Faktor was established in October 2002, and on 24 January 2003 was entered in the Court Register. Its core business is factoring services, including purchasing of book debts, comprehensive management of the assigned debts, financing current activities, monitoring repayments and debt collection. At the beginning, the company is going to perform factoring business with recourse. According to the Bank's corporate strategy, it will be an exclusive provider of respective services across the entire Bank Zachodni WBK Group.

In the first half of 2003, the company set up its organisational and legal foundations to start operations, tested and implemented an IT system, developed its sales strategy and eventually commenced acquisition and

service of its first customers. In June 2003, a pilot was started whose purpose was to initiate active sales. As at the end of 2003, the factoring turnover of the company totalled PLN 29m.

CardPoint S.A.

CardPoint is a new subsidiary, which was entered in the National Court Register on 19 May 2003. The company began its operations at the beginning of August 2003 as Bank Zachodni WBK had contributed to it the Card Acquiring Centre, a unit hived off from the organisational and financial structure of the Bank. CardPoint uses the contributed assets in accordance with their original purpose, i.e. to provide card acquiring services.

The company makes available to merchants equipment for entering and processing card information and payment details, processes data obtained from merchants and settles transactions through Bank Zachodni WBK. It also provides its partners with support in the form of training and marketing materials. The company focuses on selected customer groups and provides them with state-of-the-art technology. At the end of December 2003, CardPoint handled over 9,000 terminals nation-wide.

BZ WBK Nieruchomości S.A. i Wspólnicy
Spółka Komandytowa

The company deals with servicing lease agreements for motor vehicles which were concluded in 2001 for a term of 10 years.

4. Development of organisation
and infrastructure

Ownership structure
of Bank Zachodni WBK
share capital

According to the data held by the Management Board of Bank Zachodni WBK S.A., as at 31 December 2003, the shareholder with at least 5% of the voting power at the Bank's AGM was AIB European Investments Ltd. based in 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 10 April 2003 an Annual General Meeting of Shareholders of Bank Zachodni WBK was held, which approved single and consolidated financial statements for 2002 submitted by the Management Board and the Management Board's report on the Bank's and the Group's operations in 2002. The AGM also approved distribution of profit and dividend payments, and granted a word of approval to the Management Board and Supervisory Board members for performance of their duties and responsibilities in 2002. The AGM appointed two new persons to the Supervisory Board: Mr. Declan McSweeney and Mr. Aleksander Galos. It also approved the contents of the "Best Practices in Public Companies in 2002" introduced by a Warsaw Stock Exchange Board's resolution no. 58/952/2-002, dated 16 October 2002, along with a commentary on how the provisions of the document should be implemented in the Bank.

On 22 May 2003 an Extraordinary General Meeting of Shareholders was held, which approved disposal of an organised part of the Bank's business providing card acquiring services. The spun-off part was sold to a wholly-owned subsidiary of the Bank. The General Meeting authorised the Management Board to set the ultimate value of the sold assets at not less than PLN 8m.

Supervisory Board

The Supervisory Board of Bank Zachodni WBK started its operations in 2003 in the following composition:

	Marian Górski	Chairman of the Supervisory Board
	Gerry Byrne	Vice Chairman of the Supervisory Board
	Waldemar Frąckowiak	Member of the Supervisory Board
	Dermot Gleeson	Member of the Supervisory Board
	Marek Grzegorzewicz	Member of the Supervisory Board
	Cornelius O'Sullivan	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

On 18 February 2003, Mr. Cornelius O'Sullivan resigned from his membership in the Supervisory Board of Bank Zachodni WBK effective from 13 March 2003 in connection with his appointment as the 1st Vice-President of the Management Board.

By virtue of the AGM resolution dated 10 April 2003 two new Supervisory Board members were appointed: Mr. Declan McSweeney and Mr. Aleksander Galos.

On 19 December 2003, the Supervisory Board of Bank Zachodni WBK acknowledged the resignation of Mr. Dermot Gleeson from the position of the Supervisory Board Member of Bank Zachodni WBK. Mr. Dermot Gleeson completed his assignment on the Bank's Supervisory Board as of 31 December 2003 following his appointment as the Chairman of the Board of Allied Irish Banks plc.

Management Board

The Management Board of Bank Zachodni WBK started its operations in 2003 in the following composition:

	Jacek Kseń	President of the Management Board
	William Richard Horgan	First Vice President of the Management Board
	Declan Flynn	Member of the Management Board
	Michał Gajewski	Member of the Management Board
	Michael Keegan	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
	Maciej Węgrzyński	Member of the Management Board

On 14 March 2003, Mr. William Richard Horgan completed his assignment with Bank Zachodni WBK. The position of the 1st Vice-President of the Management Board was taken up by Mr. Cornelius O'Sullivan.

On 10 April 2003, the Supervisory Board of Bank Zachodni WBK appointed the following persons to Bank Zachodni WBK Management Board for another 3-year term of office.

	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
	Michael Keegan	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
	Feliks Szyszkowiak	Member of the Management Board
	Maciej Węgrzyński	Member of the Management Board

On 14 January 2004, Mr. Maciej Węgrzyński resigned form the position of the Member of the Management Board of Bank Zachodni WBK.

The table below presents the number and face value of Bank Zachodni WBK's shares held by the members of the Management Board and the Supervisory Board of Bank Zachodni WBK as at 31 December 2003:

Shareholders	Number of shares	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 Board and the Management Board do not hold any shares of Bank Zachodni WBK S.A.

C o r p o r a t e
g o v e r n a n c e
p r i n c i p l e s

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.

In 2003, additional internal procedures were developed to facilitate monitoring of the best practices application across the Bank. 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.

H u m a n R e s o u r c e s
a n d t r a i n i n g

Human resources and training activities of Bank Zachodni WBK focused on actions supporting delivery of the Bank's strategy and development of the management's competence. At the same time, the process of employment rationalisation was continued.

Human Resources

In early 2003, another cycle of the Performance Management Programme was launched, which orientated all the Bank's staff towards the execution of the "Po pierwsze klient" strategy. Updated strategic priorities of the Bank and individual organisation units were translated into individual objectives for staff. The objectives were grouped into three areas: Business Focus, Customer Focus and People/Team Focus. The process of monitoring the progress and the performance review was running as scheduled and played its motivational role. It was also a reliable source of information for managing the human potential in the Company.

In 2003, the work on the staff restructuring process was underway. The staff reductions in the first half of 2003 were a consequence of the organisational changes introduced to the Business Support Centre and the implementation of the new branch model and ICBS in the Bank's outlets. Another restructuring stage was initiated by the decision of the Management Board dated 22 July 2003 on further group redundancies in the Business Support Centre and the branch network. Headcount surpluses were also identified in the network rationalisation process. The total number of Bank staff affected by group redundancies was 1569 (1557 FTEs). The scale of reductions was to some extent limited thanks to filling vacancies in the internal recruitment process. As a result of the staff movements, the total headcount in Bank Zachodni WBK decreased from 9,116 FTEs at the end of 2002 to

7,417 as at the end of 2003. Across Bank Zachodni WBK Group (the bank with all the subsidiaries) the number of FTEs declined by 1.75k to 7,790.

Training

The number of people trained by the Bank totalled 31k people, i.e. twice as many as in the previous year. The scale of growth was attainable thanks to a wider application of e-learning which proved quick, convenient and effective channel of providing the required information to staff. Over 51% of all the attendees were trained in this way compared to 12% in the previous year. The main training topics were sales techniques focused on team work and customer services improvement, SME lending, e-Banking products and services, investment funds and the Bank's security. A vast majority of the sessions was addressed to the branch staff.

In 2003, the Bank continued the management development programme focusing on two levels, i.e. executives and future line managers. At the same time, work was progressed on a concept and delivery of a development programme for the intermediate management level, i.e. directors. The executive development programme commenced in December 2002 and came to an end in May 2003 to improve leadership skills required for the delivery of the "Po pierwsze klient" strategy. February 2003 saw the launch of the second round of the fast track programme for the most talented young and prospective managers, i.e. Developing Successful Managers 2003/2004. The programme participants are 55 individuals selected in a complex process by the assessment centre. The goal of the programme is to help the existing and future managers develop competencies which will ensure high quality and effectiveness of management.

O r g a n i s a t i o n a n d i n f r a s t r u c t u r e

Business Support Centre

In 2003, organisational structure of the Business Support centre was modified a few times. Key changes embraced the establishment of Risk Management Division, transferring Brand Management Area from the Strategic Development Division to the area reporting directly to the President of the Management Board as well as excluding Business Centres from Divisions. The changes reflect the Bank's focus on the delivery of the "Po pierwsze klient" strategy as well as the security and effectiveness issues.

Branch network

As at the end of December 2003, the Bank's network comprised 400 branches and was divided into three macroregions (with seats in Wrocław, Poznań and Warsaw) which, in turn, were composed of 14 regions.

Reduction in the number of branches by 32 units against the end of 2002 was due to the rationalisation

process. It involved mergers of selected branches in order to eliminate outlets which were unprofitable or targeted the same customers. As part of the optimization process, the regional structure was also streamlined, i.e. three regions were eliminated and their area became incorporated into the adjacent units. As a result of these undertakings, economies of scale were attained and staff cost reduced. The project initiated long-term optimalization-oriented actions based on an ongoing analysis of the branch network and its functioning in the changing market conditions.

In 2003, the Bank strengthened its position in Warsaw and Kraków. In March, a promotional campaign was launched in Warsaw. As a result, the Bank's brand awareness was enhanced while its advantages such as: big number of well located outlets, centralised IT system, high service quality and attractive offering were emphasized. In Kraków, the local network was expanded by another, eighth outlet.

Business Centres

In 2003, four Bank Zachodni WBK Business Centers were fully operational: in Warsaw, Wrocław, Poznań and Kraków. In January 2004, a Business Center in Gdańsk was launched (for more details on these outlets see chapter III in the section dedicated to Corporate Banking).

Electronic Banking Infrastructure

As at the end of 2003, the ATM network of Bank Zachodni WBK comprised 557 machines, which effected about 43m operations a year. The Bank's ATMs are highly functional. Apart from withdrawals, customers can avail of additional services, i.e. balance checks, statement of transactions, transfers to the Bank Zachodni WBK credit cards, change of PIN, card activation, charging "pre-paid" phones for all GSM operators.

The network of card acquiring terminals was moved, in the second half of the year, under the management of a subsidiary. In 2003, the Management Board took the decision to spin-off card acquiring business and transfer it to special purpose company - CardPoint S.A. The company launched operations on 1 August 2003 after Bank Zachodni WBK made its contribution in kind in the form of Card Acquiring Centre.

Capital expenditure

In 2003, Bank Zachodni WBK's capital expenditure on the investment projects totalled PLN 85.3m and was down 62.7% on the previous year. The smaller amount of expenditure stems from the completion of a three-year process of implementing ICBS and accompanying systems in the Bank's network.

The IT technology absorbed an amount of PLN 73.0m, including PLN 23.9m which applied to the final phase of B1 project. With the technological enablement in place, in 2003, the Bank focused on building customer relations and supporting technologies. Also, work was launched on the implementation of a modern decision engine for credit facilities. At the same time, the Bank continued projects related to expanding the accessibility and functionality of electronic services.

The property-related investments totalled PLN 12.3m. Outlays for fixed assets were earmarked for modifying the branch infrastructure as part of the rationalisation project. The decision to merge the operations of selected branches triggered location changes and the need to modernise the outlets. Furthermore, parallel to the progress in the Segmentation and CRM projects, changes to the customer service model were introduced.

In 2003, the capital expenditure of subsidiaries consolidated with Bank Zachodni WBK amounted to PLN 7.1m.

B 1 Programme

April 2003 saw the completion of the roll-out of an integrated IT system (ICBS) alongside a new branch model. The investment, totalling USD 100m, was the largest undertaking in the history of Bank Zachodni WBK and Allied Irish Banks Group. The scale of the effort is evidenced by the basic statistical data about the implementation: ca. 3 million accounts were converted, 7 thousand branch and Business Support Centre staff were trained, more than 6.5 thousand computers were replaced. The launch of the new system required deep changes in many areas and entailed strenuous efforts at the conceptual design development, planning and implementation stage. Consequently, the delivered benefits stem from the functionality of the new system, more effective procedures, modified organisational structure, reorganised responsibilities and work processes in branches, better trained staff and upgraded equipment. The B1 Programme came off with flying colours not only thanks to the successful roll-out of ICBS and accompanying projects but also owing to the fact that it was completed on schedule, within the allocated budget and the business objectives were fully attained.

Based on B1 infrastructure, work was commenced with a view to implementing a platform for information systems (data warehouse) to meet the needs of Segmentation and CRM Program and requirements of the Basle Committee.

5. Key risk areas

Capital management

Bank Zachodni WBK's policy is to maintain a strong capital base and to utilise it effectively for the benefit of its shareholders.

At the end of 2003, the Bank's capital resources amounted to PLN 2,533.7m (BZ WBK Group PLN 2,542.7m) while its solvency ratio was 11.77 % (BZ WBK Group 12.01%).

Assuming further stable development of its activities, Bank Zachodni WBK plans to maintain the existing proportion of retained earnings that are re-invested in the business (i.e. ca. 80% of profit after tax).

Asset and liability management

The main objective of asset and liability management is the profitable development of the Bank's risk-taking activities within prudential parameters. Risk management in the Bank is conducted within the boundaries set in co-operation with AIB Group and covers three major risk areas: market risk, credit risk and liquidity risk.

The Bank's Management Board, which is ultimately responsible for risk management, has delegated authority to the following high level committees: the Asset and Liability Committee (ALCO), the Credit Committee and the Provisioning Committee. These committees manage their relevant risk areas, monitor the Bank's risk profile on an on-going basis and map out current policies within the framework set by the Management Board.

Credit risk management

The lending activity of Bank Zachodni WBK was focused on growing its portfolio in a way which would ensure high quality, good profitability and customer satisfaction.

The Bank's credit risk stems primarily from its lending activities on retail, corporate and interBank markets. It is managed within the lending policy framework set by the Management Board through a system of delegated discretionary limits which reflect the knowledge and experience of individual managers. The Bank operates an internal credit grading system which provides early warnings with regard to the loan portfolio quality.

Credit Forum

As part of the Risk Management Process, Bank Zachodni WBK has a Credit Forum. Its main objective is agreeing, approving and communicating best industry practices, industry analyses, credit policies, grading and risk assessment systems to the Bank's branches and the Business Support Centre divisions (which are directly responsible for business development and support). The Forum is composed of the management representatives from individual divisions.

Credit policies

Credit policies set forth guidelines concerning: identification of risk types, risk assessment and the methods of risk mitigation to the level acceptable by the Bank (e.g. fx risk in the case of fx loans). Credit policies of Bank Zachodni WBK, compliant with AIB Group standards, are at the same time adjusted to the specific nature of Bank Zachodni WBK lending activities.

Grading

In the pursuit of enhancing professional credit risk management the Bank, apart from grading of credit exposures based on general regulations, develops and applies internal grading systems based on the experience and best practice of AIB Group. In 2003, the Bank commenced work on aligning the grading schemes currently in place with the Basle Committee's recommendations.

Provisioning

Bank Zachodni WBK raises provisions in line with the applicable legal regulations (Ordinance of the Minister of Finance, dated 10 December 2001, on provisioning against risks related to banking operations, Journal of Laws No 149, item 1672, dd. 22 December 2001 as amended), and gives preference to a prudential approach in recognising security when calculating provisions. Provisioning Committee is responsible for maintaining an adequate level of loan loss provisions.

Return on risk

The Bank continues to implement risk-based methods of loan pricing, capital allocation and effectiveness measurement.

Process of taking credit decisions

The credit decision-taking process, as part of risk management, is based on the system of lending discretions assigned so as to reflect the knowledge and the experience of individual employees and match the areas of the Bank's lending activity (corporate, commercial and retail banking). Exposures in excess of PLN 15m are approved by Credit Committees composed of top management and executives.

The Bank takes actions to provide top quality credit services which are tailored to customers' expectations and ensure security of the credit portfolio. With this in view, Chief Credit Officer and Credit Directors were appointed and are accountable for credit-decisions taking and portfolio quality oversight. This way the responsibility for transaction risk approval and sales was split.

The Bank is implementing scoring techniques in respect of selected retail products. The process began with implementing decision-making systems for review of credit applications filed by retail customers. This year decision platforms and customer/account behaviour scoring will be developed. These are aimed to enhance retail portfolio management, reduce the turnaround time and meet the requirements set forth in the Basle Committee's recommendation. The scoring system is implemented by renowned international companies and external auditors.

Credit reviews

Focusing on the quality of credit portfolio, the Bank conducts regular quality assurance reviews aimed at ensuring compliance with best practices of credit delivery, determining the actual credit portfolio quality, adequate grading and provisioning. The reviews also make it possible to carry out objective evaluation of the professionalism of credit management. They are conducted by the Credit Quality Assurance Department which operates independently of the units accepting credit risk within their lending discretions.

Market and liquidity risk management

Bank Zachodni WBK's ALCO is responsible for strategic balance sheet management within risk policies approved by the Board. Its primary focus is on capital management, funding/liquidity, market risk capacity and market risk management. Market and liquidity risk management is carried out in the Bank within the scope determined by AIB Group and approved by the Management Board of Bank Zachodni WBK. The ALCO comprises senior divisional management. ALCO policies determine the basis for managing liquidity, interest and foreign exchange risks arising from the structure of the Bank's and the Group's balance sheet.

Market risk management

Market risks arising in the Bank's retail and commercial activities are transferred to the Bank's Treasury Division, which takes hedge positions (e.g. in marketable securities and derivatives) to mitigate these risks. In July 2003 the Assets and Liabilities Management Department was established which took over ALCO's responsibility for ongoing identification and measurement of market risk arising from the retail and commercial business.

The key objective of the Bank's market risk policies is to limit the adverse impact of interest and exchange rate movements on the Bank's profitability and shareholder value, and to enhance earnings within clearly defined risk parameters. The Bank's policies and practices in relation to market risk management reflect the following three guiding principles:

- Key market risk activities are subject to the Management Board approval based on the adopted policy,
- Market risk is substantially centralised in the Treasury, managed by skilled personnel and monitored using appropriate systems and controls,
- Market risk is measured and monitored by risk management personnel operating independently of risk taking units.
- Bank Zachodni WBK operates within the parameters of conservative risk limits.

Liquidity risk management

In 2003, the Bank worked on implementation of a new liquidity policy which obtained sign off from the Management Board at the end of the year. New Bank's Liquidity Policy is to ensure the availability, at all times, of sufficient funds from the expected inflows or realisation of liquid assets (mainly debt securities) to meet claims arising from either liability demands or asset commitments, both actual and contingent, in exceptional or crisis situations triggered by internal or external factors (e.g. sudden increase in the value of facilities drawn down under the sanctioned credit lines, material drop in liquidity on fx swaps market). The new policy embraces all assets and liabilities as well as off- balance sheet item impacting the liquidity level and takes account of statistical research of deposit base behaviour. It also incorporates a liquidity contingency plan for critical situations.

Operational risk management

Operational risk covers potential threats arising from inadequate internal processes, human errors and external systems or factors. Bank Zachodni WBK Group Operational Risk Management determined the following areas of responsibility:

- organisational units responsible for operational risks related to their areas (risk identification, self-assessment, loss reports),
- Operational Risk Team, responsible for co-ordinating the operational risk management process (devising a system, supporting units, reporting, developing a database of losses),
- audit, accountable for control and assessment of operational risk management quality (independent quality assurance, reviews of risk identification standards in organisational units, evaluation of controls in place).

Bank Zachodni WBK developed and put in place an Information Security Policy and Information Standards which govern the issues related to the security of the information processed by the Bank, implementation and review of projects and their aspects related to the conformity with applicable standards, analysis of risks arising from changes to IT systems, ongoing analysis of information about threats related to data protection.

Bank Zachodni WBK supervises implementation of the respective Group business continuity management policy, liases with business units, analyses needs and develops plans in this regard.

Other operational risk areas for the Bank Zachodni WBK Group to focus on are as follows:

- implementing advanced management techniques, taking account of risk related to the assessment of profitability of products, portfolios and business units (RAROC),
- implementing recommendations of the Basel Committee at the first stage under the IRS foundation method for credit risk and standard method for the operational risk,
- full alignment with IAS,
- providing an IT platform and streamlining reporting processes (data warehouse).

O n t r a c k

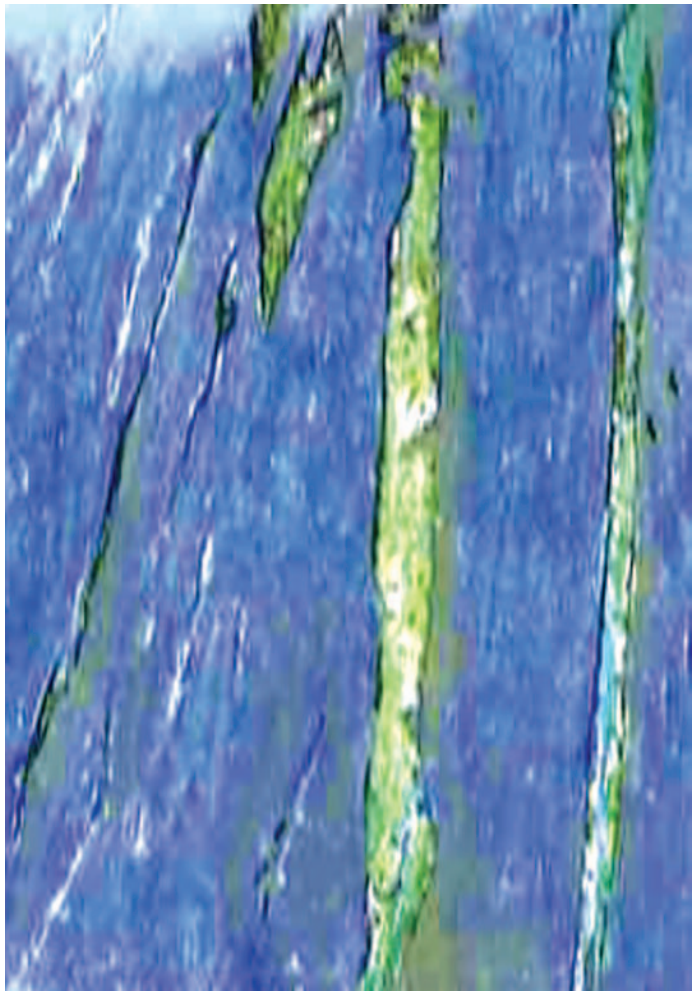
As a part of delivery of the AIB Group risk management strategy Bank Zachodni WBK takes actions aimed at:

- implementing advanced management techniques, taking account of risk related to the assessment of profitability of products, portfolios and business units (RAROC),
- implementing recommendations of the Basel Committee at the first stage under the IRS foundation method for credit risk and standard method for the operational risk,
- full alignment with IAS,
- providing an IT platform and streamlining reporting processes (data warehouse).

In order to accomplish these tasks the Bank applies an integrated approach which combines these goals in one AIB Group-wide project.

Signatures of Bank Zachodni WBK S.A. Management Board Members:

Date	Name and surname	Position	Signature
15-03-2004	Jacek Kseń	President of Managenent Board	Signed on the Polish original
15-03-2004	Cornelius O'Sullivan	First Vice-President of Managenent Board	
15-03-2004	Declan Flynn	Member of Managenent Board	
15-03-2004	Michał Gajewski	Member of Managenent Board	
15-03-2004	Michael Keegan	Member of Managenent Board	
15-03-2004	Justyn Konieczny	Member of Managenent Board	
15-03-2004	Janusz Krawczyk	Member of Managenent Board	
15-03-2004	Jacek Marcinowski	Member of Managenent Board	
15-03-2004	Mateusz Morawiecki	Member of Managenent Board	
15-03-2004	Feliks Szyszkowiak	Member of Managenent Board	



Monika M. Korona, "Blue Forest"

C o n s o l i d a t e d
f i n a n c i a l
s t a t e m e n t s

CONSOLIDATED FINANCIAL STATEMENTS
(according to the Polish Accounting Standards for the year ended 31 December, 2003)

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1. O p i n i o n
of the independent auditor

To the Shareholders of Bank Zachodni WBK S.A.

We have audited the accompanying consolidated financial statements of Bank Zachodni WBK S.A. Capital Group seated in Wrocław, Rynek 9/11, consisting of the introduction to the consolidated financial statements, the consolidated balance sheet as at 31 December 2003, with total assets and total liabilities and equity of PLN 24,168,698 thousand, the capital adequacy ratio, the consolidated statement of contingencies and commitments granted as at 31 December 2003 amounting to PLN 4,374,730 thousand, the consolidated profit and loss account for the year ended with a net profit of PLN 128,873 thousand, the consolidated statement of changes in equity for the year then ended, with an increase in equity of PLN 26,805 thousand, the consolidated cash flow statement for the year then ended with a decrease in cash amounting to PLN 449,359 thousand, and the supplementary information and explanations.

These financial statements are the responsibility of the Management Board of the Bank being the parent entity. Our responsibility is to audit and express an opinion on whether these financial statements present a true and fair view.

We conducted our audit 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 from 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 assurance that will enable us to express an opinion on the consolidated financial statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management Board of the parent entity, 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 the Capital Group of Bank Zachodni WBK S.A. present fairly, in all material aspects, the financial position of the Capital Group as at 31 December 2003 and the results of its operations and cash flows for the year then ended in accordance with the accounting standards applied in Poland as set out in the Polish Accounting Act dated 29 September 1994, the ordinance of Minister of Finance dated 10 December 2001 regarding special accounting principles for banks (Official Journal No 149, item 1673 with subsequent amendments), the ordinance of Minister of Finance dated 12 December 2001 regarding principles of preparing consolidated financial statements for banks and financial holdings (Official Journal published 2001, nNo 152, item 1728), the requirements relating to issuers of publicly traded securities and are in compliance with the respective laws, regulations that apply to the financial statements of the Capital Group.

As required under the Polish Accounting Act dated 29 September 1994 we also report that the Report on the activities of the Capital Group includes the information required by Art. 49 Note 2 of the Accounting Act and the information is consistent with the consolidated financial statements.

signed on the Polish original	For KPMG Polska Audyt Sp. z o.o. signed on the Polish original ul. Chłodna 51; 00-867 Warsaw Certified Auditor No. 796/1670 Bodgan Dębicki, Member of the Board
Certified Auditor No. 4979/2575 Hanna Fludra	For KPMG Polska Audyt Sp. z o.o. signed on the Polish original ul. Chłodna 51; 00-867 Warsaw Richard Cysarz, Proxy

Warsaw, 15 March 2004

2. Financial statements ,
opinion and report on the audit of financial statements
for the year ended 31 December 2003

1. General information

1.1 General information of the Parent Entity

1.1.1 Name of the Parent Entity
Bank Zachodni WBK S.A. (hereafter "The Parent Entity")

1.1.2 Registered office of the Parent Entity
ul. Rynek 9/11
50-950 Wrocław

1.1.3 Commercial registration
Seat of the court: Wrocław
Date of registration: 27.04.2001
Registration number: 0000008723

1.1.4 Tax Office and Provincial Statistical Office registration
NIP: 896-000-56-73
REGON: 930041341

1.2 Structure of the Capital Group

In the audited period the following entities within the Capital Group of Bank Zachodni WBK S.A. (hereafter "The Capital Group") were subject to consolidation:

- Parent entity:
- Bank Zachodni WBK S.A.
- Subsidiaries:
- 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.
- Card Point 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

Entities excluded from consolidation:

Subsidiary entities:

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

The above mentioned subsidiaries of the Capital Group were excluded from consolidation using full method based on art. 57 par. 2 and art. 58 par. 1 of the Accounting Act (Official Journal 2002, No 76, item 694 with subsequent amendments).

1.3 Auditor information

KPMG Polska Audyt Sp. z o.o.
ul. Chłodna 51, XVI p.
00-867 Warsaw

KPMG Polska Audyt Sp. z o.o. is registered as a company authorized to audit financial statements (number 458).

1.4 Legal status

1.4.1 Share capital

Following the decision of Banking Supervisory Commission No 30/KNB/01 dated 7 March 2001, the Parent Entity was founded on 13 June 2001 due to the merger of Bank Zachodni S.A and Wielkopolski Bank Kredytowy S.A. for an unlimited period of time.

The share capital of the Parent Entity as at 31 December 2003 amounted to PLN 729,602,840 divided into 72,960,284 shares with a nominal value of PLN 10 per share.

1.4.2 The Board of Directors of the Parent Entity

At 31 December 2003, the Board of Management of the Parent Entity comprised the following members:

President: Mr. Jacek Kseń	Mr. Jacek Kseń	
First Vice-president: Mr. Cornelius O'Sullivan	Mr. Cornelius O'Sullivan	
Board members:	Mr. Declan Flynn	
	Mr. Michał Gajewski	
	Mr. Michael Laurence Keegan	
	Mr. Justyn Konieczny	
	Mr. Janusz Krawczyk	
	Mr. Jacek Marcinowski	
	Mr. Mateusz Morawiecki	
	Mr. Feliks Szyszkowiak	
	Mr. Maciej Węgrzyński	

On 14 March, 2003 Mr. William Richard Horgan completed his assignment with Bank Zachodni WBK S.A. On the same day, Mr. Cornelius O'Sullivan took up the position of the First Vice-President of the Management Board.

On 14 January 2004 Mr. Maciej Węgrzyński resigned from his position as a Member of the Management Board of Bank Zachodni WBK S.A.

1.4.3 Supervisory Board of the parent entity

At 31 December 2003 the Supervisory Board of the parent entity comprised of the following members:

President: Mr. Marian Górski	Mr. Marian Górski	
Vice-president: Mr. Gerry Byrne	Mr. Gerry Byrne	
members:	Mr. Waldemar Frąckowiak	
	Mr. Marek Grzegorzewicz	
	Mr. John Power	
	Mr. Aleksander Szwarc	
	Mr. Jacek Ślotała	
	Mr. Declan McSweeney	
	Mr. Aleksander Galos	

On 18 February 2003 Mr. Cornelius O'Sullivan resigned from his position as a member of the Supervisory Board.

On 10 April 2003 the General Shareholders Meeting appointed Mr. Declan McSweeney and Mr. Aleksander Galos as members of the Supervisory Board.

On 19 December 2003 Mr. Dermot Gleeson resigned from his position as a member of the Supervisory Board.

1.5 Prior year consolidated financial statements

The consolidated financial statements of the Capital Group for the period from 1 January 2002 to 31 December 2002 were audited by KPMG Polska Audyt Sp. z o.o. and received an unqualified opinion.

The closing balances as at 31 December 2002 have been properly recorded as the opening balances of the audited period.

The consolidated financial statements of the Capital Group for the period from 1 January 2002 to 31 December 2002 were approved at the General Shareholders' Meeting on 10 April 2003, and submitted to the District Court on 25 April 2003 and then published in the National Journal "B" No. 159 dated 25 June 2003.

1.6 Audit scope and responsibilities

This report of the independent auditor was prepared for the Shareholders of Bank Zachodni WBK S.A., seated in Wrocław, ul. Rynek 9/11, and relates to the financial statements comprising of:

- 1) introduction to the consolidated financial statements;
- 2) consolidated balance sheet as at 31 December 2003 with total assets and total liabilities and equity of PLN 24,168,698 thousand;
- 3) capital adequacy ratio;
- 4) consolidated statement of contingencies and commitments granted as at 31 December 2003 amounting to PLN 4,374,730 thousand;
- 5) consolidated profit and loss account for the year then ended with a net profit of PLN 128,873 thousand;
- 6) statement of changes in consolidated shareholders' equity for the year then ended, with an increase in equity by PLN 26,805 thousand;
- 7) consolidated cash flows statement for the year then ended with a decrease in cash amounting to PLN 449,359 thousand;
- 8) supplementary information and explanations.

We have audited the consolidated financial statements in accordance with the audit contract dated 20 October 2003.

We conducted the audit 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 No. 76, item 694 with subsequent amendments) and the professional standards established by the Polish National Council of Certified Auditors.

These consolidated financial statements are responsibility of the Parent Entity's management. We have conducted an independent audit of these consolidated financial statements in order to express an opinion thereon and present this, together with a written report of independent auditor, to the Shareholders of the Parent Entity.

On 15 March 2003, the Management Board of the Parent Entity submitted a representation letter as to the completeness, fairness and accuracy of the financial statements presented for audit, which, amongst other things, confirmed that there were no undisclosed matters significantly influencing the information presented in the consolidated financial statements for the year ended 31 December 2003.

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

KPMG Polska Audyt Sp. z o.o. is independent of the entities included in the Capital Group and 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 Polska Audyt Sp. z o.o.

1.7 Audits of financial statements of the consolidated entities

The financial statements of the following subsidiaries, belonging to the Capital Group of Bank Zachodni WBK S.A. and being subject to consolidation,

- 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.
- Card Point S.A.
- AIB WBK Fund Management Sp. z o.o.
- BZ WBK Faktor Sp. z o.o.

for the year ended 31 December 2003, and in respect of Card Point S.A. for the period ended 31 October 2003, have been audited by KPMG Polska Audyt Sp. z o.o. and received unqualified audit opinions.

2. Financial analysis
of the Group

2.1 Summary of the consolidated financial statements

Detailed information relating to the consolidated balance sheet and the consolidated profit and loss account are included in the consolidated financial statements of the Capital Group.

2.1.1 Consolidated balance sheet

Assets	31.12.2003 PLN '000	31.12.2002 PLN '000
Cash and due from NBP	1,161,497	1,389,428
Due from financial sector	1,073,107	2,661,082
Due from non-financial sector	13,156,496	12,002,392
Due from budget sector	568,291	447,668
Receivables deriving from the purchase of buy-sell back securities	5,806	37,994
Debt securities	6,139,401	5,890,068
Due from subsidiaries consolidated on equity method basis	14	44
Investments in subsidiaries consolidated on equity method basis	651	1,680
Investments in associated undertakings consolidated on equity method basis	70,283	57,867
Other investments	260,848	240,043
Other securities and other financial assets	161,148	240,803
Intangible assets	291,193	263,343
Tangible fixed assets	705,707	902,442
Other assets	259,630	309,392
Interperiod settlements	314,626	468,792
Total assets	24,168,698	24,913,038
Liabilities	31.12.2003 PLN '000	31.12.2002 PLN '000
Liabilities		
Due to financial sector	1,507,420	2,609,966
Due to non-financial sector	16,651,902	16,254,877
Due to budget sector	1,065,538	994,838
Liabilities deriving from the sale of sell buy back securities	0	20,004
Debt securities issued	792,574	381,823
Other financial instruments	259,409	330,214
Due to subsidiaries consolidated on equity basis	72,465	104,340
Special funds and other liabilities	511,775	677,709
Accruals and deferred income	489,545	603,123
Negative value of minority shareholders	11,196	9,379
Provisions	248,592	403,068
Minority capital	15,570	7,790
	21,625,986	22,397,131

Equity		
Share capital	729,603	729,603
Equity reserves	381,373	375,425
Revaluation reserve	159,992	192,506
Other reserves	1,167,176	938,229
Undistributed profit (not covered loss) from prior year	(24,305)	7,451
Net profit	128,873	272,693
	2,542,712	2,515,907

Total liabilities:	24,168,698	24,913,038
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	31.12.2003	31.12.2002
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Capital adequacy ratio	12.01%	10.36%
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Off balance sheet	31.12.2003 PLN '000	31.12.2002 PLN '000
Liabilities granted	4,374,730	3,654,523
Liabilities received	533,857	1,116,635
Commitments resulting from sale/purchase transactions	41,650,063	48,236,556
Other	47,539	31,777
Total off balance sheet	46,606,189	53,039,491

2.1.2 Consolidated profit and loss account

	01.01.2003 – 31.12.2003 PLN '000	01.01.2002 – 31.12.2002 PLN '000
Interest income	1,422,099	1,835,102
Interest expense	(593,033)	(1,015,879)
Net interest income	829,066	819,223
Fee and commission income	646,171	559,663
Fee and commission expense	(109,704)	(95,309)
Net fee and commission income	536,467	464,354

Net income from sale of products, goods and materials	51,381	28,291
Result on sales	51,381	28,291

Income from shares, other securities and other financial instruments		
Net profit on financial operations	52,403	37,003
Net profit on foreign exchange	73,184	240,101
Profit on banking activity	144,664	148,257
	1,687,165	1,737,229

Other operating income	61,103	68,497
Other operating expenses	(85,344)	(27,265)
General expenses	(1,039,899)	(1,062,441)
Depreciation	(225,433)	(161,416)
Charges to provisions and revaluation	(732,910)	(1,206,493)
Release of provisions and revaluation	592,017	1,037,305
Net releases of provisions and decrease in respect of revaluation	(140,893)	(169,188)
Operating profit	256,699	385,416
Extraordinary gains	506	189
Charges to goodwill from consolidation	0	(231)
Charge to capital reserve from consolidation	3,165	3,165
Profit before taxation	260,370	388,539
Corporate income tax	(123,476)	(113,400)
Other obligatory charges decreasing profit	(20)	0
Share in (profits) losses of entities included in the consolidation on equity basis		
Profit / (loss) of minority shareholders	270	1,354
Net profit	(8,271)	(3,800)
	128,873	272,693

2.2 Selected financial ratios

	2003	2002
Total assets (PLN thousand)	24,168,698	24,913,038
Profit before taxation (PLN thousand)	260,370	388,539
Net profit (PLN thousand)	128,873	272,693
Consolidated equity (PLN thousand)	2,542,712	2,515,907
Net profit to consolidated equity*	5.34%	12.16%
Capital adequacy ratio of the Capital Group	12.01%	10.36%
Net receivables to total assets	61.23%	60.66%
Income earning assets to total assets	86.65%	84.45%
Cost bearing liabilities to total liabilities	82.82%	81.33%

**equity without current year profit*

2.3 Interpretation of selected financial ratios

In comparison to 2002 total assets did not change significantly. During the year the largest growth within assets was in amounts due from the non financial sector which grew by PLN 1,154,104 thousand (9.6%). In addition amounts due from financial sector decreased by PLN 1,587,975 thousand (59.7%). On the liabilities side, amounts due to the non-financial sector increased by PLN 397,025 thousand (2.4%). Simultaneously amounts due to financial institutions decreased by PLN 1,102,546 thousand (42.2%).

The net profit of the Capital Group for the year 2003 amounted to PLN 128,873 thousand which is lower than the previous year, 2002, by 52.7%. Interest and commission result for the year 2003 amounted to a similar level as the result in 2002. The result on financial operations decreased by PLN 166,917 (69.5%) in the current year when compared to the previous year 2002, which had a significant impact on the current year financial result.

3. Detailed report

3.1 Accounting principles

The accounting principles adopted by the Parent Entity are in compliance with the Accounting Act dated 29 September 1994 (Official Journal 2002, No. 76, item 694 with subsequent amendments) and Minister of Finance Regulation dated 10 December 2001 concerning specific accounting principles for banks (Official Journal No. 149, item 1673 with subsequent amendments).

The financial statements of the entities included in the consolidated financial statements were prepared on the same reporting date as the financial statements of the Parent Entity.

The consolidated entities apply, in all material aspects, uniform accounting policies.

3.2 Principles for the preparation of the consolidated financial statements

The consolidated financial statements of the Capital Group of Bank Zachodni WBK S.A. have been prepared in accordance with requirements described in Chapter 6 of the Accounting Act dated 29 September 1994 and relevant regulations issued based on it as well as the requirements relating to issuers of publicly traded securities.

The consolidated documentation prepared by the Parent Entity, being the basis for preparation of the consolidated financial statements, comply with the Minister of Finance Regulation dated 12 December 2001 concerning principles of preparing consolidated financial statements of banks and financial holdings (Official Journal 2001 No. 152, item 1728).

The consolidation principles adopted by the Capital Group have been presented in detail in the 'Introduction to the consolidated financial statements of the Capital Group of Bank Zachodni WBK S.A.'

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 Capital Group. The capital adequacy ratio for the Capital Group was correctly calculated.

3.4 Materiality levels applied by the auditor

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 Introduction to the consolidated financial statements

All information included in the Introduction to the consolidated financial statements is presented fairly by the Parent Entity when read in conjunction with the consolidated financial statements taken as a whole. The introduction to the consolidated financial statements constitutes an integral part of these consolidated financial statements.

3.6 Supplementary information and explanations

All information included in the notes to the consolidated financial statements is presented accurately and completely by the Parent Entity when read in conjunction with the consolidated financial statements taken as a whole. The notes constitute an integral part of the consolidated financial statements.

3.7 Management report on the activity of the Capital Group

The information presented in the Management report on the Capital Group's activities include the information presented in article 49 item 2 of the Accounting Act and is consistent with the consolidated financial statements.

3.8 Information on the independent auditors' opinion

Based on our audit of the consolidated financial statement as of and for the year ended 31 December 2003 we have issued an unqualified opinion.

signed on the Polish original	For KPMG Polska Audyt Sp. z o.o. signed on the Polish original ul. Chłodna 51; 00-867 Warsaw Certified Auditor No. 796/1670 Bodgan Dębicki, Member of the Board
Certified Auditor No. 4979/2575 Hanna Fludra	For KPMG Polska Audyt Sp. z o.o. signed on the Polish original ul. Chłodna 51; 00-867 Warsaw Richard Cysarz, Proxy

Warsaw, 15 March 2004

3.1 Introduction
to the consolidated financial statements
of Bank Zachodni WBK Group for 2003

Bank Zachodni WBK S.A. is a dominant 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 entity with a seat in Wrocław was entered into the business register in the Domestic 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.

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

Bank Zachodni WBK S.A.

The District Court for Wrocław-Fabryczna, VI Economic Unit of the Domestic 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 in Wrocław, ul. Rynek 9/11.

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

In line with the binding 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 as well as opening letters of credit,

- issuing banking securities,
- performance of financial settlements,
- issue of electronic money instrument,
- granting cash advances and consumer loans and advances as understood in the regulations of 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 operations related to the issue of securities,
- acting as the representative of bond holders,
- purchase and sale of fx values.

2) other operations consisting in:

- taking up or acquiring shares and units and/or rights attached to shares of another corporate entity and contributions to limited partnerships or limited joint stock partner-ships, or 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,
- performing swaps of debts into elements of the debtor's assets,
- 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,
 - performing collection activities on the basis of documents certifying the existence of cash receivables,
 - concluding and effecting agreements with businesses, including foreign ones, on agency in lodgements 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 commercialization 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, units in funds and investment certificates of investment funds.

3) The Bank can also perform, upon the request of other banks, the operations referred to in Sections 1 and 2, when these operations fall within the scope of the mandating bank's activities.

4) In the course of its operations, the Bank co-operates with domestic, foreign and international banks and financial institutions.

5) The Bank provides 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,
- merchant acquiring.

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 its subsidiaries with which it composes a Capital Group. The Bank's role as a dominant entity stems from the fact of having a prevailing number of votes in the supervisory bodies of those entities. An exception are BZ WBK AIB Asset Management S.A. and BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. whose subsidiarity stems from 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 Asset Management S.A. are members of Allied Irish Banks Group and have a 50% shareholding in the company each. In practice, Bank Zachodni WBK S.A. exercises control over the company and its subsidiary BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. (BZ WBK AIB Investment Fund Corporation) since the dominant entity of a higher rank (Allied Irish Banks) effects its policy in Poland through the Bank. The Irish owner treats products and services of both these companies as a supplement to the Bank's offering and the entities themselves as members of Bank Zachodni WBK Group.

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

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

Periods
covered by the consolidated statements
and comparative consolidated financial data

Bank Zachodni WBK S.A. – as a dominant entity and a significant investor – presents the consolidated financial statements for the accounting period beginning on 1 January 2003 and ending on 31 December 2003. The comparative consolidated data relate to the corresponding period of 2002.

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

Supervisory Board

The Supervisory Board of Bank Zachodni WBK S.A. started its operations in 2003 in the following composition:

	Marian Górski	Chairman of the Supervisory Board
	Gerry Byrne	Vice Chairman of the Supervisory Board

	Waldemar Frąckowiak	Member of the Supervisory Board
	Dermot Gleeson	Member of the Supervisory Board
	Marek Grzegorzewicz	Member of the Supervisory Board
	Cornelius O'Sullivan	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

On 18 February 2003, Mr. Cornelius O'Sullivan resigned from his membership in the Supervisory Board of Bank Zachodni WBK S.A., effective from 13 March 2003, in connection with his appointment as the 1st Vice-President of the Management Board.

By virtue of the AGM resolution dated 10 April 2003 two new Supervisory Board members were appointed: Mr. Declan McSweeney and Mr. Aleksander Galos.

On 19 December 2003, the Supervisory Board of Bank Zachodni WBK S.A. acknowledged the resignation of Mr. Dermot Gleeson from the position of the Supervisory Board Member of Bank Zachodni WBK S.A. Mr. Dermot Gleeson completed his assignment on the Bank's Supervisory Board as of 31 December 2003 following his appointment as the Chairman of the Board of Allied Irish Banks plc.

Management Board

The Management Board of Bank Zachodni WBK S.A. started its operations in 2003 in the following composition:

	Jacek Kseń	President of the Management Board
	William Richard Horgan	First Vice President of the Management Board
	Declan Flynn	Member of the Management Board
	Michał Gajewski	Member of the Management Board
	Michael Keegan	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
	Maciej Węgrzyński	Member of the Management Board

On 14 March 2003, Mr. William Richard Horgan completed his assignment with Bank Zachodni WBK. The position of the 1st Vice-President of the Management Board was taken up by Mr. Cornelius O'Sullivan.

On 10 April 2003, the Supervisory Board of Bank Zachodni WBK appointed the following persons to Bank Zachodni WBK Management Board for another 3-year term of office.

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
Michael Keegan	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
Feliks Szyszkowiak	Member of the Management Board
Maciej Węgrzyński	Member of the Management Board

On 14 January 2004, Mr. Maciej Węgrzyński resigned form the position of the Member of the Management Board of Bank Zachodni WBK S.A.

Integral
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 financial statements on their own. All accounting activities are centralized in the Finance Division in the Bank's Business Support Center. Subsidiaries of Bank Zachodni WBK Group do not have such units, either.

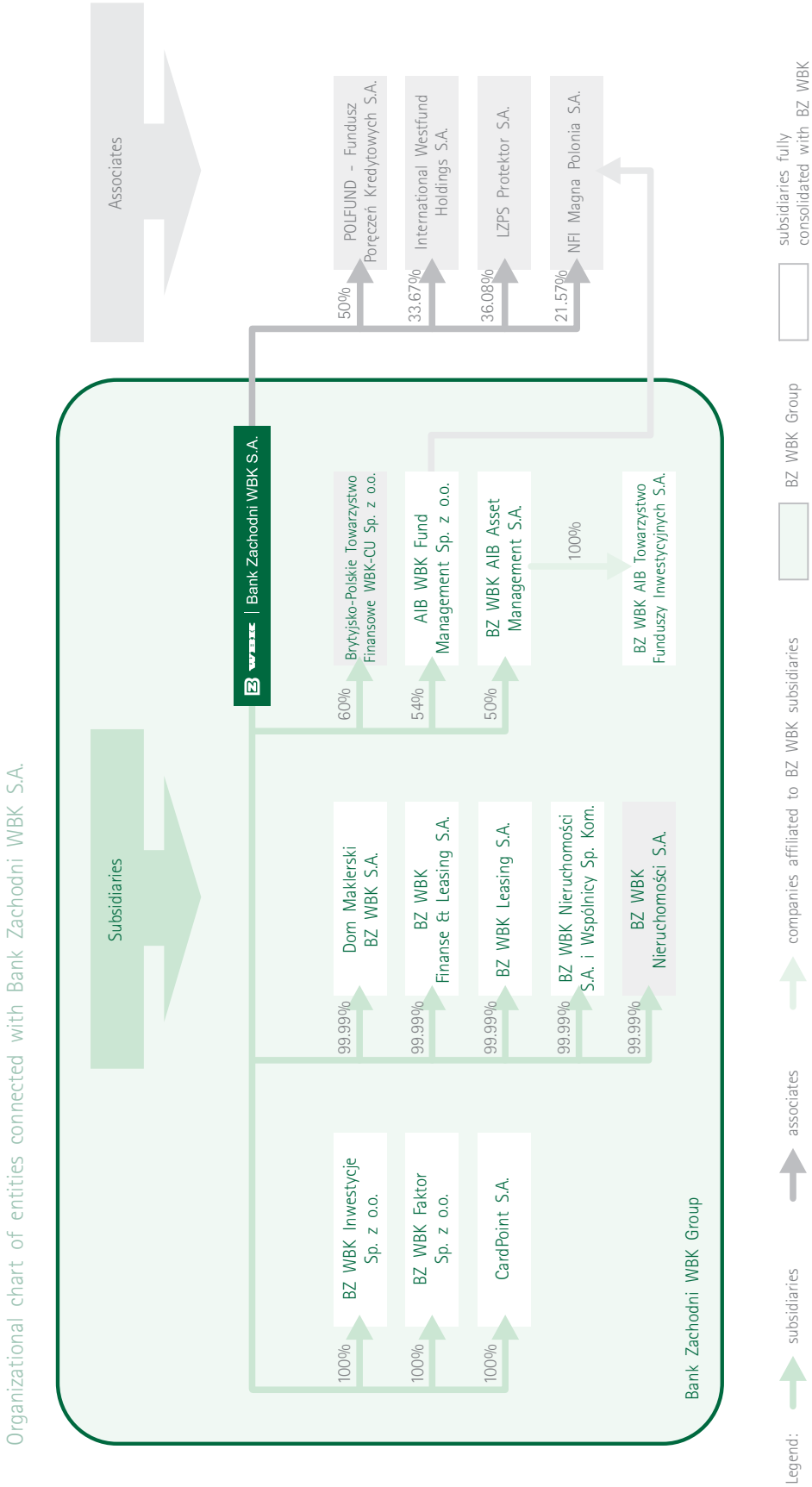
Merger of companies

In 2003, neither Bank Zachodni WBK S.A. nor its Group members merged with any entity.

Continuation
of operations (going concern)

The consolidated financial statements of Bank Zachodni WBK Group as at 31 December, 2003 were produced based on the assumption that the Bank and its Group members continue business operations in the foreseeable future. There are no circumstances that might indicate that the ability of the dominant entity or its subsidiaries to continue as a going concern is threatened in any way.

Graphic presentation
of Bank Zachodni WBK Group’s
organizational structure and information on the type of connections within the Group.



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 of 2003.

Ref.	Subordinated entity	Seat	Business	Shareholding [%] as at 31.12.2003	Voting power [%] as at 31.12.2003	Registration details	Accounting method
I. subsidiaries							
1.	BZ WBK Inwestycje Sp. z o.o.	Poznań	trading in equity of commercial 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
2.	BZ WBK Faktor Sp. z o.o.	Wrocław	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 Wrocław-Fabryczna VI Economic Unit KRS: 0000148117	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: 0000161171	Line-by-line consolidation
4.	Dom Maklerski BZ WBK S.A.	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

II. Associates					
1. POLFUND – Fundusz Poręczeń Kredytowych S.A.	sanctioning loan guarantees, depositing entrusted monies and their management	Szczecin	50.00	50.00	District Court in Szczecin XVII Economic Unit KRS: 0000045150 Equity method
2. International Westfund Holdings Ltd. in Ireland	management of investment funds; at present it is not operational	Dublin, Republic of Ireland	33.67	33.67	Company Registration Number: 225712, Republic of Ireland Equity method
3. Lubelskie Zakłady Przemysłu Skórzanego PROTEKTOR S.A.	production of military, working and protection footwear	Lublin	36.08	36.08	District Court in Lublin XI Economic Unit KRS: 0000033534 Equity method
4. NFI Magna Polonia S.A.	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	Warsaw	21.57 *	21.57 *	District Court in Warsaw XIX Economic Unit KRS: 0000019740 Equity method

* Bank Zachodni WBK direct shareholding in the associated undertaking and its voting power at the AGM.
The total shareholding of the dominant entity in NFI Magna Polonia amounts to 28.14%.

Presentation of subordinated entities covered by the consolidated financial statements

Consolidated financial statements for 2003

Pursuant to art. 55, clause 1 of the Accounting Act of September 29, 1994 (Journal of Laws No. 76, item 694 as amended), the following subsidiaries were consolidated in the financial statements of Bank Zachodni WBK Group as at 31 December, 2003:

- 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.
- 10) Dom Maklerski BZ WBK S.A.

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 for the exclusion of the subsidiaries is art. 57 clause 2 of the Accounting Act pursuant to which subsidiaries with a different type of operations are excluded from consolidation. In line with art. 59 clause 2, both entities were valued in accordance with the equity method.

Pursuant to art. 59, clause 3 of the Accounting Act, in the consolidated 2003 financial statements of Bank Zachodni WBK Group associated undertakings were accounted for using the equity method. This applies to the following entities:

- 1) POLFUND – Fundusz Poręczeń Kredytowych S.A.
- 2) International Westfund Holdings Ltd. in Ireland
- 3) Lubelskie Zakłady Przemysłu Skórzanego Protektor S.A.
- 4) NFI Magna Polonia S.A.

Bank Zachodni WBK S.A. also has a 97.16% shareholding in Kupcy Gdynscy S.A. The shares were classified as available for sale as the Bank intends to sell them once the legally required formalities have been completed.

Consolidated comparative data for 2002

In 2002, Bank Zachodni WBK S.A. consolidated eight out of ten companies subject to full consolidation in the consolidated financial statement as at 31 December, 2003. Consolidation did not include two entities which were registered and commenced business operations in 2003:

- 1) BZ WBK Faktor Sp. z o.o.
- 2) CardPoint S.A.

In 2002, 8 subsidiaries and associates were valued in accordance with the equity method compared with 6 which were presented this way in the consolidated financial statements as at 31 December 2003. In the corresponding period of previous year, the list of such entities included also Projekty Bankowe Polsoft Sp. z o.o. and eCard S.A. The former company was removed from Bank Zachodni WBK investment portfolio following the sale of the entire shareholding in February 2003. The latter ceased to be associated with the dominant entity towards the end of the year as a result of a share capital increase which diluted the Bank's shareholding to 19.22%.

Modifications
in the financial statements
ensuring comparability of data

The comparative 2002 data included in Bank Zachodni WBK Group consolidated financial statements as at 31 December, 2003 were prepared based on the same accounting principles which were used for presenting financial data for 2003.

Information on the change in the composition of units consolidated on line-by-line basis or valued under the equity method in the periods covered by consolidated financial statements and comparative consolidated financial data is presented in point 9.

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

The consolidated financial statements of Bank Zachodni WBK Group produced as at 31 December 2002 were audited by KPMG Polska Audyt Sp. z o.o. Auditors did not raise any qualifications. Accordingly, consolidated financial statements of Bank Zachodni WBK Group as at 31 December, 2003 do not contain adjustments from the

previous reporting periods which would have resulted from qualifications raised by entities entitled to audit financial statements.

Accounting principles
applied in Bank Zachodni WBK Group

1) Legal bases

Consolidated 2003 financial statements were produced in line with the following legal acts:

- Accounting Act, dated 29 September 1994 (Journal of Laws No. 76, item 694 as amended),
- Banking Law Act, dated 29 August 1997 (Journal of Laws No. 72, item 665 as amended),
- Corporate Income Tax Act, dated 15 February 1992 (Journal of Laws No. 54, item 654 as amended),
- Act on Public Trading in Securities, dated 21 August 1997 (Journal of Laws No. 49, item 447 as amended),
- Ordinance of the Council of Ministers, dated 16 October 2001, on current and periodic reports submitted by issuers of quoted securities (Journal of Laws No. 139, item 1569 as amended),
- Ordinance of the Council of Ministers, dated 16 October 2001 on detailed conditions the issue of prospectus and the mini-prospectus should meet (Journal of Laws No. 139, item 1568 as amended),
- Ordinance of the Minister of Finance, dated 10 December 2001 on detailed accounting principles for banks (Journal of Laws No. 149, item 1673 as amended),
- Ordinance of the Minister of Finance, dated 10 December 2001, on principles of raising provisions for the risk related to banking operations (Journal of Laws No. 149, item 1672 as amended),
- Ordinance of the Minister of Finance, dated 12 December 2001, on special principles of recognition, valuation methods, disclosure scope and presentation of financial instruments (Journal of Laws No. 149, item 1674),
- Ordinance of the Minister of Finance, dated 12 December 2001, on producing consolidated financial statements of banks and consolidated statements of financial holdings (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 bank's organizational units conducting brokerage operations (Journal of Laws No. 153, item 1753 as amended).
- Ordinance of the Minister of Finance, dated 10 December 2001, on detailed 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 dominant entity and subordinated entities using line-by-line consolidation or equity method. Subsidiaries acquired by the Bank with a view of exercising control and conducting similar operations on the financial services market are consolidated on line-by-line basis. Subsidiaries with a different business profile and associated undertakings are stated in the consolidated financial statements using an equity method.

Accounting principles applied by the units consolidated line by line or under the equity method materially conform to the principles followed by the dominant 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 dominant entity and subsidiaries, up to their full value, regardless of the size of the dominant entity's shareholding.

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

Subject to exclusion is the value of interests held by the bank and stated at the purchase price in subsidiaries against this part of net assets stated at fair value of subsidiaries 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 stated at their 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 subject to full exclusion:

- mutual receivables and liabilities as well as other similar settlements of consolidated entities,
- income and costs of business operations conducted among the consolidated entities,
- gains 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" in the 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 dominant entity or other entity of the capital group subject to consolidation, 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 an 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 in Bank Zachodni WBK Group

Bank Zachodni WBK Group applies the following principles for asset and liability valuation, calculation of the financial results and presentation of data in the financial statements:

Credit receivables

Credit receivables are originally presented at the amount due arising from concluded transactions regarding the Group's returnable advances, from identified overpayments or are presented based on the purchase price of third parties' receivables. As at the balance sheet day, receivables are stated at the amount due which represents the nominal debt together with any interest due as at the valuation date.

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

Amounts due from financial and non-financial sector, and the public sector are reduced by specific credit risk provisions.

The Group raises specific provisions in line with the principles outlined in the Ordinance of the Ministry of Finance, dated 10 December 2001, on raising provisions for risks related to banking operations.

The Group writes down or writes off receivables in respect of which the entire principal to be written down/off has been fully provided for. The process of writing down/off the receivables in respect of which the recovery process proved ineffective is compliant with the civil and tax law. Receivables are written down against

provisions when a debtor is released from obligations. If written off, they are recorded off-balance sheet and are still due to be repaid by the debtor.

Other receivables

Other receivables are disclosed at the amount due and provisions are created taking into account the likelihood of repayment. Provision charges are then 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

The 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 components. 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. An exception are impaired securities for which provisions have to be raised against the P&L account.
- 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). Any adjustments to valuation are taken to income or costs of financial operations, respectively.

Securities for which the fair value cannot be reliably established are stated at amortized costs. 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 securities in the case of which a permanent loss in value took place. This interest is presented as suspended interest.

Shares and interests representing financial fixed assets

Interests and shares in subordinated entities (except entities consolidated line-by-line) are valued in accordance with the equity method and the resulting changes in their value are taken to the P&L account.

In line with the equity method, interests in a subordinated unit's net assets are valued while taking account of the company's goodwill or negative goodwill, as at the day of taking over control, co-control or exercising significant influence. 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 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 bank's P&L 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:

- Available for sale – stated at fair value whereby changes in the fair value are taken to the revaluation reserve,
- Other minority shareholdings – are stated at purchase price adjusted for any impairment charges which is taken to the profit and loss account,

depending on intentions with regard to the shares and the methods applied to-date.

Classification criteria and valuation methods correspond to the ones applied to relevant debt securities (see above). Any impairments in the valuation of minority shares 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.

The manner of disclosing sell/ buy back transactions depends on whether there is or not the control over contractual rights to financial assets which are subject to the transaction. If following a sell/buy back transaction, the Bank lost the control over securities which are subject to the transaction, the securities are struck off from the balance sheet register and the option contract is recorded off-balance sheet.

If following a sell/buy back transaction the Bank did not lose control over the securities, the transaction is treated as a regular sell/buy transaction and the securities in question are classified into the following categories:.

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

The valuation methodology for those securities corresponds to that applied for debt securities.

Repo transactions consist in accepting deposits secured with securities. They are registered as follows:

- deposit - in "sell/buy back transactions" accounts
- securities which secure deposits in relevant securities accounts

The deposit valuation process related to repo transactions includes the comparison of current interest rates on accepted deposits with relevant market rates until the transaction term expiry. The market rate for the valuation process is WIBOR/WIBID for relevant term of the transaction and interpolation rate for the periods between them.

Derivatives

Derivatives are classified as held for trading and stated at fair value. Embedded derivatives are recognized and stated separately and not under the general agreement.

The Bank deals in the following derivatives: interest rate SWAP, F/X SWAP, dual currency interest rate SWAP and Forward Rate Agreement transactions. All F/X Forward transactions are closed with Spot transactions as a result of this, F/X SWAP transactions emerge.

FX SWAP transactions

Currencies to be given away and received as a result of the concluded F/X Swap transactions calculated based on the NBP exchange rate as at the balance sheet day are presented in the off-balance sheet items as "liabilities related to concluding sell/buy transactions."

F/X Swap transactions are marked to market based on discounted future cash flows and the results of the valuation are posted: in the balance sheet under "other assets/ other liabilities arising from financial instruments", under "profit/loss on financial operations" in the profit and loss account and under "fx income" for spot valuation.

The rates are taken from the Reuters' sites: "Zero-coupon Yield curve" and fixing sites of NBPO.

Interest rate transactions

Interest rate derivatives include Interest Rate SWAPs (IRS) and FRAs. IRS and FRA transactions are marked to market based on future discounted cash flows (NPV). Adjustments to fair value are disclosed in the balance

sheet under "other financial assets/ other liabilities arising from financial instruments" in correspondence to the profit/loss on financial operations.

The rates applied to generate the zero-coupon yield curve are taken from Reuters' sites. While valuing interest rate swaps, the Bank applies WIMEAN taken from the special Reuters' WIBO site. For terms ranging from 1 to 10 years, the Bank uses rates of interest rate swaps (IRS) published on "CCMPB" site Continental Capital Markets, "PYDERV" site Prebon Yamane and "PLN21" CeDeF.

Interest rate SWAP options

They are stated at the market value taking account of the discounted cash flows (Black-Scholes method).

Fair value is set based on the quotations of market prices, discounted cash flow models and option valuation models depending on which solution fits the situation. All derivatives are disclosed in the balance sheet as assets when their fair value is positive and as liabilities if their fair value is negative.

Hedge accounting

In the case of cash flow hedges the effective part of profit or loss arising from the valuation of a hedging instrument is recognized under revaluation reserve while the non-effective part is taken directly to the financial results.

As regards fair value hedges the results of stating the derivative at the fair value are reflected in the financial results whereas changes in the fair value of the hedged item related to the hedged risk are used to adjust the balance sheet value of a given item and are taken to financial result.

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. At the balance sheet date the Group reviews its assets to look for any indication that an asset may be impaired.

Fixed assets under construction are valued at the total of costs related to their purchase or production, reduced by charges arising from the permanent loss in their value.

The initial value of fixed assets is reduced by the write-down charges to reflect 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-down of which in the period of further use is economically warranted.

The depreciation or write-off charges are made by spreading its initial value over a defined period of time in a systematic and planned manner.

On the day of accepting a given fixed asset for use, the period, rate and method of its depreciation are set to be applied across the entire depreciation period. The adequacy of the applied depreciation periods and rates are reviewed periodically, resulting in relevant adjustments of the depreciation charges conducted in the subsequent accounting years. Tangible fixed assets include also a perpetual usufruct over land. It is subject to depreciation.

Land and fixed assets under construction are not depreciated.

Profits or losses from the sale of fixed assets are set based on the book value and taken to the operating profit/loss. The costs of modernization and repair are taken to the P&L account at the time they are incurred.

Assets which meet all 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 and registered off-balance sheet. In the case of such assets, the Group makes one-off depreciation charges against the P&L

Intangible fixed assets

Intangible assets are stated at their purchase price and 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 goodwill represents the difference between the purchase price of a given entity or its organized part and the fair value of the acquired net assets (lower). The goodwill is subject to amortization over the maximum period of 5 years.

The development cost related to the development and implementation of the IT systems (developed internally or delivered by external providers) are taken to the P&L 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 certain 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. Costs of completed development work are depreciated within maximum 5 years.

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 ¾ 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 favorable 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 the conclusion of the leasing contract is equal to the lower of its purchase price and the current leasing rental; the leasing rentals comprise the liability and the financial costs; the valuation and depreciation/amortization is conducted based on the principles adopted for tangibles and intangibles.

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 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 commercial register.

Supplementary capital is created from profit allocations and share premium.

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

Revaluation reserve comprises:

- impairment charges for fixed assets subject to the revaluation pursuant to separate regulations up to,
- the amount of a valuation stated earlier; the other items are taken to the P&L account,
- revaluation charges related to financial assets available for sale,
- revaluation charges related to fixed assets.

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.

F/x assets and liabilities

F/x assets and liabilities are accounted for at the average exchange rate for each currency set by the President of the National Bank of Poland, applicable on the balance sheet day. Transactions in foreign currencies are posted at Bank Zachodni WBK rate applicable on the transaction day. The f/x revaluation differences impact f/x 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 on:
 - interest due to the bank, including discount and capitalized interest on receivables categorized as regular,
 - interest income received in previous periods, including discount, which falls for the current accounting period,
- interest income received in the current period, which falls due for the accounting period,
- expenses of interest accrued and of interest due but not paid on the bank's liabilities for the accounting period.

Net interest income does not include interest accrued and interest due but not paid, including capitalized interest, on "impaired" and "watch" receivables which by the time of its receipt or write down is recorded in the balance sheet as suspended income. Neither does it include discount or interest received in advance, which falls due for future accounting periods.

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 which simultaneously meet the following two 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.

F/x profit and profit on financial operations

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

Result on F/X transactions on the international market, related to SWAP transactions, is disclosed at the item "Profit/loss on financial operations".

F/X SWAPS were valued in such a way that their forward leg reflects the market value, while the spot leg is re-valued in line with the fixing rate.

The value of the fx off balance sheet items is recognized in the balance sheet and profit and loss account at the transaction date.

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

Dividends and income from shares

Dividends are recognized in the P&L account upon the bank obtaining the right to them except for the dividend from shares in subsidiaries (they are described in "Methods of consolidation" and "Shares and interest 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 expenses and revenues which are not related directly to the banking activity of the Group. These are mainly: gains and losses on retirement or disposal of an item of plant, property and equipment, sales income on other services as well as paid and received damages, penalties and fines.

Provisions

In 2003, specific loan provisions were raised for individual transactions in line with the principles stipulated in the Ordinance of the Minister for Finance, dated 10 December 2001, re. creating provisions 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 for particular years up to the balance sheet date. 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 creates provisions for unused staff holiday leave.

Income Tax

In 2003, Bank Zachodni BZ WBK SA and its related entities did not comprise a single group for tax purposes as understood by art. 1 a of the CIT Act and were taxed separately.

Corporate income tax consists of current and deferred tax.

Current tax is calculated based on the gross accounting income/loss adjusted for 1) revenues which in line with tax regulations are not taken to taxable income and for 2) 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 3) deductions from income, e.g. donations.

The Group creates deferred 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.

On 19 December 2003 based on art.1 of the CIT Act, the Revenue Office of Wrocław Stare Miasto decided to register the Agreement on establishing a Tax Capital Group comprising Bank Zachodni BZ WBK S.A. and its subsidiary, BZ WBK Inwestycje Sp. z o.o. The agreement has been concluded for three tax years, i.e. from 1 January 2004 to 31 December 2006.

EUR rates
in the period covered by the consolidated financial statements
and the consolidated comparative 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 of 2003 and 2002 was as follows:

Month	2003	2002	EUR / PLN
January	4.1286	3.5929	
February	4.2083	3.6410	
March	4.4052	3.6036	
April	4.2755	3.5910	
May	4.3915	3.7782	
June	4.4570	4.0091	
July	4.3879	4.0810	
August	4.3588	4.0809	
September	4.6435	4.0782	
October	4.6826	3.9793	
November	4.7127	3.9809	
December	4.7170	4.0202	

The average EUR rate calculated as the arithmetic mean of the average National Bank of Poland exchange rates applicable on the last day of each month of 2003 and 2002, was as follows:

Period	EUR / PLN
2003	4.4474
2002	3.8697

The highest and lowest EUR rates quoted by NBP in 2003 and 2002:

EUR / PLN	2003	2002
Min. exchange rate	3.9773	3.5015
Max. exchange rate	4.7170	4.2116

The rates quoted above come from the average exchange rates archive of the National Bank of Poland available in the Internet at www.nbp.pl/statystyka/index.html

Key items
of the 2003 consolidated financial statements expressed in EUR

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

Selected financial data for 2003 and comparative data for the corresponding period of 2002 from the consolidated financial statements of Bank Zachodni WBK Group produced as at 31 December, 2003 were translated into EUR according to the following rules:

- 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.
- P&L 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 consolidated B/S, P&L account and cash flow
from the consolidated financial statements

Selected items of the consolidated financial statements of Bank Zachodni WBK Group as at 31 December, 2003 are presented in the table below:

Selected financial figures	PLN k		EUR k *	
	2003	2002	2003	2002
I. Interest income	1,422,099	1,835,102	319,760	474,223
II. Commission income	646,71	559,663	145,292	144,627
III. Profit on banking operations	1,687,165	1,737,229	379,360	448,931
IV. Profit on operations	256,699	385,416	57,719	99,598
V. Pre-tax profit	260,370	388,539	58,544	100,405
VI. After-tax profit	128,873	272,693	28,977	70,469
VII. Net cash flows from operations	(406,941)	116,338	(91,501)	30,064
VIII. Net cash flows from investments	(198,973)	177,258	(44,739)	45,807
IX. Net cash flows from financial operations	156,555	125,434	35,201	32,414
X. Total net cash flows	(449,359)	419,030	(101,039)	108,285
XI. Total assets	24,168,698	24,913,038	5,123,743	6,196,965
XII. Deposits of the Central Bank	-	-	-	-
XIII. Deposits of the financial sector	1,507,420	2,609,966	319,572	649,213
XIV. Deposits of non-financial and public sector	17,717,440	17,249,715	3,756,082	4,290,760
XV. Equity	2,542,712	2,515,907	539,053	625,816
XVI. Share capital	729,603	729,603	154,675	181,484
XVII. Number of shares (items)	72,960,284	72,960,284		
XVIII. Book value per share (in PLN and EUR)	34.85	34.48	7.39	8.58
XIX. Solvency ratio (in %)	12.01	10.36		
XX. Earnings per ordinary share (in PLN and EUR)	1.77	3.74	0.40	0.97
XXI. Declared or paid out dividend per share (in PLN and EUR)	0.32	0.74	0.07	0.19

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

15. Key differences
between Polish Accounting Standards
and International Financial
Reporting Standards

The main differences in the consolidated financial statements prepared in line with the Polish Accounting Standards and the International Accounting Standards would consist in:

- different classification of items in the balance sheet, profit and loss account and the cash flow statement (receivables/liabilities from/to banks, other receivables/liabilities from financial sector entities, pre-payments/accruals and provisions),
- different disclosure of general risk provisions in the balance sheet,
- elimination of suspended and capitalized interest from the balance sheet,
- netting receivables due to loans granted from the Company's Social Fund with the liabilities relating to the Company's Social Fund.

In line with the new Accounting Act, the consolidated financial statements prepared according to the Polish Accounting Principles as at 31 December, 2003 include valuation of all the financial instruments as required by IAS 39 except for the group of "originated loans and receivables" which, in compliance with the International Accounting Standards, should be valued based on amortized cost using effective interest rate, which will become a binding banking standard effective from 1 January 2005.

Bank Zachodni WBK S.A. has not produced the consolidated financial statements for 2003 in line with the International Accounting Standards. In the dominant entity's opinion, the financial statements prepared in compliance with the International Accounting Standards would not significantly differ from the financial statements following the Polish Accounting Standards, except for the above listed items.

Signatures of Bank Zachodni WBK S.A. Management Board Members:

Date	Name and surname	Position	Signature
15-03-2004	Jacek Kseń	President of Management Board	Signed on the Polish original
15-03-2004	Cornelius O'Sullivan	First Vice-President of Management Board	Signed on the Polish original
15-03-2004	Declan Flynn	Member of Management Board	Signed on the Polish original
15-03-2004	Michał Gajewski	Member of Management Board	Signed on the Polish original
15-03-2004	Michael Keegan	Member of Management Board	Signed on the Polish original
15-03-2004	Justyn Konieczny	Member of Management Board	Signed on the Polish original
15-03-2004	Janusz Krawczyk	Member of Management Board	Signed on the Polish original
15-03-2004	Jacek Marcinowski	Member of Management Board	Signed on the Polish original
15-03-2004	Mateusz Morawiecki	Member of Management Board	Signed on the Polish original
15-03-2004	Feliks Szyszkowiak	Member of Management Board	Signed on the Polish original

4.C o n s o l i d a t e d
b a l a n c e
s h e e t

Consolidated balance sheet

Assets	Note	2003	2002
I. Cash, operations with the Central Bank	1	1 161 497	1 389 428
II. Debt securities with the right to rediscount at the Central Bank			
III. Amounts due from financial sector	2	1 073 107	2 661 082
1. Short-term		478 260	2 109 030
a) in current accounts		225 315	413 571
b) other short-term		252 945	1 695 459
2. Long-term		594 847	552 052
IV. Amounts due from non-financial sector	3	13 156 496	12 002 392
1. Short-term		5 165 494	6 065 901
a) in current accounts		1 419 646	1 716 341
b) other short-term		3 745 848	4 349 560
2. Long-term		7 991 002	5 936 491
V. Amounts due from public sector	4	568 291	447 668
1. Short-term		146 796	96 540
a) in current accounts		26 350	17 517
b) other short-term		120 446	79 023
2. Long-term		421 495	351 128
VI. Reverse repo transactions	5	5 806	37 994
VII. Debt securities	6	6 139 401	5 890 068
VIII. Amounts due from subordinated entities valued under equity method	2, 3	14	44
1. Subsidiaries		14	44
2. Joint-ventures		-	-
3. Associates		-	-
IX. Shares or interests in subsidiaries valued under equity method	7, 10	651	1 680
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	70 283	57 867
XII. Shares and interests in other entities	11	260 848	240 043
XIII. Other securities and other financial assets	12	161 148	240 803
XIV. Intangible assets, of which:	14	291 193	263 343
- goodwill		4 353	-
XV. Goodwill of subordinated entities	15	-	-
XVI. Tangible fixed assets	16	705 707	902 442
XVII. Other assets	17	259 630	309 392
1. Assets taken-over - for sale		474	506
2. Stocks		-	-
3. Other		259 156	308 886
XVIII. Prepayments	18	314 626	468 792
1. Deferred income tax assets		290 724	439 899
2. Other pre-payments		23 902	28 893
TOTAL ASSETS		24 168 698	24 913 038
Liabilities	Note	2003	2002
I. Deposits of the Central Bank		-	-
II. Amounts due to financial sector	21	1 507 420	2 609 966
1. Short-term		1 017 193	2 199 445

T r a n s l a t i o n o n l y

a) in current accounts		629 116	769 700
b) other short-term		388 077	1 429 745
2. Long-term		490 227	410 521
III. Amounts due to non-financial sector	22	16 651 902	16 254 877
1. Short-term		15 602 823	15 114 634
a) in current accounts, of which:		5 778 037	4 520 947
- savings accounts		-	-
b) other short-term, of which:		9 824 786	10 593 687
- savings accounts		-	-
2. Long-term, of which:		1 049 079	1 140 243
- savings accounts		-	-
IV. Amounts due to public sector	23	1 065 538	994 838
1. Short-term		1 064 039	994 439
a) in current accounts		775 783	569 839
b) other short-term		288 256	424 600
2. Long-term		1 499	399
V. Repo transactions			
	24		20 004
VI. Liabilities arising from the issue of debt securities	21,22,23,25	792 574	381 823
1. Short-term		-	381 823
2. Long-term		792 574	-
VII. Other liabilities arising from financial instruments		259 409	330 214
VIII. Amounts due from subordinated entities valued under equity method	21,22,23	72 465	104 340
1. Subsidiaries		475	1 386
2. Joint-ventures		-	-
3. Associates		71 990	102 954
IX. Special funds and other liabilities	26	511 775	677 709
X. Accrued and suspended income and expenses	27	489 545	603 123
1. Accruals		132 425	153 608
2. Negative goodwill		-	-
3. Other deferred and suspended income		357 120	449 515
XI. Negative goodwill of subordinated entities	28	11 196	9 379
XII. Provisions	29	248 592	403 068
1. Provision for deferred income tax		138 810	292 474
2. Other provisions		109 782	110 594
a) short-term			-
b) long-term		109 782	110 594
XIII. Subordinated liabilities	30	-	-
XIV. Minority interests	31	15 570	7 790
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	381 373	375 425
XIX. Balance of revaluation reserve	35	159 992	192 506
XX. Other reserve capital	36	1 167 176	938 229
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		(24 305)	7 451
XXIII. Net profit (loss)		128 873	272 693
TOTAL LIABILITIES		24 168 698	24 913 038
Solvency ratio (%)	37	12,01	10,36
Book value		2 542 712	2 515 907
Number of shares		72 960 284	72 960 284
Book value per one share (PLN)	38	34,85	34,48
Diluted number of shares		-	-
Diluted book value per one share (PLN)	38	-	-

C o n s o l i d a t e d F i n a n c i a l S t a t e m e n t s

Off-balance sheet items	Note	2003	2002
I. Contingent liabilities granted and received		4 908 587	4 771 158
1. Granted:	39	4 374 730	3 654 523
a) financial		3 786 813	2 975 302
b) guarantees		587 917	679 221
2. Received:	40	533 857	1 116 635
a) financial		377 963	471 430
b) guarantees		155 894	645 205
II. Commitments arising from purchase / sale transactions		41 650 063	48 236 556
III. Other, of which		47 539	31 777
- assets taken-over		13 454	13 760
- other liabilities		34 085	18 017
Total off-balance sheet items		46 606 189	53 039 491

Consolidated profit and loss account	Note	2003	2002
I. Interest income	41	1 422 099	1 835 102
II. Interest expense	42	(593 033)	(1 015 879)
III. Net interest income (I-II)		829 066	819 223
IV. Commission income	43	646 171	559 663
V. Commission expense		(109 704)	(95 309)
VI. Net commission income (IV-V)		536 467	464 354
VII. Net income from sales of products, goods and materials		51 381	28 291
VIII. Costs of sold products, goods and materials		-	-
IX. Sales costs		-	-
X. Profit/loss on sales (VII-VIII-IX)		51 381	28 291
XI. Income from shares or interests, other securities and other financial instruments with variable yield	44	52 403	37 003
1. From subsidiaries		18 161	-
2. From joint-ventures		-	-
3. From associates		-	(720)
4. From other entities		34 242	37 723
XII. Profit on financial operations	45	73 184	240 101
XIII. Foreign exchange profit		144 664	148 257
XIV. Profit on banking operations		1 687 165	1 737 229
XV. Other operating income	46	61 103	68 497
XVI. Other operating expense	47	(85 344)	(27 265)
XVII. Costs of Bank's operations and general management	48	(1 039 899)	(1 062 441)
XVIII. Depreciation /amortization of tangible fixed assets and intangible assets		(225 433)	(161 416)
XIX. Allocations to provisions	49	(732 910)	(1 206 493)
1. Allocations to specific provisions and general banking risk provisions		(723 164)	(1 172 697)
2. Revaluation of financial assets		(9 746)	(33 796)
XX. Release of provisions	50	592 017	1 037 305
1. Release of specific provisions and of general banking risk provision		589 598	1 020 629
2. Revaluation of financial assets		2 419	16 676
XXI. Balance of provisions (XIX - XX)		(140 893)	(169 188)
XXII. Profit on operations		256 699	385 416
XXIII. Profit / loss on extraordinary operations		506	189
1. Extraordinary gains	52	506	499
2. Extraordinary losses	53	-	(310)
XXIV. Amortization of goodwill of subordinated entities	54	-	(231)
XXV. Amortization of negative goodwill of subordinated entities	55	3 165	3 165
XXVI. Gross profit (loss)		260 370	388 539
XXVII. Income tax	56	(123 476)	(113 400)
1. Current tax		(95 551)	(185 143)
2. Deferred tax		(27 925)	71 743
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		270	1 354

XXX. (Profits) losses of minority shareholders		(8 271)	(3 800)
XXXI. Net profit (loss)	58	128 873	272 693
Net profit (loss) (annualized)	59	128 873	272 693
Average weighted number of ordinary shares		72 960 284	72 960 284
Profit (loss) per one ordinary share (PLN)	59	1,77	3,74
Average weighted diluted number of ordinary shares		-	-
Diluted profit (loss) per one ordinary share (PLN)		-	-

Movements in consolidated equity	2003	2002
I. Shareholders' equity at the beginning of the period (OB)	2 515 907	2 154 432
a) changes in adopted accounting principles (policy)	-	(26 083)
b) corrections of fundamental errors	-	-
I.a. Shareholders' equity at the beginning of the period (OB), after reconciliation with comparable data	2 515 907	2 128 349
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	375 425	380 466
4.1. Movements in the balance of supplementary capital	5 948	(5 041)
a) increase (due to)	5 948	6 707
- issue of shares in excess of their nominal value	-	-
- distribution of profit (statutory)	1 258	-
- transfer of capital of companies consolidated for the first time	-	-
- transfer of reserve capital from revaluation	-	-
- supplementary capital of companies consolidated for the first time	-	6 707
- distribution of profit (in excess of statutory minimum)	-	-
- transfer of capital	595	-
- other	4 095	-
b) decrease (due to)	-	(11 748)
- cover of loss	-	-
- transfer of capital of companies consolidated for the first time	-	(11 748)
4.2. Supplementary capital at the end of the period	381 373	375 425
5. Revaluation reserve at the beginning of the period	192 506	70 087
5.1. Movements in revaluation reserve	(32 514)	122 419
a) increase (due to)	44 878	140 053
- valuation of assets	44 878	140 053
b) decrease (due to)	(77 392)	(17 634)
- disposal of fixed assets	(3 476)	(1 355)
- valuation of assets	(73 916)	(16 118)
- other	-	(161)
5.2. Revaluation reserve at the end of the period	159 992	192 506
6. General banking risk fund at the beginning of the period	339 810	259 810
6.1. Movements in the general banking risk fund	100 000	80 000
a) increase (due to)	100 000	80 000
- profit allocation	100 000	80 000
b) decrease	-	-

6.2. General banking risk fund at the end of the period	439 810	339 810
7. Other reserve capital at the beginning of the period	598 419	560 583
7.1. Movements in other reserve capital	128 947	37 836
a) increase (due to)	129 542	43 260
- disposal of fixed assets	3 476	1 355
- distribution of profit	126 066	40 755
- distribution of profit of companies consolidated for the first time	-	862
- portion of unpaid dividend (to AIB) moved to capital	-	288
b) decrease (due to)	(595)	(5 424)
- goodwill depreciation	-	(5 424)
- transfer of capital	(595)	-
7.2. Other reserve capital at the end of the period	727 366	598 419
8. Foreign exchange differences from revaluation of subordinated entities	-	-
9. Profit (loss) from previous years at the beginning of the period	280 144	153 883
9.1. Profit from previous years at the beginning of the period	280 144	153 883
a) changes in adopted accounting principles (policy)	-	(26 083)
b) correction of fundamental errors	-	-
9.2. Profit from previous years at the beginning of the period after reconciliation with comparable data	280 144	127 800
9.3. Change in the profit from previous years	(304 449)	(120 349)
a) increase (due to)	8 860	33 448
- distribution of profit from previous years	-	-
- valuation of assets	8 860	28 024
- goodwill depreciation	-	5 424
- cover of loss	-	-
b) decrease (due to)	(313 309)	(153 797)
- allocation to reserve capital	(126 066)	(40 755)
- allocation to general risk fund	(100 000)	(80 000)
- allocation to other supplementary capital	(1 258)	-
- allocation to dividend	(53 991)	(30 643)
- other/allocation to cover losses of companies consolidated for the first time	(31 994)	-
- valuation of assets	-	(2 399)
9.4. Profit from previous years at the end of the period	(24 305)	7 451
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)	-	-
- losses from previous years carried forward to be covered	-	-
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	(24 305)	7 451
10. Net profit/loss	128 873	272 693
a) net profit	128 873	272 693
b) net loss	-	-
II. Shareholders' equity at the end of the period (CB)	2 542 712	2 515 907
III. Shareholders' equity after the proposed profit distribution (loss cover)	2 519 365	2 461 916

A. Cash flow from operating activities	2003	2002
A. Cash flow from operating activities (indirect method)		
I. Net profit (loss)	128 873	272 693
II. Total adjustments:	(535 814)	(156 355)
1. Profits (losses) of minority shareholders	8 271	3 800
2. Share in net (profits) losses of subordinated entities valued under equity method	(270)	(1 355)
3. Amortization, including:	247 845	141 655
- amortization of goodwill and negative goodwill of subordinated entities	(3 165)	(1 962)
4. (Profits) losses on foreign exchange differences	14 580	41 134
5. Interest and profit sharing (dividends)	2 845	7 466

6. (Profit) loss on investing activities	(300)	40 111
7. Movements in the balance of provisions	(695)	68 146
8. Movement in the balance of stocks	-	-
9. Movement in the balance of debt securities	(174 788)	(2 259 068)
10. Movement in the balance of amounts due from financial sector	1 280 796	4 016 711
11. Movement in the balance of amounts due from non-financial and public sectors	(1 268 741)	(1 329 975)
12. Movement in the balance of receivables arising from reverse repo transactions	32 188	8 655
13. Movement in the balance of shares, interest, other securities and other financial assets	57 518	247 462
14. Movement in the balance of amounts due to financial sector	(940 411)	190 617
15. Movement in the balance of amounts due to non-financial and public sectors	374 484	(1 499 320)
16. Movement in the balance of liabilities arising from repo transactions	(20 004)	20 004
17. Movement in the balance of liabilities arising from securities	149 419	381 823
18. Movement in the balance of other liabilities	(191 150)	(137 255)
19. Movement in the balance of accruals	(31 067)	(31 294)
20. Balance in the deferred and suspended income	(77 353)	(60 453)
21.Other adjustments	1 019	(5 219)
III. Net cash flows from operating activities (I+/-II) - indirect method	(406 941)	116 338
B. Cash flows from investing activities		
I. Inflows	687 117	1 079 780
1. Sales of shares or interests in subsidiaries	19 268	22 881
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	623 369	1 018 377
5. Sales of tangible fixed assets and intangible assets	12 337	7 839
6. Sales of investments in real estates and intangible assets	-	3
7. Other investing inflows	32 143	30 680
II. Expenses	(886 090)	(902 522)
1. Purchase of shares or interests in subsidiaries	(150)	(1)
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	(783 594)	(618 718)
5. Purchase of intangible assets and tangible fixed assets	(98 127)	(274 187)
6. Investments in real estate and intangible assets	-	(3)
7. Other investing expenses	(4 219)	(9 613)
III. Net cash flows from investing activities (I-II)	(198 973)	177 258
C. Cash flows from financing activities		
I. Inflows	453 721	538 217
1. Long-term loans drawn from other banks	174 622	538 163
2. Long-term loans drawn from financial institutions other than banks	14 470	-
3. Issue of debt securities	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	8 102	54
II. Expenses	(297 166)	(412 783)
1. Repayment of long-term loans to banks	(188 204)	(302 473)
2. Repayment of long-term loans to financial institutions other than banks	(16 671)	(33 782)
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	(55 723)	(32 671)
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	(36 568)	(43 857)
III. Net cash flows from financing activities (I-II)	156 555	125 434
D. Total net cash flows (A.III+/-B.III+/-C.III)	(449 359)	419 030
E. Change in the balance of cash, of which:	(449 359)	419 030
- movement in the cash balance arising from foreign exchange differences	-	5
F. Cash at the beginning of the period	1 832 396	1 413 366
G. Cash at the end of the period (F+/-D), of which:	1 383 037	1 832 396
- with limited disposal potential	-	-

Note 1A		
Cash and operations with the central bank	2003	2002
a) current account	754 576	1 002 622
b) obligatory reserve	-	-
c) funds of the Bank Guarantee Fund	-	-
d) other	406 921	386 806
- cash	405 825	385 473
- valuable marks	1 096	1 333
Total cash and operations with the Central Bank	1 161 497	1 389 428

Note 1B		
Cash (by currency)	2003	2002
a) in Polish currency	1 079 174	1 309 582
b) in foreign currencies (by currency and its equivalent in PLN)	82 323	79 846
b1. unit/currency EUR	9 563	11 643
PLNk	45 111	46 809
b2. unit/currency USD	6 533	4 731
PLNk	24 435	18 161
b3. unit/currency GBP	946	924
PLNk	6 306	5 710
other currencies (in PLNk)	6 471	9 166
Total cash	1 161 497	1 389 428

Note 2A		
Amounts due from financial sector (by category)	2003	2002
a) current account	225 309	413 573
b) loans, placements and advances, of which:	750 527	2 109 551
- placements with other banks and other financial institutions	529 683	1 165 205
c) purchased debt	68	110
d) realized guarantees	-	-
e) other receivables	16 478	13 166
- Company Social Fund	12 425	7 226
- finance lease	90	4 435
- other	3 963	1 505
f) interest:	101 231	157 432
- accrued	91 542	142 969
- due, not received	9 689	14 463
Total receivables from financial sector (gross)	1 093 613	2 693 832
g) provision for amounts due from financial sector (negative value)	(20 506)	(32 725)
Total receivables from financial sector (net)	1 073 107	2 661 107

Note 2B		
Amounts due (gross) from financial sector (by maturity)	2003	2002
b) term receivables with residual maturity of:	225 309	413 573
- up to 1 month	767 073	2 122 827
- from 1 month to 3 months	106 483	1 257 275
- from 3 months to 1 year	46 279	15 811

- from 1 year to 5 years	107 705	265 262
- over 5 years	477 716	351 792
- overdue amounts	-	199 712
c) interest	28 890	32 975
- accrued	101 231	157 432
- due, not received	91 542	142 969
Total amounts due (gross) from financial sector	9 689	14 463
	1 093 613	2 693 832

Note 2C		
Amounts due (gross) from financial sector (by original maturity)	2003	2002
a) in current account	225 309	413 573
b) term receivables with maturity of:	767 073	2 122 827
- up to 1 month	405 531	1 783 129
- from 1 month to 3 months	-	-
- from 3 months to 1 year	955	-
- from 1 year to 5 years	178 468	135 216
- over 5 years	182 119	204 482
c) interest	101 231	157 432
- accrued	91 542	142 969
- due, not received	9 689	14 463
Total amounts due (gross) from financial sector	1 093 613	2 693 832

Note 2D		
Amounts due (gross) from financial sector (by currency)	2003	2002
a) in Polish currency	828 064	1 210 785
b) in foreign currencies (by currency and its equivalent in PLN)	265 549	1 483 047
b1. unit/currency USD	23 698	240 607
PLNk	88 641	923 640
b2. unit/currency EUR	19 627	129 898
PLNk	92 581	522 209
b3. unit/currency GBP	11 553	1 180
PLNk	77 045	7 294
other currencies (in PLNk)	7 282	29 904
Total amounts due (gross) from financial sector	1 093 613	2 693 832

Note 2E		
Amounts due (gross) from financial sector	2003	2002
1. Regular	952 471	2 427 303
2. Watch	11 021	58 933
3. Problem, of which:	28 890	50 164
a) sub-standard	1	3 024
b) doubtful	7 559	9 760
c) lost	21 330	37 380
4. interest:	101 231	157 432
a) accrued	91 542	142 969
b) due, not received	9 689	14 463
- on regular and watch receivables	1 686	4 476
- on problem receivables	8 003	9 987
Total amounts due (gross) from financial sector	1 093 613	2 693 832

Note 2F		
Value of security recognised when setting specific provisions for receivables from financial sector categorized as	2003	2002
a) watch	10 027	18 026
b) problem	8 338	17 324
- sub-standard	-	2 906

- doubtful	7 470	9 760
- lost	868	4 658
Total value of security recognized when setting specific provisions for receivables from financial sector	18 365	35 350

Note 2G		
Balance of provisions for amounts due from financial sector	2003	2002
a) watch	-	-
b) problem	(20 506)	(32 725)
- sub-standard	-	(23)
- doubtful	(44)	(1)
- lost	(20 462)	(32 701)
Total provisions for amounts due from financial sector	(20 506)	(32 725)

Note 2H		
Movements in provisions for amounts due from financial sector	2003	2002
1. Balance of provisions for amounts due from financial sector at the beginning of the period	(32 725)	(91 104)
a) increase (due to)	(20 728)	(93 718)
- charge to profit and loss account	(20 115)	(93 242)
- foreign exchange differences	(613)	(476)
b) utilization	4 695	80 229
- write-off, write-down and lapse of receivables	4 695	80 229
c) release	28 252	71 868
- repayment of receivables	-	-
- foreign exchange differences	-	-
- release to revenues	28 252	71 868
2. Balance of provisions for amounts due from financial sector at the end of the period	(20 506)	(32 725)
3. Required level of provisions for amounts due from financial sector at the end of the period, in line with applicable regulations	(20 206)	(32 725)

Note 2I		
Amounts due (gross) from financial sector	2003	2002
a) from subordinated entities valued under equity method	-	25
b) from other entities	1 093 613	2 693 807
Total amounts due (gross) from financial sector	1 093 613	2 693 832

Note 3A		
Amounts due from non-financial sector (by category)	2003	2002
a) loans and advances	12 251 337	11 481 197
b) purchased debts	74 187	99 823
c) realized guarantees	4 239	3 071
d) other receivables	1 203 820	854 298
- finance lease agreements	1 197 900	841 491
- other	5 920	12 807
e) interest	325 469	435 313
- accrued	36 596	51 972
- due, not received	288 873	383 341
Total amounts due (gross) from non-financial sector	13 859 052	12 873 702
f) provision for amounts due from non-financial sector (negative value)	(702 542)	(871 291)
Total amounts due (net) from non-financial sector	13 156 510	12 002 411

**As at 31 December 2003 non-interest bearing receivables totaled PLN 11,515 k.*

Note 3B		
Amounts due (gross) from non-financial sector (by maturity)	2003	2002
a) in current account	1 397 406	1 686 880
b) term receivables with residual maturity of:	12 136 177	10 751 509
- up to 1 month	400 034	745 799
- from 1 month to 3 months	718 205	559 216
- from 3 months to 1 year	2 678 245	2 677 745
- from 1 year to 5 years	4 049 890	3 724 091
- over 5 years	2 648 587	2 058 859
- overdue amounts	1 641 216	985 799
c) interest	325 469	435 313
- accrued	36 596	51 972
- due, not received	288 873	383 341
Total amounts due (gross) from non-financial sector	13 859 052	12 873 702

Note 3C		
Amounts due (gross) from non-financial sector (by original maturity)	2003	2002
a) in current account	1 397 406	1 686 880
b) term receivables with maturity of:	12 136 177	10 751 509
- up to 1 month	889 259	1 055 236
- from 1 month to 3 months	120 789	166 389
- from 3 months to 1 year	1 405 506	1 584 870
- from 1 year to 5 years	3 955 557	3 507 774
- over 5 years	5 765 066	4 437 240
c) interest	325 469	435 313
- accrued	36 596	51 972
- due, not received	288 873	383 341
Total amounts due (gross) from non-financial sector	13 859 052	12 873 702

Note 3D		
Amounts due (gross) from non-financial sector (by currency)	2003	2002
a) in Polish currency	9 307 178	9 532 580
b) in foreign currencies (by currency and its equivalent in PLN)	4 551 874	3 341 122
b1. unit/currency EUR	545 536	371 178
PLNk	2 573 293	1 492 179
b2. unit/currency CHF	429 768	430 445
PLNk	1 301 381	1 191 255
b3.unit/currency USD	171 424	165 985
PLNk	641 213	637 183
other currencies (in PLNk)	35 987	20 505
Total amounts due (gross) from non-financial sector	13 859 052	12 873 702

Note 3E		
Amounts due (gross) from non-financial sector	2003	2002
1. Regular	9 704 019	8 094 556
2. Watch	2 142 765	2 204 480
3. Problem, of which:	1 686 799	2 139 353
a) sub-standard	299 952	587 404
b) doubtful	469 492	591 381
c) lost	917 355	960 568
4. interest:	325 469	435 313
a) accrued	36 596	51 972
b) due, not received	288 873	383 341
- on regular and watch receivables	1 631	5 147
- on problem receivables	287 242	378 194
Total amounts due (gross) from non-financial sector	13 859 052	12 873 702

Note 3F		
Value of security recognised when setting specific provisions for receivables from non-financial sector categorized as:	2003	2002
a) regular	-	-
b) watch	1 147 227	858 832
c) problem	809 225	949 452
- sub-standard	158 596	271 444
- doubtful	345 580	402 645
- loss	305 049	275 363
Total value of security recognized when setting specific provisions for receivables from non-financial sector	1 956 452	1 808 284

Note 3G		
Balance of provisions for receivables from non-financial sector	2003	2002
a) regular	-	-
b) watch	(2 833)	(2 623)
c) problem	(699 709)	(868 668)
- sub-standard	(28 934)	(87 567)
- doubtful	(62 216)	(94 529)
- lost	(608 559)	(686 572)
Total provisions for amounts due from non-financial sector	(702 542)	(871 291)

Note 3H		
Movement in the balance of provisions for amounts due from non-financial sector	2003	2002
1. Balance of provisions for amounts due from non-financial sector at the beginning of the period	(871 291)	(1 054 999)
- companies consolidated for the first time - opening balance adjustment		(46 007)
1. Balance of provisions for amounts due from non-financial sector at the beginning of the period, taking account of companies consolidated for the first time	(871 291)	(1 101 006)
a) increase (due to)	(678 299)	(1 039 718)
- charge to profit and loss account	(671 521)	(1 034 155)
- foreign exchange differences	(6 778)	(5 563)
- other		-
b) utilization	317 771	362 948
- write-off to provisions	317 771	362 948
c) release	529 277	906 485
- release to revenues	529 277	906 485
- foreign exchange differences	-	-
2. Balance of provisions for amounts due from non-financial sector at the end of the period	(702 542)	(871 291)
3. Required level of provisions for amounts due from non-financial sector at the end of the period, in line with applicable regulations	(702 533)	(852 539)

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 31.12.2003 it amounted to PLN 92,589 k.

Note 3I		
Amounts due (gross) from non-financial sector	2003	2002
a) from subordinated entities valued under equity method	14	19
b) from other entities	13 859 038	12 873 683
Total amounts due (gross) from non-financial sector	13 859 052	12 873 702

Note 4A		
Amounts due from public sector (by category)	2003	2002
a) loans and advances	567 285	447 353
b) purchased debts	-	1 567
c) realized guarantees	-	-

d) other amounts due	49	74
- other	49	51
- ARiMR loans	-	23
e) interest	11 562	7 625
- accrued	7 648	1 334
- due, not received	3 914	6 291
Total amounts due (gross) from public sector	578 896	456 619
f) provision for amounts due from public sector (negative value)	(10 605)	(8 951)
Total amounts due (net) from public sector	568 291	447 668

There are no loans related to finance lease.

Note 4B		
Amounts due from public sector (by maturity)	2003	2002
a) in current account	26 346	17 517
b) term receivables with residual maturity of:	540 988	431 477
- up to 1 month	6 757	4 143
- from 1 month to 3 months	17 509	7 344
- from 3 months to 1 year	96 184	59 911
- over 1 year to 5 years	329 466	231 099
- over 5 years	86 294	125 911
- overdue amounts	4 778	3 069
c) interest	11 562	7 625
- accrued	7 648	1 334
- due, not received	3 914	6 291
Total amounts due (gross) from public sector	578 896	456 619

Note 4C		
Amounts due (gross) from public sector (by original maturity)	2003	2002
a) in current account	26 346	17 517
b) term receivables with maturity of:	540 988	431 477
- up to 1 month	6 471	5 111
- from 1 month to 3 months	1 568	323
- from 3 months to 1 year	3 465	969
- over 1 year to 5 years	128 911	127 882
- over 5 years	400 573	297 192
c) interest	11 562	7 625
- accrued	7 648	1 334
- due, not received	3 914	6 291
Total amounts due (gross) from public sector	578 896	456 619

Note 4D		
Amounts due (gross) from public sector (by currency)	2003	2002
a) in Polish currency	424 968	311 689
b) in foreign currencies (by currency and its equivalent in PLN)	153 928	144 930
b1. unit/currency EUR	30 276	32 296
PLNk	142 814	129 839
b2. unit/currency CHF	2 829	4 391
PLNk	8 566	12 151
b3. unit/currency USD	681	766
PLNk	2 548	2 940
other currencies (in PLNk)	-	-
Total amounts due (gross) from public sector	578 896	456 619

Note 4E		
Amounts due (gross) from public sector	2003	2002
1. Regular receivables	534 266	416 003
2. Watch category loans	2 919	9 346
3. Problem receivables, of which:	30 149	23 645
a) sub-standard	10 283	6 184
b) doubtful	3 794	1 392
c) lost	16 072	16 069
4. Interest:	11 562	7 625
a) accrued	7 648	1 334
b) due, not received	3 914	6 291
- on regular and watch loans	2 977	857
- on problem loans	937	5 434
Total amounts due (gross) from public sector	578 896	456 619

Note 4F		
Value of security recognised when setting specific provisions for receivables from public sector categorized as	2003	2002
b) watch	-	-
c) problem	211	661
- sub-standard	11 856	12 950
- doubtful	1 000	4 060
- lost	3 269	1 303
Total value of security recognized when setting specific provisions for receivables from public sector	7 587	7 587
	12 067	13 611

Note 4G		
Balance of provisions for receivables from public sector	2003	2002
a) regular	-	-
b) watch	-	-
c) problem	(10 605)	(8 951)
- sub-standard	(1 857)	(425)
- doubtful	(263)	(43)
- lost	(8 485)	(8 483)
Total provisions for receivables from the public sector	(10 605)	(8 951)

Note 4H		
Movement in provisions for receivables from public sector	2003	2002
1. Balance of provisions for receivables from public sector at the beginning of the period	(8 951)	(8 754)
a) increase (due to)	(6 268)	(9 249)
- charge to the profit and loss account	(6 268)	(9 249)
b) utilization	-	8 301
- write-off, write-down and lapse	-	8 301
c) release	4 614	751
- release to revenues	4 357	751
- foreign exchange differences	257	-
2. Balance of provisions for receivables from public sector at the end of the period	(10 605)	(8 951)
3. Balance of provisions for receivables from public sector at the end of the period, in line with applicable regulations	(10 605)	(8 951)

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

Note 5		
Amounts due on securities purchased which are subject to repurchase agreements	2003	2002
a) from financial sector	-	994
b) from non-financial sector	5 508	37 000
c) from public sector	-	-
d) interest	298	-
Total amounts due receivable on securities purchased which are subject to repurchase agreement	5 806	37 994

Note 6A		
Debt securities	2003	2002
a) issued by central banks, of which:	601 117	1 031 328
- bonds in foreign currencies	-	-
b) issued by other banks, of which:	-	-
- expressed in foreign currencies	-	-
c) issued by other financial entities, of which:	-	-
- in foreign currencies	-	-
d) issued by non-financial entities, of which:	33 621	30 778
- expressed in foreign currencies	31 389	25 634
e) issued by the State budget, of which:	5 359 196	4 771 019
- in foreign currencies	-	-
f) issued by local budget, of which:	145 467	56 943
- in foreign currencies	-	-
g) repurchased own debt securities	-	-
Total debt securities	6 139 401	5 890 068

Note 6B		
Debt securities (by type)	2003	2002
1. Issued by the State budget, of which:	5 359 196	4 771 019
a) bonds	4 066 193	2 573 556
b) Treasury bills	1 293 003	2 152 585
c) other (by type):	-	44 878
- restructuring bonds	-	44 878
2. Issued by dominant 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 subsidiaries, 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:	780 205	1 119 049
a) bonds	780 205	1 091 704

- NBP bonds	601 117	1 003 983
- municipal bonds	145 467	56 943
- commercial bonds	33 621	30 778
b) other (by type):	-	27 345
- NBP bills	-	27 345
- commercial bills	-	-
Total debt securities	6 139 401	5 890 068

As at 31 December 2003 Treasury bonds of PLN 79,585 k were accepted as a collateral for the Bank Guarantee Fund.

Note 6C		
Movement in the balance of securities	2003	2002
Balance at the beginning of the period	5 890 068	4 022 209
- valuation through capital - opening balance adjustment	-	21 133
- companies consolidated for the first time - opening balance adjustment	-	5 516
Balance at the beginning after adjustment	5 890 068	4 048 858
a) increase (due to)	86 802 546	47 422 605
- increase in the value of NBP bills	4 277 109	3 687 424
- increase in the value of Government bonds	34 610 925	32 121 633
- increase in the value of NBP bonds	39 286	60 360
- increase in the value of Treasury bills	47 760 474	11 528 748
- increase in the value of other debt securities	114 682	16 511
- release of provisions	70	1
- other	-	7 928
b) decrease (due to)	(86 553 213)	(45 581 395)
- purchase/sale of monetary bills	(4 304 454)	(3 759 413)
- purchase/sale of Government bonds	(33 163 166)	(31 803 183)
- purchase/sale of monetary NBP bonds	(442 152)	(19 921)
- purchase/sale of Treasury bills	(48 620 056)	(9 902 723)
- purchase/sale of other debt securities	(18 368)	(30 365)
- charges to provision	(5 017)	(20 172)
- commercial bills transfer to receivables	-	(45 618)
	-	-
Balance of debt securities at the end of the period	6 139 401	5 890 068

Note 7A		
Shares or interests in subsidiaries valued under equity method	2003	2002
a) in banks	-	-
b) in other entities of financial sector	527	1 680
c) in entities of non-financial sector	124	-
Total shares or interests in subsidiaries valued under equity method	651	1 680

Note 7B		
Movement in the balance of shares or interests in subsidiaries valued under equity method	2003	2002
Balance at the beginning of the period	1 680	84 372
- valuation through capital - opening balance adjustment	-	16 759
- companies consolidated for the first time - opening balance adjustment	-	14 021
Balance at the beginning after adjustment	1 680	115 152
a) increase (due to)	76	41 250
- purchase	-	27 758
- current revaluation	76	11 714
- other	-	1 778
b) decrease (due to)	(1 105)	(154 722)
- sale	(1 105)	-
- current revaluation	-	(121 878)
- release of provisions	-	(32 844)
Balance of shares or interests in subsidiaries valued under equity method	651	1 680

Note 8A		
Shares or interests in joint-ventures valued under equity method	2003	2002
a) in banks	-	-
b) in other entities of financial sector	-	-
c) in entities of non-financial sector	-	-
Total shares or 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	2003	2002
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	2003	2002
a) in banks	-	-
b) in other entities of financial sector	63 520	54 869
c) in entities of non-financial sector	6 763	2 998
Total shares or interests in associates valued under equity method	70 283	57 867

Note 9B		
Movement in the balance of shares or interests in associates valued under equity method	2003	2002
Balance at the beginning of the period	57 867	47 407
- valuation through capital - opening balance adjustment		6 916
Balance at the beginning after adjustment	57 867	54 323
a) increase (due to)	21 419	3 544
- purchase	1 335	3 000
- revaluation	7 551	544
- reclassification	8 857	-
- negative goodwill	3 676	
b) decrease (due to)	(9 003)	-
- current revaluation	(9 003)	-
Balance of shares or interests in associates valued using an equity method at the end of the period	70 283	57 867

Note 10A
Shares or interests in subordinated entities

No.	Name (company) of the entity and its legal status	Registered office	Business	Type of the capital link (subsidiary, interdependent, associated with indication of direct or indirect links)	Applied consol- idation method / valuation using an equity method or indication that the entity is not subject to conso- lidation / valuation using an equity method	Date of taking up control / joint control / gaining significant influence	Value of shares / interests at purchase price	Total adjustments for revaluation	Balance sheet value of shares / interests	% shareholding	Number of votes at AGM	Other than indicated in j) or k) / joint control / significant influence
1.	BZ WBK Nieruchomości S.A.	Poznań	completion, organisation of various events, catering and hotel services	subsidiary	not consolidated	07.1998	103	21	124	99.99	99.99	
2.	Brytyjsko-Polskie Towarzystwo Finansowe WBK-CU Sp. z o.o.	Poznań	distribution of insurance products	subsidiary	not consolidated	02.1993 associated 06.1993 subsidiary	218	309	527	60.00	60.00	
3.	POLFUND - Fundusz Poręczeń Kredytowych S.A	Szczecin	providing lending guarantees, investing funds vested in companies and their management	associated	not consolidated	08.2001	8000	511	8511	50.00	50.00	
4.	LZPS Protektor S.A.	Lublin	production of protective, military and ordinary footwear	associated	not consolidated	12.2001	2939	1420	4359	36.08	36.08	

Shares or interests in subordinated entities

5.	International Westfund Holding Ltd.	Dublin, Ireland	investment fund management services	associated	not consolidated	07.1995	202	631	833	33.67	33.67	
6.	NFI Magna Polonia S.A.	Warsaw	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	51558	(2082)	49476	28.10	28.10	
Total:							63020	810	63830			

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 SA PLN 1 571 k
- NFI Magna Polonia PLN 5 533 k

Note 10B
Shares or interests in subordinated entities

a	m	n	o	p	r	s	t											
No.	Name of entity (and its legal status)	The entity's equity, of which:		unpaid share capital	supplementary capital	other funds of which:	retained profit (uncovered loss) from previous years	profit (loss) net	Liabilities of entity of which:	short-term	long-term	Receivables of entity, of which:	short-term	long-term	total assets	Income from sales	Value of shares or interests not paid by the issuer	Dividend received or due for the last accounting year
1.	BZ WBK Nieruchomości S.A.	124	100	-	8	16	(37)	53	279	270	9	69	69	-	411	1118	-	-
2.	Brytyjsko-Polskie Towarzystwo Finansowe WBK-CU Sp. z o.o.	878	350	-	417	111	-	105	424	342	82	464	464	-	1338	5348	-	24
3.	POLFUND - Fundusz Poręczeń Kredytowych S.A.	17022	16000	-	112	910	-	680	32	32	-	14	14	-	18056	524	-	294
4.	LZPS Protektor S.A.	16434	4744	-	4778	6912	14	3409	11156	11156	-	12729	12729	-	30530	29417	-	54
5.	International Westfund Holdings Ltd.*	4475	633	-	1900	1942	4454	(2512)	352	352	-	25	25	-	4475	-	-	673
6.	NFI Magna Polonia S.A. (as at September 2003)	202629	3006	-	192569	7054	10689	3843	2043	2043	-	23861	23861	-	205817	12923	-	1945

*Data converted into PLN according to the average NBP exchange rate of GBP as at 10 April 2003 - PLN 6.1806.

*data converted into PLN according to the average NBP exchange rate of GBP as at 10 April 2003 - PLN 6.1806 unless otherwise specified, the data is based on the companies' accounts as at 30.11.2003.

Note 11A		
Shares or interests in other entities	2003	2002
a) in entities of financial sector	212 590	199 521
- short-term	1 025	1 563
- long-term	211 565	197 958
b) in entities of non-financial sector	48 258	40 522
- short-term	4 699	5 185
- long-term	43 559	35 337
Total shares or interests in other entities	260 848	240 043

Note 11B		
Movement in the balance of shares or interests in other entities	2003	2002
Balance at the beginning of the period	240 023	94 127
- valuation through capital - opening balance adjustment	-	165 763
- companies consolidated for the first time - opening balance adjustment	-	5 226
Balance at the beginning after adjustment	240 023	265 116
a) increase (due to)	303 208	322 088
- purchase	294 082	316 315
- current revaluation	9 126	5 348
- other	-	425
b) decrease (due to)	(282 383)	(347 161)
- sale	(276 156)	(343 102)
- revaluation	(2 777)	(4 059)
- impairment loss	(3 450)	-
Balance of shares or interests in other entities at the end of the period	260 848	240 043

Note 11C
Shares or interests in other entities

a	b	c	d	e	f	g	h	i	
No.	Name (company) of the entity and its legal status	Registered office	Business	Balance sheet value of shares / interests	% share-holding	Number of votes at AGM	Own funds, of which: share capital	Value of shares / interests in the entity unpaid by the issuer	Received or due dividends from the entity for the last accounting year
1.	Euroad-Leasing Sp. z o.o.	Warsaw	debt trading	0	37.50	35.91	1 079	1 064	-
2.	eCard ***	Warsaw	software engineering, data processing, database management, other IT-related activities, project management, advertising	0	19.22	19.22	(1 694)	12 411	-
3.	Krajowa Izba Rozliczeniowa S.A.*	Warsaw	handling interbank settlements	625	11.48	11.48	76 399	5 445	2 875
4.	Commercial Union Polska Towarzystwo Ubezpieczeń na Życie S.A.*	Warsaw	insurance	173 167	10.00	10.00	857 219	82 500	21 094
5.	Commercial Union Polska Towarzystwo Ubezpieczeń Ogólnych S.A.*	Warsaw	personal and property insurance	2 180	10.00	10.00	39 004	20 600	-
6.	Commercial Union Powszechne Towarzystwo Emerytalne BPH, CU, WBK S.A.*	Warsaw	creating and managing open-ended pension funds and representing them before third parties	21 013	10.00	10.00	165 206	137 000	2 018
7.	TIM S.A.		wholesale trade	2 453	9.29	9.29	11 626	24 200	-
8.	Wschodni Bank Cukrownictwa S.A.**	Wroclaw	banking	14 470	7.23	7.23	75 036	200 191	-
9.	Stalexport S.A.**	Lublin	wholesale trade in metals/ores	10 350	6.40	6.40	(75 653)	215 524	-
10.	Gorzowski Rynek Hurtowy S.A.	Katowice	wholesale trade	50	5.70	5.70	3 032	9 580	-
11.	AWSA Holland II B.V.	Gorzów Poznań	Holding interests in Autostrada Wielkopolska S.A. (established to build and operate a highway at the section Świecko-Konin	24 962	5.44	5.44	bd.	80	-
12.	Biuro Informacji Kredytowej S.A.*	Warsaw	collecting and providing access to information on banks' borrowers	800	5.4	5.14	8 182	15 550	-
Other:				10 778					3

Total: 260848

* equity of the entity disclosed based on data as at 31 December 2002
** equity of the entity disclosed based on data as at 30 September 2003
*** equity of the entity disclosed based on data as at 30 November 2003

Note 12A

Other securities and other financial assets (by type)	2003	2002
a) pre-emptive rights	-	-
b) derivative rights	159 317	225 961
c) other (by type)	1 831	14 842
- trust funds units	1 831	14 842
Total other securities and other financial assets	161 148	240 803

Note 12B

Other securities and other financial assets	2003	2002
a) short-term	-	1 627
b) long-term	161 148	239 176
Total other securities and other financial assets	161 148	240 803

Note 12C

Movement in the balance of other securities and other financial assets	2003	2002
Balance at the beginning of the period	240 803	480 309
- valuation through capital - opening balance adjustment	-	363
- companies consolidated for the first time - opening balance adjustment	-	2 924
Balance at the beginning of the period after adjustment	240 803	483 596
a) increase (due to)	14 224	8 498
- purchase	10 900	8 222
- increase in value of SWAP points	3324	140
- other	-	136
b) decrease (due to)	(93 879)	(251 291)
- sale	(24 633)	(5 573)
- option-related premium settlement	(12 701)	(20 302)
- decrease in value of SWAP points	(56 545)	(224 501)
- revaluation	-	(915)
Balance of other securities and other financial assets at the end of the period	161 148	240 803

Note 12D

Other securities and other financial assets (by currency) other securities and other financial assets (by currency)	2003	2002
a) in Polish currency	158 360	231 737
b) in foreign currencies (by currency and its equivalent in PLN)	2 788	9 066
b1. unit / currency EUR	228	2 079
PLNk	1 073	8 358
b1. unit / currency USD	200	167
PLNk	749	642
other currencies (in PLNk)	966	66
Total other securities and other financial assets	161 148	240 803

Note 13A

Financial assets	2003	2002
a) financial assets held for trading	637 490	2 341 423
b) granted loans, advances and the company's own debt - not for trading	16 055 851	16 692 101
c) financial assets held to maturity	2 060 044	1 549 734
d) financial assets available-for-sale	3 140 227	1 402 026
e) other *	1 437 583	1 896 752
Total financial assets (gross)	23 331 195	23 882 036
Provision for financial assets at the end of the period	(733 653)	(912 967)
Total financial assets	22 597 542	22 969 069

* "Other" item contains: cash, nostro current accounts

Note 13B

Financial assets (by currency)	2003	2002
a) in Polish currency	18 274 733	18 797 928
b) in foreign currencies (by currency and its equivalent in PLN)	5 056 462	5 084 108
b1. unit/currency EUR	605 230	553 462
PLNk	2 854 872	2 225 029
b2. unit/currency USD	202 536	412 255
PLNk	757 586	1 582 566
b3. unit/currency GBP	12 499	2 104
PLNk	83 351	13 004
b4. unit/currency CHF	432 597	407 413
PLNk	1 309 947	1 127 516
other currencies (in PLNk)	50 706	135 993
Total financial assets	23 331 195	23 882 036

Note 13C

Financial assets held for trading (by marketability)	2003	2002
A. With unlimited marketability, listed on stock exchange (balance sheet value)	64 719	658 199
a) shares (balance sheet value):	4 098	4 309
- fair value	4 098	4 309
- market value	4 098	4 309
- value at purchase price	2 511	5 478
b) bonds (balance sheet value):	60 621	653 890
- fair value	60 621	653 890
- market value	60 621	653 890
- value at purchase price	60 235	639 248
c) other - by category (balance sheet value):	-	-
B. With unlimited marketability listed off stock-exchange markets (balance sheet value)	411 899	1 455 098
a) shares (balance sheet value):	28	16
- fair value	28	16
- market value	28	16
- value at purchase price	20	28
b) bonds (balance sheet value):	22	58
- fair value	22	58
- market value	22	58
- value at purchase price	21	57
c) other - by category (balance sheet value):	411 849	1 455 024
c1) Treasury bills	411 849	1 427 679
- fair value	411 849	1 427 679
- market value	411 849	1 427 679
- value at purchase price	409 284	1 394 947
c2) monetary bills	-	27 345
- fair value	-	27 345
- market value	-	27 345
- value at purchase price	-	27 217
C. With unlimited marketability, not listed on regulated markets (balance sheet value)	159 317	225 961
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):	159 317	225 961
c1) derivatives	159 317	225 961
- fair value	159 317	225 961
- market value	-	-
- value at purchase price	-	-
D. With limited marketability (balance sheet value)	1 555	2 165
a) shares and interests (balance sheet value):	1 555	2 165
- fair value	1 555	2 165
- market value	1 555	2 165
- value at purchase price	1 979	2 130
b) bonds (balance sheet value):	-	-
- fair value	-	-
- market value	-	-
- value at purchase price	-	-
c) other - by category (balance sheet value):	-	-
Total value at purchase price	474 050	2 069 105
Value at the beginning of the period	2 341 423	725 710
Total revaluation adjustments (for the period)	163 440	272 318
Total balance sheet value	637 490	2 341 423

Note 13D

Financial assets held to maturity (by maturity)	2003	2002
A. With unlimited marketability, listed on stock exchanges (balance sheet value)	1 969 058	1 372 614
a) bonds (balance sheet value):	1 969 058	1 372 614
- revaluation adjustments (for the period)	123 120	95 418
- value at the beginning of the period	1 372 614	1 231 628
- value at purchase price	1 845 938	1 277 196
b) other - by category (balance sheet value):	-	-
B. With unlimited marketability listed on off stock-exchange markets (balance sheet value)	-	4 286
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):	-	4 286
b1) Treasury bills	-	4 286
- revaluation adjustments (for the period)	-	119
- value at the beginning of the period	-	4 286
- value at purchase price	-	4 167
C. With unlimited marketability, not listed on regulated markets (balance sheet value)	-	44 878
a) bonds (balance sheet value):	-	44 878
- revaluation adjustments (for the period)	-	1 544
- value at the beginning of the period	-	43 334
- value at purchase price	-	43 334

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)	90 986	127 956
a) bonds (balance sheet value):	31 494	25 738
- revaluation adjustments (for the period)	-	-
- value at the beginning of the period	31 494	25 738
- value at purchase price	31 494	25 738
b) other - by category (balance sheet value):	59 492	102 218
b1) purchase receivables	59 492	102 218
- revaluation adjustments (for the period)	19 085	28 600
- value at the beginning of the period	102 218	245 812
- value at purchase price	40 407	73 618
Total value at purchase price	1 917 839	1 424 053
Value at the beginning of the period	1 506 326	1 550 798
Total revaluation adjustments (for the period)	142 205	125 681
Total balance sheet value	2 060 044	1 549 734

Note 13E

Financial assets available for sale (by marketability)	2003	2002
A. With unlimited marketability listed off stock-exchange markets (balance sheet value)	1 867 546	367 568
a) shares (balance sheet value):	13 045	3 871
- fair value	13 045	3 871
- market value	15 984	10 018
- value at purchase price	14 367	2 845
b) bonds (balance sheet value):	1 854 501	363 697
- fair value	1 854 501	363 697
- market value	1 854 501	363 697
- value at purchase price	1 825 873	285 174
c) other - by category (balance sheet value):	-	-
B. With unlimited marketability listed off stock-exchange markets (balance sheet value)	801 766	621 691
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):	801 766	621 691
c1) Treasury bills	801 766	621 691
- fair value	801 766	621 691
- market value	801 766	621 691
- value at purchase price	794 257	578 196
C. With unlimited marketability, not listed on regulated markets (balance sheet value)	389 249	313 749
a) shares (balance sheet value):	215 828	210 117
- fair value	215 828	210 117
- market value	215 828	210 117
- value at purchase price	51 528	47 477
b) bonds (balance sheet value):	145 445	61 925

- fair value	145 445	61 925
- market value	145 445	61 925
- value at purchase price	143 289	78 941
c) other - by category (balance sheet value):	27 976	41 707
c1) shares	26 145	26 865
- fair value	26 145	26 865
- market value	26 145	26 865
- value at purchase price	26 145	7 988
c2) trust funds units	1 831	14 842
- fair value	1 831	14 842
- market value	1 831	14 842
- value at purchase price	1 309	15 076
D. With limited marketability (balance sheet value)	81 666	99 018
a) shares and interests (balance sheet value):	-	91
- fair value	-	91
- market value	-	91
- value at purchase price	-	91
b) bonds (balance sheet value):	2 277	-
- fair value	2 277	-
- market value	2 277	-
- value at purchase price	25 150	-
c) other - by category (balance sheet value):	79 389	98 927
c1) treasury bills	79 389	98 927
- fair value	79 389	98 927
- market value	79 389	98 927
- value at purchase price	78 545	96 009
Total value at purchase price	2 960 463	1 111 797
Value at the beginning of the period	1 402 026	608 090
Total revaluation adjustments (for the period)	179 764	290 229
Total balance sheet value	3 140 227	1 402 026

Note 14A

Intangible assets	2003	2002
a) development work capitalized	-	-
b) goodwill	4 353	-
c) concessions, patents, licences and similar intangibles, of which:	286 355	263 073
- software	284 075	259 655
d) other intangible assets	-	18
e) prepayments for intangible assets	485	252
Total intangible assets	291 193	263 343

	a	b	c	d	e	
	costs of finished development works	goodwill	licences, patents and similar assets, of which:	other intangible assets	prepayments for intangible assets	Total intangible assets
			software			
a) value of intangible assets at the beginning of the period	-	145 679	372 326	5 425	252	523 682
b) increase (due to)	-	6 483	120 825	-	484	127 792
- purchase	-	2 388	58 595	-	484	61 467
- investment	-	-	251	-	-	251
- reclassification between groups of intangible and fixed assets	-	-	61 979	-	-	61 979
- other	-	4 095	-	-	-	4 095
c) decrease (due to)	-	(386)	(39 729)	(54)	(251)	(40 420)
- liquidation	-	-	(39 497)	-	-	(39 497)
- reclassification between groups of fixed and intangible assets	-	-	(232)	(54)	(251)	(537)
- other	-	(386)	-	-	-	(386)
d) gross value of intangible assets at the end of the period	-	151 776	453 422	5 371	485	611 054
e) accumulated depreciation (amortization) at the beginning of the period	-	(145 679)	(105 646)	(5 407)	-	(256 732)
f) depreciation for the period (with regard to)	-	(1 744)	(61 421)	36	-	(63 129)
- intangibles	-	(1 744)	(90 572)	(87 244)	-	(92 316)
- depreciation of the opening balance of companies consolidated for the first time	-	-	-	-	-	-
- sale and liquidation	-	-	30 401	-	-	30 401
- capitalisation	-	-	-	-	-	0
- release of provision	-	-	4 347	-	-	4 347
- reclassification between fixed and intangible assets	-	-	(5 597)	36	-	(5 561)
- other	-	-	-	-	-	0
g) accumulated depreciation at the end of the period	-	(147 423)	(167 067)	(5 371)	-	(319 861)
h) write-offs due to permanent loss in value at the beginning of the period	-	-	(3 607)	-	-	(3 607)
- increase	-	-	-	-	-	0
- decrease	-	-	3 607	-	-	3 607
i) write-offs due to permanent loss in value at the end of the period	-	-	-	-	-	0
j) net value of intangible assets at the end of the period	-	4 353	286 355	-	485	291 193

Note 14C		
Intangible assets (ownership structure)	2003	2002
a) Bank's own	291 193	263 343
b) held under rental, lease or other agreement, including a lease contract, of which:	-	-
	-	-
Total intangible assets	291 193	263 343

Note 15A		
Goodwill of subordinated entities	2003	2002
a) goodwill - subsidiaries	-	-
b) goodwill - joint-ventures	-	-
c) goodwill - associates	-	-
Total goodwill of subordinated entities	-	-

Note 15B		
Changes in goodwill - subsidiaries	2003	2002
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)	-	-
- current goodwill write-down	-	-
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	2003	2002
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	2003	2002
a) gross value at the beginning of the period	-	-
b) increase (due to)	-	295
- valuation based on equity method	-	295
c) decrease (due to)	-	-

d) gross value at the end of the period	-	295
e) goodwill written down at the beginning of the period	-	-
f) goodwill written down for the period (due to)	-	(295)
- as at the day of valuation based on equity method	-	(64)
- current goodwill write-down	-	(231)
g) goodwill written down at the end of the period	-	(295)
h) net value at the end of the period	-	-

Note 16A

Tangible fixed assets	2003	2002
Tangible fixed assets		
a) fixed assets, including:	692 481	886 074
- land (including the title to perpetual usufruct)	4 491	4 406
- buildings, premises and objects of civil and water engineering	444 324	484 496
- technical devices and machines	228 134	387 098
- vehicles	14 895	9 253
- other fixed assets	637	821
b) assets under construction	12 659	16 356
c) pre-payments for assets under construction	567	12
Total tangible fixed assets	705 707	902 442

Note 16B

Movements in fixed assets (by type)

	land (including perpetual usufruct)	buildings, premises and objects of civil and water engineering	technical devices and machines	transpor- tation means	other fixed assets	total fixed assets
a) value of fixed assets at the beginning of the period	5 185	614 400	767 232	18 883	63 117	1 468 817
b) increase (due to)	220	26 033	15 029	10 090	4 436	55 808
- purchase	220	15 690	14 553	1 892	3 495	35 850
- leasing	-	-	135	8 198	-	8 333
- reclassification between groups of fixed and intangible assets	-	10 330	-	-	941	11 271
- other	-	13	341	-	-	354
c) decrease (due to)	(53)	(21 839)	(162 750)	(1 469)	(65 816)	(251 927)
- sale	(53)	(9 407)	(13 901)	(1 183)	(345)	(24 889)
- liquidation	-	(12 421)	(71 273)	(286)	(65 451)	(149 431)
- reclassification between groups of intangible and fixed assets	-	-	(72 964)	-	-	(72 964)
- free ownership transfer	-	(11)	(4 612)	-	(20)	(4 643)
d) gross value of fixed assets at the end of the period	5 352	618 594	619 511	27 504	1 737	1 272 698
e) accumulated depreciation (amortization) at the beginning of the period	(779)	(128 654)	(374 877)	(9 630)	(62 296)	(576 236)
f) depreciation for the period (with regard to)	(80)	(15 440)	(3 102)	(2 979)	61 196	39 595
- depreciation	(60)	(24 491)	(100 214)	(4 047)	(4 304)	(133 116)
- sale/ liquidation	-	8 212	78 275	1 071	65 485	153 043
- donation	-	-	4 526	2	92	4 620
- ownership transfer	-	2	-	-	-	2
- release of provision	(20)	(210)	8 882	(5)	839	9 486
- reclassification between intangible and fixed assets	(859)	1 047	5 429	(12 609)	(916)	5 560
g) accumulated depreciation at the end of the period	-	(144 094)	(377 979)	(12 609)	(1 100)	(536 641)
h) write-offs due to permanent loss in value at the beginning of the period	-	(1 250)	(5 257)	-	-	(6 507)
- increase	(2)	(29 507)	(22 408)	-	-	(51 917)
- decrease	-	581	14 267	-	-	14 848
i) write-offs due to permanent loss in value at the end of the period	(2)	(30 176)	(13 398)	-	-	(43 576)
j) net value of fixed assets at the end of the period	4 491	444 324	228 134	14 895	637	692 481

Note 16C		
Balance sheet fixed assets (ownership structure)	2003	2002
a) Bank's own assets	692 481	886 074
b) used on the basis of a rental, lease or other agreement, including a lease contract, of which:		
– finance lease	-	-
Total balance sheet assets	-	-
	692 481	886 074

Note 16D		
Fixed assets (off balance sheet)	2003	2002
– used on the basis of a rental, lease or other agreement, including a lease contract, of which:		
	36 188	22 700
– value of land held under perpetual usufruct	33 633	18 017
– transportation means	2 494	4 641
– other equipment	61	42
Total off-balance sheet assets	36 188	22 700

Note 17A		
Other assets	2003	2002
a) assets taken-over – for sale	474	506
b) other, for which:	259 156	308 886
– sundry debtors	116 868	222 462
– settlements	119 999	61 211
– subordinated loans	21 267	22 892
– loan from the Company Social Fund	1 022	2 321
– other	259 630	309 392
Total other assets		

Note 17B		
Assets taken-over – for sale	2003	2002
a) assets under construction	-	-
b) real estate	86	86
c) other	388	420
Total assets taken over – for sale	474	506

Note 17C		
Movement in assets taken-over – for sale	2003	2002
Balance at the beginning of the period	506	719
– real estate	86	85
– stocks	-	27
– other	420	607
a) increase (due to)	-	266
– exchanged for debts	-	-
– release of provisions	-	266
– other	-	-
b) decrease (due to)	(32)	(479)
– sale	(32)	(479)
– charges to provisions	-	-
– other	-	-
Balance at the end of the period	474	506
– real estate	86	86
– stocks	-	-
– other	388	420

Note 17D		
Movements in assets taken-over for sale in connected entities (by type)	2003	2002
Balance at the beginning of the period (by type)	-	-
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	2003	2002
a) long-term	230 665	438 411
– deferred income tax assets	230 665	438 411
– other pre-payments	-	-
b) short-term, of which:	83 961	30 381
– deferred income tax assets	60 059	1 488
– other pre-payments	23 902	28 893
Total pre-payments	314 626	468 792

Note 18B		
Movement in deferred tax assets	2003	2002
1. Assets at the beginning of the period, of which	439 899	376 581
– companies consolidated for the first time – opening balance adjustment	-	4 003
a) Assets at the beginning of the period, of which:	439 899	380 584
– unrealized deposit interest	48 720	380 584
– unrealized liabilities due to derivatives	101 155	68 370
– specific provisions which are non-taxable costs	216 127	174 100
– other provisions which are non-taxable costs	56 843	63 993
– tax realized income due to leasing	8 361	-
– settlement of loss	286	696
– other	8 407	12 980
b) assets that impact shareholders' equity	-	-
c) assets that impact goodwill or negative goodwill	-	-
2. Increase	11 787	86 918
a) assets that impact the financial result of the period in relation to negative timing differences	11 123	86 918
– unrealized deposit interest	773	4
– specific provisions which are non-taxable costs	-	42 027
– unrealized liabilities due to derivatives	-	32 785
– other provisions which are non-taxable costs	4 390	2 907
– tax realized income due to leasing	4 705	8 361
– other	1 255	834
b) assets that impact the financial result of the period in relation to a tax loss	537	-
c) assets that impact the shareholders' equity in relation to negative timing differences	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	-	-
a) assets that impact the financial result of the period in relation to negative timing differences	(160 962)	(27 603)
– unrealized deposits interests	(160 935)	(27 193)

- unrealized liabilities due to derivatives	(27 397)	(11 729)
- specific provisions which are non-taxable costs	(55 560)	-
- other provisions which are non-taxable costs	(66 875)	-
- other	(9 564)	(10 057)
b) assets that impact the financial result of the period in relation to a tax loss	(1 539)	(5 407)
c) assets that impact the shareholders' equity in relation to negative timing differences	-	(410)
d) assets that impact the shareholders' equity in relation to a tax loss	(27)	-
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:	-	-
a) assets that impact the financial result	290 724	439 899
- unrealized deposit interest	290 624	439 899
- unrealized liabilities due to derivatives	22 096	48 720
- specific provisions which are non-taxable costs	45 595	101 155
- other provisions which are non-taxable costs	149 252	216 127
- tax realized income due to leasing	51 669	56 843
- settlement of loss	13 066	8 361
- other	823	286
b) assets that impact shareholders' equity	8 123	8 407
c) assets that impact goodwill or negative goodwill	100	-

As at 31 December 2003 the calculation of deferred tax includes the whole amount of specific provisions, which will decrease the tax base amount in the future.

All amounts included in the deferred tax calculation as at 31.12.2003 are based on tax rate of 19%.

Note 18C		
Other prepayments	2003	2002
a) prepayments, of which:	23 902	28 893
- costs paid in advance	14 802	15 035
- deferred income	986	7 296
- due to lease insurance	7 186	5 910
- issue if bonds	408	-
- other	520	652
b) other prepayments, of which:	-	-
- other	-	-
Total other prepayments	23 902	28 893

Note 19			
Subordinated loans			
a	b	c	d
name of entity	loan value currency of loan	interest rate	maturity date
	in PLN k		

Note 21A		
Amounts due to financial sector (by type)	2003	2002
a) funds in accounts and deposits, of which:	1 060 458	2 110 997
- deposits of banks and other financial entities	934 039	1 776 550
b) loans and advances received	489 603	475 984
c) own bills of exchange	-	-
d) own issue of securities	-	-
e) other liabilities (due to)	17 577	6 112
- investment accounts of brokerage offices	-	3
- special purpose funds	4 316	53
- other	13 261	6 056
f) interest	11 891	17 515
Total amounts due to financial sector	1 579 529	2 610 608

Note 21B		
Amounts due to financial sector (by maturity)	2003	2002
a) current liabilities	627 852	770 272
b) term liabilities with residual maturity of:	939 786	1 822 821
- up to 1 month	280 462	756 544
- from 1 month to 3 months	154 466	376 202
- over 3 months to 1 year	30 410	280 451
- over 1 year to 5 years	363 101	264 424
- over 5 years to 10 years	111 347	145 200
- over 10 years to 20 years	-	-
- over 20 years	-	-
- overdue amounts	-	-
c) interest	11 891	17 515
Total amounts due to financial sector	1 579 529	2 610 608

Note 21C		
Amounts due to financial sector (by original maturity)	2003	2002
a) current liabilities	627 852	770 272
b) term liabilities with maturity of:	939 786	1 822 821
- up to 1 month	89 245	571 904
- from 1 month to 3 months	187 467	588 421
- from 3 months to 1 year	186 025	249 980
- from 1 year to 5 years	361 967	97 244
- over 5 years to10 years	115 082	315 272
- over 10 years to 20 years	-	-
- over 20 years	-	-
- overdue amounts	-	-
c) interest	11 891	17 515
Total amounts due to financial sector	1 579 529	2 610 608

Note 21D		
Amounts due to financial sector (by currency)	2003	2002
a) in Polish currency	732 643	1 705 137
b) in foreign currencies (by currency and its equivalent in PLN)	846 886	905 471
b1. unit/currency USD	87 509	118 867
PLNk	327 326	456 305
b2. unit/currency EUR	109 836	109 094
PLNk	518 095	438 580
other currencies (in PLNk)	1 465	10 586
Total amounts due to financial sector	1 579 529	2 610 608

Note 21E		
Amounts due to financial sector	2003	2002
a) to subsidiaries valued under equity method	72 109	642
b) to other entities	1 507 420	2 609 966
Total amounts due to financial sector	1 579 529	2 610 608

Note 22A		
Amounts due to non-financial sector (by category)	2003	2002
a) funds in accounts and deposits	16 423 133	16 181 207
b) loans and advances received	-	-
c) own bills of exchange	-	-
d) own issue of securities	-	-
e) other liabilities	124 688	8 573
- liabilities in the clearing /settlement process	113 123	8 573
- factoring	11 565	-
f) interest	104 437	168 795
Total amounts due to non-financial sector	16 652 258	16 358 575

Note 22B

Amounts due to non-financial sector - savings deposits
(by maturity)

	2003	2002
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 amounts due to non-financial sector - savings deposits	-	-

Note 22C

Amounts due to non-financial sector - savings deposits
(by original maturity)

	2003	2002
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 amounts due to non-financial sector - savings deposits	-	-

Note 22D

Amounts due to non-financial sector - other (by maturity)

	2003	2002
a) current liabilities	5 778 109	4 521 569
b) term liabilities with residual maturity of:	10 769 712	11 668 211
- up to 1 month	4 907 875	4 873 545
- from 1 month to 3 months	3 139 260	2 533 222
- from 3 months to 1 year	1 777 810	3 121 201
- from 1 year to 5 years	773 317	831 616
- over 5 years to 10 years	171 450	308 627
- from 10 years to 20 years	-	-
- over 20 years	-	-
- overdue amounts	-	-
c) interest	104 437	168 795
Total of other amounts due to non-financial sector	16 652 258	16 358 575

Note 22E

Amounts due to non-financial sector - other
(by original maturity)

	2003	2002
a) current liabilities	5 778 109	4 521 569
b) term liabilities with maturity of:	10 769 712	11 668 211
- up to 1 month	3 186 392	3 358 146

- from 1 month to 3 months	3 811 569	2 666 716
- from 3 months to 1 year	2 568 629	3 166 570
- from 1 year to 5 years	1 029 763	2 165 512
- over 5 years to 10 years	173 359	311 267
- from 10 years to 20 years	-	-
- over 20 years	-	-
- overdue amounts	-	-
c) interest	104 437	168 795
Total of other amounts due to non-financial sector	16 652 258	16 358 575

Note 22F

Amounts due to non-financial sector (by currency)

	2003	2002
a) in Polish currency	13 705 343	13 641 043
b) in foreign currencies (by currency and its equivalent in PLN)	2 946 915	2 717 532
b1. unit/currency USD	357 799	342 753
PLNk	1 338 349	1 315 760
b1.unit/currency EUR	316 297	324 154
PLNk	1 491 973	1 303 163
b1.unit/currency GBP	13 094	12 779
PLNk	87 321	78 977
other currencies (in PLNk)	29 272	19 632
Total amounts due to non-financial sector	16 652 258	16 358 575

Note 22G

Amounts due to non-financial sector

	2003	2002
a) to subordinated entities valued under equity method	356	103 698
b) to other entities	16 651 902	16 254 877
Total amounts due to non-financial sector	16 652 258	16 358 575

Note 23A

Amounts due to public sector (by type)

	2003	2002
a) funds in accounts and deposits	1 064 949	992 471
b) loans and advances received	-	-
c) own bills of exchange	-	-
d) own issue of securities	-	-
e) other amounts due	28	1 965
- liabilities in the clearing/settlement process	8	11
- ARiMR amounts	20	1 954
- other	-	-
f) interest	561	402
Total amounts due to public sector	1 065 538	994 838

Note 23B

Amounts due to public sector - savings deposits
(by maturity)

	2003	2002
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	-	-
Amounts due to public sector - total savings deposits	-	-

Note 23C

Amounts due to public sector - savings deposits
(by original maturity)

	2003	2002
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	-	-
Amounts due to public sector - total savings deposits	-	-

Note 23D

Amounts due to public sector - other (by maturity)

	2003	2002
a) current liabilities	775 680	569 808
b) term liabilities with residual maturity of:	289 297	424 628
- up to 1 month	237 902	391 716
- from 1 month to 3 months	33 658	25 706
- from 3 months to 1 year	17 174	6 807
- from 1 year to 5 years	563	399
- over 5 years to 10 years	-	-
- from 10 years to 20 years	-	-
- over 20 years	-	-
- overdue amounts	-	-
c) interest	561	402
Total of other amounts due to public sector	1 065 538	994 838

Note 23E

Amounts due to public sector - other
(by original maturity)

	2003	2002
a) current liabilities	775 680	569 808
b) term liabilities with residual maturity of:	289 297	424 628
- up to 1 month	203 996	378 220
- from 1 month to 3 months	61 891	36 580
- from 3 months to 1 year	22 369	8 832
- from 1 year to 5 years	1 041	996
- over 5 years to 10 years	-	-
- from 10 years to 20 years	-	-
- over 20 years	-	-
- overdue amounts	-	-
c) interest	561	402
Total of other amounts due to public sector	1 065 538	994 838

Note 23F

Amounts due to public sector (by currency)

	2003	2002
a) in Polish currency	1 049 178	984 331
b) in foreign currencies (by currency and its equivalent in PLN)	16 360	10 507
b1. unit/currency EUR	2 895	2 087
PLNk	13 656	8 392
b2.unit/currency USD	676	497
PLNk	2 528	1 909
b3. unit/currency GBP	26	33
PLNk	176	206
other currencies (in PLNk)	-	-
Total amounts due to public sector	1 065 538	994 838

Note 24

Amounts payable on securities sold
which are subject to repurchase agreements

	2003	2002
a) to financial sector	-	20 000
b) to non-financial and public sectors	-	-
c) interest	-	4
Total amounts payable on securities sold which are subject to repurchase agreements	-	20 004

Note 25A

Liabilities arising from the issue of debt securities

	2003	2002
a) bonds	784 147	381 823
b) certificates	-	-
d) other (by type)	-	-
e) interest	8 427	-
Total liabilities arising from the issue of debt securities	792 574	381 823

Note 25B

Movement in the balance of liabilities arising
from the issue of debt securities

	2003	2002
Balance at the beginning of the period	381 823	-
a) increase (due to)	929 532	381 823
- issue 9 m i 1 year	136 959	381 823
- issue 2 year 3 year 5 year	792 573	-
b) decrease (due to)	(518 781)	-
- securities matured	(518 781)	-
Balance of liabilities arising from the issue of debt securities at the end of the period	792 574	381 823

Note 25C

Long-term liabilities arising from the issue of debt securities

a	b	c	d	e	f	g	h
debt instruments by type	nominal value	interest rate	maturity	guarantee / security	additional rights	quotations market	other
2Y bond 2S1005	36 627	fixed; 4.75%	2005-10-23	none	none	Central Table of Offers	interest capitalisation, subscription fee
2Y bond 2S1105	298 569	fixed; 5.25%	2005-11-10	none	none	Central Table of Offers	interest capitalisation, subscription fee
2Y bond 2S1205	112 850	fixed; 5.25%	2005-12-04	none	none	Central Table of Offers	interest capitalisation, subscription fee
3Y bond A1	58 000	floating, WIBOR 3M arithmetical mean	2006-01-31	none	none	Central Table of Offers	interest capitalisation, subscription fee
3Y bond 3S0806	149 570	fixed; 5.25 %	2006-08-05	none	none	Central Table of Offers	none
3Y bond 3Z0806	48 738	floating; WIBOR 6 m +0.25%	2006-08-05	none	none	Central Table of Offers	none
3Y bond 5S1008	7 091		2008-10-23	none	none	Central Table of Offers	interest capitalisation, subscription fee
5Y bond 5S1108	9 953	fixed; 5.75%	2008-11-10	none	none	Central Table of Offers	interest capitalisation, subscription fee
5Y bond 5S1208	61 875	fixed; 6.00%	2008-12-01	none	none	Central Table of Offers	interest capitalisation, subscription fee

Total: 783 273

Nominal value was increased by interest (PLN 8 427 k), and valuation impact of hedging IRS (PLN 874 k).
Premium totaled PLN 3.978 k and is settled in time. Presented in balance sheet at position X. Accrued and suspended income and expenses.

Note 26

Special funds and other liabilities

	2003	2002
a) special funds	35 445	38 980
- special funds	35 445	38 980
b) other liabilities (due to)	476 330	638 729
- sundry creditors	133 655	190 546
- settlement accounts	342 113	447 466
- other	562	717
Special funds and other liabilities in total	511 775	677 709

Note 27A

Accrued expenses

	2003	2002
a) short-term, of which:	99 955	109 987
- costs to be paid	85 460	92 906
- future liabilities	14 495	17 081
b) long-term, of which:	32 470	43 621
- future liabilities	32 470	43 621
Total accrued expenses	132 425	153 608

Note 27B

Movement in the balance of negative goodwill

	2003	2002
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

	2003	2002
a) short-term, of which:	357 120	449 515
- suspended interest	332 206	428 458
- income in advance	18 540	15 042
- other	6 374	6 015
b) long-term, of which:	-	-
- income in advance	-	-
Other deferred and suspended income, total	357 120	449 515

Note 28A

Negative goodwill of subordinated entities

	2003	2002
a) negative goodwill - subsidiaries	4 297	6 745
b) negative goodwill - joint-ventures	-	-
c) negative goodwill - associates	6 899	2 634
Total negative goodwill of subordinated entities	11 196	9 379

Note 28B

Movement in the balance of negative goodwill - subsidiaries

	2003	2002
a) gross negative value at the beginning of the period	12 240	-
b) increase (due to)	-	12 240
- consolidation for the first time	-	12 240
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	(5 495)	-
f) amortization of negative goodwill for the period	(2 448)	(5 495)
- write-down as at the first consolidation date	-	(3 047)
- current write-down of negative goodwill	(2 448)	(2 448)
g) amortization of negative goodwill at the end of the period	(7 943)	(5 495)
h) net value at the end of the period	4 297	6 745

Note 28C

Movement in the balance of negative goodwill - joint ventures	2003	2002
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 - subsidiaries	2003	2002
a) gross negative value at the beginning of the period	3 581	-
b) increase (due to)	4 982	3 581
- consolidation for the first time	-	3 581
- purchase of shares	4 982	-
c) decrease (due to)	-	-
d) gross negative goodwill at the end of the period	8 563	3 581
e) amortization of negative goodwill at the beginning of the period	(947)	-
f) amortization of negative goodwill for the period	(717)	(947)
- write-down as at the first consolidation date	-	(230)
- current write-down of negative goodwill	(717)	(717)
g) amortization of negative goodwill at the end of the period	(1 664)	(947)
h) net value at the end of the period	6 899	2 634

Negative goodwill arising from consolidation as displayed in Note 28 refers to BZ WBK Leasing S.A., NFI Magna S.A. and LZPS Protector S.A.

Negative goodwill from consolidation of BZ WBK Leasing S.A. as at the day of taking control by Bank Zachodni WBK S.A. (IX. 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 2003	51
Gross value as at 31 December 2003	12 240
Amortization of negative goodwill from consolidation for the period from September 2000 to December 2003: 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)
Total negative goodwill from consolidation written-down as at 31 December 2003	(7 943)
Negative goodwill (net) of BZ WBK Leasing S.A. as at 31 December 2003	4 297

Negative goodwill from consolidation of NFI Magna 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.	42 073
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.	205 730
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	44 376
5. negative goodwill from consolidation as at June 2001	2 303

Increase/decrease of negative goodwill from consolidation in the period: from June 2001 to December 2003	4 177
Gross value as at 31 December 2003	6 480

Amortization of negative goodwill from consolidation for the period from June 2000 to December 2003 as at the first consolidation day, i.e. 1 January 2002	(230)
1.01.2002 - 31.12.2002	(461)
1.01.2003 - 31.12.2003	(461)

Total negative goodwill from consolidation written down as at 31 December 2003	(1 152)
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Negative goodwill (net) of NFI Magna Polonia S.A. as at 31 December 2003	5 328
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Negative goodwill arising from consolidation of LZPS Protector S.A. as at the day of taking control by Bank Zachodni WBK S.A. (XII.2001)

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

Increase/decrease of negative goodwill arising from consolidation in the period: from December 2001 to December 2003	804
Gross value as at 31 December 2003	2 082

Amortization negative goodwill from consolidation for the period from December 2001 to December 2002: 1.01.2002 - 31.12.2002	(255)
1.01.2003 - 31.12.2003	(256)
Total negative goodwill from consolidation written down as at 31 December 2002	(511)

Negative goodwill (net) of LZPS Protector as at 31 December 2003	1 571
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Note 29A

Movement in the balance of deferred tax provision	2003	2002
1. Balance of deferred tax provision at the beginning of the period:	292 474	253 952
- companies consolidated for the first time - opening balance adjustment		5 744
1. Balance of deferred tax provision at the beginning of the period, which:	292 474	259 696
a) impacts the financial result	244 361	256 789
- unrealised loans interests (accrued, not received)	8 731	21 877

- unrealised interests from securities and interbank deposits	124 016	90 432
- unrealised receivables on derivatives	50 538	75 636
- unrealised interest income on restructured bonds	30 002	35 444
- provision due to application of investment relief	16 044	20 800
- balance sheet valuation	895	445
- other	14 135	12 155
b) impacts the shareholders' equity	48 113	2 907
c) impacts the goodwill or negative goodwill	-	-
2. Increases, which	22 101	85 447
a) impact the financial result of the period due to positive timing differences	22 072	39 442
- unrealised loans interests (accrued, not received)		96
- balance sheet valuation	6 363	895
- unrealised interests from securities and interbank deposits	493	33 584
- unrealised receivables on derivatives		
- income memorial taken to profit		545
- other		
b) impact the shareholders' equity in relation to positive timing differences	15 216	545
- valuation of assets and liabilities	29	4 322
c) impact the goodwill or negative goodwill in relation to positive timing differences	29	46 005
3. Decreases, which	-	46 005
a) impact the financial result of the period in relation to positive timing differences	(175 765)	(52 669)
- unrealised loans interests	(144 427)	(51 870)
- unrealised interests from securities and interbank deposits	(2 994)	(13 242)
- unrealised interest income on restructuring bonds	(81 683)	-
- provision due to application of investment relief	(19 824)	(5 996)
- unrealised receivables on derivatives	(8 473)	(4 756)
- released provisions to future income	(25 719)	(25 098)
- balance sheet valuation		(105)
- other	(1 051)	(445)
b) impact the shareholders' equity in relation to positive timing differences	(4 683)	(2 228)
- valuation of assets and liabilities	(31 338)	(799)
c) impact the goodwill or negative goodwill in relation to positive timing differences	(31 338)	(799)
4. Total balance of deferred tax provision at the end of the period in total, comprising balances which:	138 810	292 474
a) impact 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 due to 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) impact the shareholders' equity	16 804	48 113
c) impact the goodwill or negative goodwill	-	-

Note 29B		
Deferred tax provision (by currency)	2003	2002
a) in Polish currency	138 810	292 474
b) in foreign currencies (by currency and its equivalent in PLN)	-	-
b1. unit/currency ... / ...	-	-
PLNk	-	-
other currencies (in PLNk)	-	-
Total deferred tax provision	138 810	292 474

Note 29C		
Other provisions (by category), of which:	2003	2002
- for contingent liabilities	9 581	17 053
- for general risk	92 589	87 537
- for disputable items	7 612	6 004
Other provisions, total	109 782	110 594

Note 29D		
Other provisions	2003	2002
a) short-term (by type)	-	-
b) long-term (by type):	109 782	110 594
- contingent liabilities	9 581	17 053
- for general risk	92 589	87 537
- for disputable items	7 612	6 004
Other provisions, total	109 782	110 594

Note 29E		
Other provisions (by currency)	2003	2002
a) in Polish currency	109 511	109 874
b) in foreign currencies (by currency and its equivalent in PLN)	271	720
b1. unit/currency EUR	47	162
PLNk	224	651
other currencies (in PLNk)	47	69
Other provisions, total	109 782	110 594

Note 29F		
Movement in the balance of short-term provisions	2003	2002
Balance at the beginning of the period (by type)	-	-
a) increase (due to)	-	-
b) utilization	-	-
c) release	-	-
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	2003	2002
Balance at the beginning of the period (by type)	110 594	121 462
- for off-balance sheet contingent liabilities	17 053	14 162
- for General Risk	87 537	87 537
- for disputable items	6 004	19 763
a) increase (due to)	30 138	44 771
- write-off due to off-balance sheet liabilities	19 748	44 596

- disputable items	4 846	175
- for General Risk	5 052	-
- foreign exchanges differences relating to provision for off-balance sheet liabilities	492	-
b) utilization (due to)	456	(2 069)
- disputable items	456	(2 069)
c) release (due to)	(31 406)	(53 570)
- for General Risk	-	-
- disputable items	(3 694)	(11 690)
- off-balance sheet liabilities	(27 712)	(41 880)
Balance of other long-term provisions at the end of the period	109 782	110 594
- off-balance sheet liabilities	9 581	17 053
- General Risk	92 589	87 537
- disputable items	7 612	6 004
Total balance of other long-term provisions at the end of the period	109 782	110 594

Note 30A

Subordinated debts

a	b	c	d	e	f
name of the borrower	value of loan currency	PLN k	interest rate	maturity	balance on subordinated debt interest

Note 30B

Movement in the balance of subordinated liabilities	2003	2002
Balance at the beginning of the period	-	10 048
a) increase (due to)	-	-
- interest	-	-
b) decrease (due to)	-	(10 048)
- interest	-	-
Balance of subordinated liabilities at the end of the period	-	-

Note 31

Movement in the balance of minority interests	2003	2002
Balance at the beginning of the period	7 790	-
a) increase	9 778	10 749
- minority capital as at date of consolidation for the first time	-	6 949
- shareholders' net profit	8 466	3 800
- other	1 312	-
b) decrease	(1 998)	(2 959)
- dividend paid to minority shareholders	(1 731)	(2 428)
- accounting policy changes and revaluation of assets	(267)	(531)
Balance of minority interests at the end of the period	15 570	7 790

Note 32

Share capital (structure)

series / issue	type of shares	type of preference	limitation of rights to shares	number of shares	nominal value of series / issue	form of contibuting the capital	registration date	right to dividend (beginning from)
A	bearer	none	none	5 120 000	51 200	cash	08.11.1991	01.01.1992
B	bearer	none	none	724 073	7 241	non-cash	21.12.1996	01.01.1997
C	bearer	none	none	22 155 927	221 559	cash	31.12.1996	01.01.1997
D	bearer	none	none	1 470 589	14 706	cash	25.10.1999	01.01.2000
E	bearer	none	none	980 393	9 804	cash	17.05.2000	01.01.2001
F	bearer	none	none	2 500 000	25 000	cash	30.11.2000	01.01.2001
G	bearer	none	none	40 009 302	400 093	non-cash	13.06.2001	01.01.2002

Total number of shares 72 960 284

Total share capital 729 603

Nominal value of one share = PLN 10.00

According to the best knowledge of the Management Board of Bank Zachodni WBK S.A., as at 31 December 2003 AIB European Investments Ltd. based in Dublin was the only shareholder with more than 5% of the total number of votes at AGM.

Note 33A

Issuer's shares

a	b	c	d	e
number of shares	value at purchase	balance sheet value	purpose of acquisition	designation

Note 33B

Issuer's shares owned by subordinated entities

a	b	c	d
name (company) of the entity, registered office	number of shares	value at purchase price	balance sheet value

Note 34

Supplementary capital	2003	2002
a) due to sale of shares over nominal value	261 701	261 699
b) created as required by law	118 157	112 211
c) created in line with Statues	-	-
d) contributed by shareholders	-	-
e) other (by category)	1 515	1 515
- other	1 515	1 515
Total supplementary capital	381 373	375 425

Note 35

Revaluation reserve	2003	2002
a) revaluation of fixed assets	62 872	68 733
b) deferred income tax	(22 481)	(45 779)
c) foreign exchange differences relating to foreign branches	-	-
d) other (by type)	119 601	169 552
- write-down of debt securities	-48 705	3 357
- write-down of shares and interests	167 728	165 999
- write-down of other financial assets	521	139
- write-down of leased tangible assets	57	57
Total revaluation reserve	159 992	192 506

Note 36

Other reserve capital (by its purpose)	2003	2002
- general risk fund	439 810	339 810
- reserve capital	727 366	598 419
Other reserve capital, total	1 167 176	938 229

Note 37

Solvency ratio	2003	2002
1. Total capital required	1 411 925	1 390 835
2. Own funds used for calculation of solvency ratio	2 119 169	1 800 532
- basic funds	2 280 613	2 058 498
- supplementary funds	62 928	68 790
- deductions from the basic and supplementary funds	(224 372)	(326 756)
3. Solvency ratio	12,01%	10,36%

Note 38

Net book value	2003	2002
Share capital	729 603	729 603
Supplementary capital	381 373	375 425
Reserve capital	1 167 176	938 229
Reserve capital arising on revaluation	159 992	192 506
Retained profits from previous years	(24 305)	7 451
Net profit of current year (in PLNk)	128 873	272 693
Net book value (PLNk)	2 542 712	2 515 907
Number of shares	72 960 284	72 960 284
Net book value per share (in PLN)	34,85	34,48

Note 39

Contingent liabilities toward connected entities	2003	2002
a) granted guarantees for the benefit of:	2 935	2 057
- subsidiaries	2 935	2 057
- joint ventures	-	-
- associates	-	-
- significant investor	-	-

- dominant entity	-	-
b) other	297 207	14 691
- open credit line	297 207	14 691
- of which: for the benefit of subsidiaries	293 207	11 689
- of which: for the benefit of joint-ventures	-	-
- of which: for the benefit of associates	4 000	3 002
- of which: for the benefit of significant investor	-	-
- of which: for the benefit of dominant entity	-	-
- of which: for the benefit of subsidiaries	-	-
- of which: for the benefit of joint ventures	-	-
- of which: for the benefit of associates	-	-
- 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	300 142	16 748

Note 40

Contingent liabilities from connected entities	2003	2002
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	-	-
- 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	2003	2002
a) from financial sector	126 479	221 611
b) from non-financial sector	835 071	1 071 911
c) from public sector	42 291	34 790
d) from securities with fixed yield	418 258	506 790
e) other	-	-
Total interest income	1 422 099	1 835 102

Note 42

Interest expense	2003	2002
a) from financial sector	(114 634)	(150 777)
b) from non-financial sector	(447 187)	(811 084)
c) from public sector	(31 212)	(54 018)
d) other	-	-
Total interest expense	(593 033)	(1 015 879)

Note 43

Commission income	2003	2002
b) commissions on banking operations	601 196	531 887
b) commissions on brokerage operations	38 806	22 067
b) commissions on lease and factoring operations	6 169	5 709
Commission income, total	646 171	559 663

Note 44

Income from shares or interests, other securities and other financial instruments with variable yield	2003	2002
a) from subsidiaries	18 161	-
b) from joint-ventures	-	-
c) from associates	-	(720)
d) from other entities	34 242	37 723
Total income from shares or interests, other securities and other financial instruments with variable yield	52 403	37 003

"Income on shares and interests, other securities and other financial instruments with variable yield" includes dividends as well as income and cost of shares and interests in unconsolidated subsidiaries, associates and other entities.

Note 45

Profit on financial operations	2003	2002
a) securities and other financial instruments	73 184	235 800
- income on operations in securities and other financial instruments	732 648	1 261 349
- costs of operations in securities and other financial instruments	(659 464)	(1 025 549)
b) other	-	4 301
Total profit on financial operations	73 184	240 101

Note 46

Other operating income	2003	2002
a) from management of third party assets	13 148	8 489
b) sales or liquidation of fixed assets, intangible assets and assets for disposal	5 797	2 508
c) recovery of prescribed, written-off and irrecoverable debts	1 256	524
d) received compensations, penalties and fines	479	616
e) received donations	134	15
f) other (due to)	40 289	56 345
- sundry income	20 439	22 328
- release of expense accruals, other assets	7 919	15 253
- release of provision	61	9 769
- release of provision for further commitments	3 694	6 893
- prescribed debt settlements	3 266	-
- debt collection cost return	370	-

- insurance compensations	321	-
- refunds	353	-
- financial agency income	336	-
- other	3 530	2 102
Other operating income, total	61 103	68 497

Note 47

Other operating costs	2003	2002
a) from management of third party assets	(2 118)	(1 775)
b) sales or liquidation of fixed assets, intangible assets and assets for disposal	(15 726)	(703)
c) recovery of prescribed, written-off and irrecoverable debts	(1 772)	(759)
d) paid compensations, penalties and fines	(689)	(1 489)
e) donations granted	(1 229)	(1 328)
f) other (due to)	(63 810)	(21 211)
- sundry costs	(267)	(605)
- contributions to organisations where membership is not obligatory	(432)	(664)
- provision for other assets	(9 997)	(1 164)
- costs of court proceedings	(1 274)	(2 758)
- deficiencies and damages	(75)	(79)
- impairment charges for tangible fixed assets	(35 713)	(1 919)
- provisions for future obligations	(5 970)	(5 354)
- provisions for work-out costs	(4 127)	-
- other	(5 955)	(8 668)
Other operating costs, total	(85 344)	(27 265)

Note 48

Overheads	2003	2002
a) remuneration	(436 968)	(435 592)
b) insurance and other employment costs	(103 439)	(112 727)
c) supplies, consumables etc.	(222 849)	(264 887)
d) taxes and fees	(20 688)	(15 182)
e) contribution to Banking Guarantee Fund	(7 811)	(5 771)
f) other (due to)	(248 144)	(228 282)
- repairs and renovations	(14 234)	(13 146)
- external services	(112 948)	(78 074)
- security	(19 174)	(31 310)
- maintenance and rentals	(101 788)	(105 752)
Bank's operating costs and general management costs in total	(1 039 899)	(1 062 441)

Note 49

Transfers to provision and revaluation	2003	2002
a) transfers to provisions for:	(723 164)	(1 172 697)
- regular receivables	-	-
- watch receivables	(210)	(3 200)
- problem receivables	(697 642)	(1 133 446)
- general banking risk	(5 052)	-
- off balance sheet liabilities	(19 748)	(36 051)
- other	(512)	-
b) revaluation:	(9 746)	(33 796)
- financial assets	(9 746)	(33 796)
- other	-	-
Total transfers to provisions and revaluation	(732 910)	(1 206 493)

Note 50

Release of provisions	2003	2002
a) release of provisions for:	589 598	1 020 629
- regular receivables	-	-
- watch receivables		11 200
- problem receivables	561 886	967 570
- general banking risk	-	-
- off balance sheet liabilities	27 712	41 859
- other	-	-
b) revaluation:	2 419	16 676
- financial assets	2 419	16 676
- other	-	-
Total release of provisions	592 017	1 037 305

Note 51

Profit (loss) on sale of all or part of shares in subordinated entities	2003	2002
a) profit on sales of shares and interests	-	-
- in subsidiaries	-	-
- in joint -ventures	-	-
- in associates	-	-
b) loss on sale of shares and interests	-	(720)
- in subsidiaries	-	-
- in joint -ventures	-	-
- in associates	-	(720)
Total profit (loss) on sale of all or part of shares in subordinated entities	-	(720)

Note 52

Extraordinary gains	2003	2002
a) force majeure	506	499
b) other (due to)	-	-
Extraordinary gains, total	506	499

Note 53

Extraordinary losses	2003	2002
a) force majeure	-	(310)
b) other	-	-
Extraordinary losses, total	-	(310)

Note 54

Amortization of goodwill of subordinated entities	2003	2002
a) subsidiaries	-	-
b) joint-ventures	-	-
c) associates	-	(231)
Total amortization of goodwill of subordinated entities	-	(231)

Note 55

Amortization of negative goodwill of subordinated entities	2003	2002
a) subsidiaries	2 448	2 448
b) joint-ventures	-	-
c) associates	717	717
Total amortization of negative goodwill of subordinated entities	3 165	3 165

Note 56A

Current income tax	2003	2002
1. Profit (loss) before taxation (consolidated)	260 370	388 539
2. Consolidation adjustments	(5 983)	20 240
3. Differences between accounting profit (loss) and taxable income:	99 501	253 243
- non-taxable income	(931 830)	(2 244 649)
- taxable income not included in P&L account	361 335	561 675
- non-taxable costs	867 601	2 333 299
- taxable costs not included in P&L account	(194 788)	(392 990)
- reliefs (donations, bonuses) expenses and investments to which taxpayer lost rights	1 028	(4 314)
- timing differences	-	5 044
- permanent differences	662	-
- valuation	(191)	(995)
- tax loss	(4 296)	(4 427)
- other	(20)	600
4. Tax base	353 888	662 022
5. Income tax 27%/28%	95 549	185 366
6. Increases, relinquishment, exemption, deduction, reduction in tax	(4 721)	(144)
7. Current income tax presented (disclosed) in a tax return for the period, of which:	(90 828)	(185 222)
- disclosed in the profit and loss account	(90 828)	(185 222)
- relating to items which decreased or increased the shareholders' equity	-	-
- relating to items which decreased or increased the goodwill or negative goodwill	-	-

Note 56B

Deferred income tax disclosed in profit and loss account	2003	2002
- decrease (increase) due to occurrence and reversal of timing differences	16 310	48 671
- decrease (increase) due to change in tax rates	(59 897)	(6 992)
- decrease (increase) due to tax loss, tax premium or timing difference of the previous period not disclosed yet	554	(141)
- decrease (increase) due to allocation of deferred income tax assets or lack of possibilities to utilize deferred tax provisions	-	30 205
- other components of deferred tax (due to):	15 108	-
- reclassification from permanent differences to timing differences	15 108	-
Total deferred income tax	(27 925)	71 743

Note 56C

Total deferred tax	2003	2002
- included in shareholders' equity	16 610	45 960
- included in goodwill or negative goodwill	-	-

Note 56D

Income tax disclosed in profit and loss account relating to	2003	2002
- discontinued operations	-	-
- profit/loss on extraordinary operations	136	67

Note 57

Other obligatory profit reductions (loss increases), due to:	2003	2002
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)	2003	2002
b) net profits (losses) of subsidiaries	116 951	270 357
a) net profits (losses) of dominant entity	42 272	27 413
c) net profits (losses) of joint-ventures	-	-
d) net profits (losses) of associates	-	-
e) consolidation adjustments	(30 350)	(25 077)
Net profit (losses)	128 873	272 693

The dominant entity's profit includes its share in the profits of subsidiaries and associates. It is determined by applying the equity method for the balance sheet valuation of subordinated entities and as at 31 December 2003 it amounts to PLN 270 k

Note 59

Earnings per share	2003	2002
Net profit for 12 months	128 873	272 693
Weighted average number of ordinary shares	72 960 284	72 960 284
Earnings per share	1.77	3.74

Note 60

Cash flow statement is prepared according to the indirect method

Cash consolidated	2003	2002
Cash	405 825	385 483
Treasury stamps	1 096	1 321
Current account held with Central Bank	754 576	991 865
Traveller's cheques	-	2
Current account held with other banks	221 540	453 725
Total	1 383 037	1 832 396

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)

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

- "sales of shares or interests in other entities, of other securities and other assets" (investing activities) - PLN 586,388 k,
- "purchase of shares or interests in other entities, of other securities and other assets" (investing activities) - PLN (741,210) k.

The item "movement in the balance of amounts due from 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" 221,540 k.

The item "movements in the balance of shares, interests and other securities of" 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 amounts due to the financial sector" does not include the change in the balance of BFG loan

(including interest) of PLN 9,311 k referring to financial activities. The item also does not include 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 (4,751) k

The item "other adjustments" includes adjustments relating to:

- valuation differences PLN (21,181) k,
- movements in deferred tax capital PLN 31,665 k,
- tangible fixed assets and intangibles PLN (10,993) k,
- changes in the balance of securities of associates PLN 911k,
- changes in the balance of assets intended for sale PLN 32 k,
- other PLN 585 k.

Moreover "other investment inflows" contain:

- received dividends - PLN 28,993 k,
- donations received - PLN 134 k,
- proceeds on sale of Treasury bonds - PLN 3,016 k.

"Other investment expenses" include:

- donations granted - PLN (1,211) k,
- purchase of Treasury bills - PLN (2,999) k,
- licenses - PLN (9) k

The item "Other expenses" under financial activity includes:

- fee paid in respect of the borrowing from the Banking Guarantee Fund - PLN (7,110) k,
- repayment of current account loan - (7,298) k,
- loans interest expense and commissions - (22,160) k.

5.S e g m e n t a l
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 transactions 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 " unalloca- ted 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

	Branch Operations	Treasury Operations	Investment banking	Leasing operations	Eliminations	Total
Total segments income	2 524 057	606 932	196 386	124 727	(997 938)	2 454 164
Segments income (external)	1 980 251	178 242	172 049	123 622		2 454 164
Segments income (internal)	543 806	428 690	24 337	1 105	(997 938)	-
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	-
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
Segments income on investment in associates	-	-	270	-	-	210
Segments gross profit	152 921	58 704	102 695	14 818	-	329 138
Unallocated income						506
Unallocated costs						(69 024)
EBT						260 620
Income tax						(123 476)
Minority interest						(8 271)
Net profit						128 873

Additional information	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	17 946 283	1 101 327	832 976	619 581	20 500 167
2. Unallocated liabilities					1 125 819
3. Equity					2 542 712
Total liabilities	17 946 283	1 101 327	832 976	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

6. Additional Notes

1. Concentration mix of the Bank Zachodni WBK 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 norms of credit concentration as stipulated in the Banking Law Act. As at 2003-end, the maximum credit concentration limits for Bank Zachodni WBK S.A. were (in line with art. 71 of the Act):

- PLN k 385 995 (20% according to regulations) for exposures to subsidiaries, dominant entities or subsidiaries of the Bank's dominant entity.
- PLN k 482 493 (25% according to regulations) for other exposures.

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 S.A. consistently applies the rule of credit exposure to low-risk industries and diversifies its exposure to individual industries. In order to ensure adequate portfolio diversification and eliminate risk of overexposure towards entities within one industry, the Bank provides funding to different sectors as well as capital groups and entities representing a variety of industries. As at 2003-end, the bank's portfolio did not include a dominant industry and the largest share in individual industry is 8.9%.

PKD	PKD name	Exposure *		Gr1	Gr2	Gr3	Gr4	gr.2-4
15	Manufacture of food products and beverages	1 249 429	8.9%	1 134 546	4 710	29 452	80 721	9.2 %
51	Wholesale trade and commission trade /except for motor vehicles/	1 167 092	8.3%	827 144	27 020	28 994	283 934	29.1%
70	Real estate activities	826 633	5.9%	695 699	9 741	115 934	5 259	15.8%
40	Electricity, gas, steam and hot water supply	768 505	5.5%	768 211	267	-	27	0.0%
65	Financial intermediation	733 172	5.2%	652 858	229	7 933	72 152	11.0%

*gross receivables

01	Agriculture and hunting	651 599	4.6%	540 177	14 194	8 944	88 284	17.1%
75	State administration and defense	539 849	3.9%	514 496	9 283	-	16 070	4.7%
45	Construction	474 361	3.4%	356 807	17 268	23 676	76 610	24.8%
52	Retail trade /except for motor vehicles/	463 958	3.3%	253 442	17 026	137 910	55 580	45.4%
25	Rubber and plastic products	322 459	2.3%	298 038	12 004	4 744	7 673	7.6%
	Other	4 141 243	29.5%	3 411 423	159 940	99 490	470 390	-
A.	Businesses	11 338 300	80.8%	9 452 841	271 682	457 077	1 156 700	16.6%
B.	Private individuals incl. mortgages	2 697 455	19.2%	2 479 001	27 481	21 518	169 455	8.1%
A+B	Bank's portfolio (gross)	14 035 755	100%	11 931 841	299 163	478 595	1 326 156	15.0%
C	Central write-downs	(411 711)						
A+B+C	Bank's portfolio	13 624 044						

The table below presents the bank's 10 largest exposures to personal clients:

	PKD	Risk grade	Balance	Open credit line	Guarantees	Total exposure
Client 1	65	1	281 617	84 292	-	365 909
Client 2	71	1	232 786	71 578	2 911	307 275
Client 3	15	1	213 504	36 496	645	250 645
Client 4	40	1	212 191	9 040	-	221 231
Client 5	70	1	174 510	10 074	-	184 584
Client 6	65	1	165 500	55 032	2 831	223 363
Client 7	67	1	141 510	-	-	141 510
Client 8	15	1C	141 445	7 255	-	148 700
Client 9	40	1	135 374	37 476	321	173 171
Client 10	75	1	128 862	-	-	128 862

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	213 504	36 496	645	250 645
Capital group 2	40	1	212 191	9 040	-	221 231
Capital group 3	70	1	174 510	10 074	-	184 584
Capital group 4	15	1C	141 445	7 255	-	148 700
Capital group 5	40	1	135 374	37 476	321	173 171
Capital group 6	75	1	128 862	-	-	128 862
Capital group 7	01	1	125 758	-	-	125 758
Capital group 8	70	1, 1C	117 853	18 826	-	136 679
Capital group 9	23	1	108 650	-	-	108 650
Capital group 10	65	1	91 484	1 647	-	93 131

Credit risk grades are marked as follows:

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

The mix of Bank Zachodni WBK S.A. receivables as at 31 December 2003 and 31 December 2002 across geographies was as follows:

Net receivables from the non-financial and public sectors				
	31.12.2003		31.12.2002	
Province	value		value	
1. dolnośląskie	2 315 585	18.47 %	2 656 672	22.79 %
2. kujawsko-pomorskie	530 572	4.23 %	521 694	4.48 %
3. lubelskie	184 473	1.47 %	160 801	1.38 %
4. lubuskie	665 862	5.31 %	676 961	5.82 %
5. łódzkie	142 625	1.14 %	143 246	1.23 %
6. małopolskie	260 350	2.08 %	240 663	2.07 %
7. mazowieckie	1 768 784	14.11 %	1 538 805	13.23 %
8. opolskie	425 594	3.39 %	428 940	3.69 %
9. podkarpackie	93 721	0.75 %	25 119	0.22 %
10. podlaskie	72 625	0.58 %	71 170	0.61 %
11. pomorskie	313 738	2.50 %	260 694	2.24 %
12. śląskie	531 657	4.24 %	548 200	4.71 %
13. świętokrzyskie	212 264	1.69 %	201 706	1.73 %
14. warmińsko-mazurskie	119 726	0.95 %	88 528	0.76 %
15. wielkopolskie	4 524 271	36.08 %	3 819 510	32.86 %
16. zachodniopomorskie	376 354	3.01 %	254 025	2.18 %
Total	12 538 201	100 %	11 636 734	100 %

Deposit sources by sectoral and geographical segments

The mix of Bank Zachodni WBK deposits as at 31 December 2003 and 31 December 2002 by sectors was as follows:

31.12.2003 r.			
Deposits	Businesses and state budget units	Private individuals	Total
PLN	5 729 574	8 853 114	14 582 688
current	3 554 101	1 899 261	5 453 362
term	2 169 451	6 864 676	9 034 127
interest	6 022	89 177	95 199
Fx	655 787	2 307 840	2 963 627
current	436 740	497 802	934 542
term	218 957	1 800 329	2 019 286
interest	90	9 709	9 799
Total	6 385 361	11 160 954	17 546 315

31.12.2002			
Deposits	Businesses and state budget units	Private individuals	Total
PLN	4 819 894	9 718 173	14 538 067
current	2 508 146	1 600 217	4 108 363
term	2 303 967	7 968 799	10 272 766
interest	7 781	149 157	156 938
Fx	532 859	2 195 180	2 728 039
current	289 108	606 298	895 406
term	243 519	1 576 855	1 820 374
interest	232	12 027	12 259
Total	5 352 753	11 913 353	17 266 106

The geographical breakdown of Bank Zachodni WBK liabilities as at 31 December 2003 and 31 December 2002 was as follows:

Amounts due to the non-financial and public sectors

Province	31.12.2003		31.12.2002	
	value		value	
1. dolnośląskie	5 401 893	30.79 %	5 459 494	31.62 %
2. kujawsko-pomorskie	587 018	3.35 %	595 875	3.45 %
3. lubelskie	10 255	0.06 %	8 798	0.05 %
4. lubuskie	1 048 366	5.97 %	1 095 509	6.34 %
5. łódzkie	283 972	1.62 %	279 223	1.62 %
6. małopolskie	172 195	0.98 %	160 146	0.93 %
7. mazowieckie	1 496 901	8.53 %	1 374 213	7.96 %
8. opolskie	821 751	4.68 %	861 036	4.99 %
9. podkarpackie	25 596	0.15 %	24 743	0.14 %
10. podlaskie	67 977	0.39 %	55 241	0.32 %
11. pomorskie	836 287	4.77 %	774 366	4.48 %
12. śląskie	872 262	4.97 %	828 506	4.80 %
13. świętokrzyskie	119 776	0.68 %	108 882	0.63 %
14. warmińsko-mazurskie	84 974	0.48 %	74 950	0.43 %
15. wielkopolskie	5 317 116	30.30 %	5 289 646	30.64 %
16. zachodniopomorskie	399 976	2.28 %	275 478	1.60 %
Total	17 546 315	100 %	17 266 106	100 %

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

Bank Zachodni WBK Group does not have any foreign branches.

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

Bank Zachodni WBK Group classifies the following financial instruments according to their nature and purpose to the following categories:

- Financial instruments held for trading,
- Financial instruments held to maturity,
- Financial instruments available for sale,
- Sanctioned loans and advances and other own 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 (01.01.2003)	increase	decrease	OB (31.12.2003)
Instrument 1	4 749	198	(4 947)	-
Instrument 2	2 876	92	(2 968)	-
Instrument 3	25 932	1 137	(27 069)	-
Instrument 4	1 286	20	(1 306)	-
Instrument 5	2 157	6	(2 163)	-
Instrument 6	-	1 230	(1 230)	-
Instrument 7	-	5 806	-	5 806
Instrument 8	-	3 439	(3 439)	-
Instrument 9 *	994	-	(994)	-
Total	37 994	11 928	(44 116)	5 806

*subsidiaries

Loans and advances sanctioned

	Loan book*	Earning loans*	NPLs*
The Bank's loan book	13 624 044	11 931 842	1 692 202
Business loans	10 937 376	9 452 841	1 484 535
Personal loans	2 686 668	2 479 001	207 667
1. Overdrafts	287 825	244 429	43 396
2. Mortgages	1 821 590	1 736 852	84 738
3. Credit cards	172 557	160 356	12 201
4. Cash loans, installment loans, other	404 696	337 364	67 332

* gross credit portfolio

4.2 Financial assets and liabilities

4.2.1

a) Number and value of financial instruments, including a description of significant terms and conditions that may have impact the size, spread over time and certainty of future cash flows

Derivatives

31.12.2003

Instrument	PLN interest rate SWAP	hedging IRS	FX SWAP	FRA	Options for Euroindex bought	Bi-currency interest rate SWAP
Number of transactions	131	3	661	32	18	3
Adopted accounting principles	(1)		(4)	(3)	(2)	(3)
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 % do 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 &t conditions	none	none	none	none	none	none
Type of risk	interest rate	interest rate	FX risk/liquidity	interest rate	interest rate	interest rate/liquidity

BZ WBK hedge accounting is designed to hedge fair value of own debt (investment bonds).

Details concerning hedge accounting instruments are disclosed in the table below:

Nominal value of hedged instrument	2-year bonds (PLN 300 m)	5-year bonds (PLN 79 m)	2-year bonds (PLN 25 m)
Nominal value of hedging instrument	2-year IRS (PLN 300 m)	2-year IRS (PLN 79 m)	2-year IRS (PLN 25 m)
Fair value of hedging instrument	(622)	1 375	395
Risk being hedged	Changes in fair value of the bond issue, resulting from exposure to changes in interest rates, measured by reference to the risk-free yield curve		
Term in which forecast transactions are expected to influence financial results	2003-2005	2003-2008	2003-2005

As at 31 December 2003 influence of hedge accounting on bond's valuation totaled PLN 874k.

Within year 2003, BZ WBK subsidiaries BZ WBK Finanse &t Leasing S.A. and BZ WBK Leasing S.A. entered into IRS agreements to hedge fair value of own debt issue and lease contracts. Details concerning hedge accounting agreements are disclosed in the table below:

Entity	BZ WBK Leasing S.A.	BZ WBK Finanse &t Leasing S.A.
Nominal value of hedged instrument	3-year bonds (PLN 197 m)	Operating lease contracts (PLN 455 k)
Nominal value of hedging instrument	3-year IRS (PLN 197 m)	3-year IRS (PLN 455 k)
Fair value of hedging instrument	(2 758)	(5)
Risk being hedged	Changes in fair value of the bond issue, resulting from exposure to changes in interest rates, measured by reference to the risk-free yield curve	Changes in fair value of lease contracts, resulting from exposure to changes in interest rates, measured by reference to the risk-free yield curve
Term in which forecast transactions are expected to influence financial results	2003-2006	2003-2006

As at 31 December 2003 influence of hedge accounting on BZ WBK Leasing S.A. bond's valuation totaled at PLN (28)k. In the same period influence of hedge accounting on BZ WBK Finanse &t Leasing S.A. lease contract valuation totaled PLN (2) k.

31.12.2002				
Instrument	PLN Interest Rate SWAP	FX SWAP	Options for Euroindex in PLN bought	Bi-currency interest rate SWAP
Number of transactions	90	710	12	1
Adopted accounting principles	(1)	(4)	(2)	(3)
Fair value	(28 785)	(7 066)	-	-
Purpose	trading	trading	trading	trading
Nominal value	2 606 525	20 445 017	579 042	396 620
Future income / payments	variable	variable	variable	variable
Maturity	from 09-01-03 to 27-11-06	from 02-01-03 to 17-05-04	from 26-09-03 to 13-03-07	to 17-05-04
Possibility of early settlement	none	none	none	none
Price/Range of Prices	from 6.6% to 17.8%	from 0.01% to 14.37%	(54 468)	from 6.85% to 3.29%
Possibility to convert into other asset/liability	none	none	none	none
Set rates/ interest Payments dates	variable	variable	variable	variable
Additional collaterals	none	none	none	none
Other terms &t conditions	none	none	none	none
Type of risk	interest rate	FX risk/liquidity	interest rate	interest rate /liquidity

(1) Notional amount is posted to off balance sheet accounts. The interest is accrued under a straight-line method against the balance sheet and P&L account over the SWAP life; adjustment to fair value as at the end of the accounting period.

(2) Notional amount is posted to off balance sheet accounts. Premium settled under a straight-line method until the option maturity.

(3) Notional amount is posted to off balance sheet accounts for Fx Swap and IRS transactions. The interest is accrued under a straight-line method against the balance sheet and P&L account over the SWAP life; adjustment to fair value as at the end of the accounting period.

(4) Notional amount is posted to off balance sheet accounts. Spot and forward transactions are priced to fair value indifferently over the SWAP life, at the end of every accounting period.

Receivables arising from the purchased securities with the repurchase promise 2003 terms and conditions /amount and value 4.2.1./

Subject of transaction	Scope and type of the instrument	Basis of payment calculation	Transaction settlement	Income, price setting	Security for transaction	Risk type
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 in August 2003	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	The primary collateral was blank B/E issued by the client and a security deposit in a dedicated account	Risk of the client's default; 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 repurchased all shares in August 2003	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	The primary collateral are the shares of the Company held by the client	Risk of the client's default; 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	Value of shares calculated acc. to purchase price (excluding brokerage fees)	The client repurchased all shares in September 2003	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	The primary collateral was cash in dedicated banking accounts	Risk of the client's default; 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 in April 2003	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	The primary collateral was cash in dedicated banking accounts	Risk of the client's default; 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 repurchased all shares in January 2003	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 1M WIBOR for the life of the transaction	The primary collateral was cash in a dedicated banking account	Risk of the client's default; 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 repurchased all shares in December 2003	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 1M WIBOR for the life of the transaction	The primary collateral was cash in dedicated banking accounts and the company's shares held by the client	Risk of the client's default; in case this happens, there can also emerge the risk of change in the market price of the Company's shares
Instrument 7	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 closely 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 was made up of compensation and the reimbursement of the financial cost according to the average 1M WIBOR for the life of the transaction	The primary collateral are the shares of the Company held by the client	Risk of the client's default; in case this happens, there can also emerge the risk of change in the market price of the Company's shares
Instrument 8	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 in December 2003	Repurchase price will represent the value of shares at purchase price increased by a fee; the fee is made up of compensation and the reimbursement of the financial cost according to the average 1M WIBOR for the life of the transaction	The primary collateral was cash in a dedicated banking account	Risk of the client's default; in case this happens, there can also emerge the risk of change in the market price of the Company's shares

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 point 12 of the Introduction to the BZ WBK Group Financial Statement.

c) Principles of recognition of financial instruments purchased on the regulated market

Financial instruments purchased on the regulated market are recognized as at the transaction date. The applied standard for the valuation of debt securities is the operation 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 beyond 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 repurchased on 28 July 2003. However, the issuer failed to repurchase the bonds on the said date, accrued interest is considered to be a suspended income).

Instruments with the original maturity up to 1 year are securities with a fixed interest rate.

Interest rate risk also applies to Autostrada Wielkopolska S.A. bonds held by the Bank.

Financial liabilities

Investment bonds are the Bank's financial liability with a fixed interest rate and one defined date of repurchase without a possibility for it to be repurchased earlier either by the customer or the Bank. Investment bonds issued in 2002 and 2003 had 9 or 12-month maturity and all of them were repurchased in Q4 2003.

In Q4 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 repurchase without a possibility for it to be repurchased earlier either by the customer or the Bank. The bonds mature within 2 or 5 years and bear interest at a fixed or variable rate. Interest is capitalized on an annual basis and paid out in lump sum at the redemption date.

Investment bonds issued by BZ WBK Finanse & Leasing S.A. and BZ WBK Leasing S.A. are a fixed or floating interest rate liability. Investment bonds were issued in 2003 and had 3 or 5-year maturity.

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 fulfill the terms and conditions of the agreement on the financial instruments (for all classes of financial assets and liabilities, both balance sheet and off balance sheet ones)

In order to present the credit risk charges, we present the data used for calculating the consolidated solvency ratio.

Structure of assets according to risk weights	Balance sheet amount	Weighted value
Assets with 0% risk weight	7 458 136	-
1. Cash	406 921	-
2. Funds in the obligatory reserve account with the Central Bank	-	-
3. Receivables from class I entities	1 323 333	-
4. Receivables from class II and III entities	33 703	-
5. Class I entity debt securities	5 469 807	-
6. Class II and class III entity debt securities	-	-
7. Assets decreasing own funds	224 372	-
Assets with 20% risk weight	817 272	163 454
1. Receivables due from class II entities not covered with 0% risk weight	657 976	131 595
2. Receivables due from class III entities in the collateralized part	159 274	31 855
3. Class II entity debt securities	22	4
4. Class III entity debt securities in the part guaranteed by Class II entity	-	-
Assets with 50% risk weight	1 213 126	606 563
1. Receivables due from Class III entities in the part collateralized with mortgage on real estate (inhabited or leased out)	821 111	410 556
2. Other B/S settlement accounts	392 015	196 007
Assets with 100% risk weight	14 034 690	14 034 690
1. Assets not covered with lower risk weights	12 898 155	12 898 155
2. Securities, interests and other elements of the other entities' own funds not covered with lower risk weights	313 875	313 875
3. Fixed assets	705 707	705 707
4. Intangible assets which do not decrease the Bank's own funds	116 479	116 479
5. Other assets which do not decrease the Bank's own funds	474	474

	Original exposure method	Mark to market valuation method	Credit equivalent
Off balance sheet liabilities 0% counterparty risk weight			
1. 0% product risk weight	755	-	-
a) Credit commitments in the pipeline with the original maturity up to 1 year with an unconditional termination option	755	-	-
2. 20% product risk weight	-	-	-
3. 50% product risk weight	300	-	150
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	300	-	150

	Original exposure method	Mark to market valuation method	Credit equivalent
Off balance sheet liabilities 20% counterparty risk weight			
1. 0% product risk weight	38 365	-	-
a) Credit commitments in the pipeline with the original maturity up to 1 year or with an unconditional termination option	38 365	-	-
2. 50% product risk weight	92 224	-	46 113
a) quality guarantees granted and others	175	-	88
b) credit commitments in the pipeline with the original period longer than 1 year	92 049	-	46 025
3. 100% product risk weight	19 979	-	19 979
a) granted guarantees - substitutes for a loan	19 979	-	19 979
b) granted B/E guarantees			
c) term deposits with a future starting date of the deposit period			
d) other granted off balance sheet liabilities			

Off balance sheet term and option translations (risk weight 20%) PLN 78 317 k. Corresponding credit equivalent PLN 15 664k.

	Amount	Credit equivalent
Off balance sheet liabilities 100% counterparty risk weight		
1. 0% product risk weight	1 499 753	-
a) credit commitments in the pipeline with the original maturity up to 1 year or an unconditional termination option	1 499 753	-
2. 50% product risk weight	2 679 340	1 339 670
a) open and confirmed letters of credit	73 261	36 630
b) quality guarantees granted and others	473 750	236 875
c) credit commitments in the pipeline with the original maturity longer than 1 year	2 132 329	1 066 165
3. 100% product risk weight	94 014	94 014
a) granted guarantees substitute for a loan	94 014	94 014
b) other granted off balance sheet liabilities		

Credit risk capital adequacy is calculated as a sum of assets and granted off-balance sheet guaranties multiplied by 8%. The sum of assets is calculated as a total value of every asset category multiplied by corresponding risk weight. Classification of assets and off-balance liabilities is made in line with the 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 estimate fair value.

Bank Zachodni WBK SA Group does not value financial assets available for sale or held for trading at amortized cost.

4.2.3

Financial assets and liabilities which 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 stressed that if as at a reporting date it was not possible to determine a reliable market value of a given asset because of lack of quotations on the active, regulated market or lack of 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 impairments. In most cases, they are low equity investments with a minimum shareholding or number of votes at 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 S.A 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 repurchase 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.

Kupcy Gdyníscy S.A.

On 30 October 2002, Bank Zachodni WBK S.A. concluded an agreement with CENTROMOR S.A. on the sale of shares in Kupcy Gdyníscy S.A. under which it acquired 5 000 shares (55% of shares and votes). On 30 October 2002, the bank paid PLN 240k for this shareholding and additionally undertook to pay PLN 2 160k by 31 December 2003. Total value of the transaction was PLN 2 400k.

In line with the annex to the agreement dated 4 July 2003 the Bank committed to make an early prepayment of PLN 1 200k (i.e. by 31 July 2003) if the sale price is reduced by 10% (i.e. PLN 240k). Pursuant to the annex the price was to be reduced by another 10% (i.e. PLN 240k) should the arrangement scheme not be approved by 30 December 2003.

All in all, PLN 1 920 k was paid in line with the following schedule:

30.10.2002	PLN 240k
31.07.2003	PLN 1 200k
30.12.2003	PLN 480 k

Moreover, between 23.10.2002 and 30.10.2002, Bank Zachodni WBK S.A. entered into agreement on the sale of shares in Kupcy Gdyníscy S.A. with 18 private individuals as result of which it acquired 3 745 shares (42% shares and votes) for the total of PLN 18,00.

The total price of 97% of shares was PLN 1 920k. Shares in Kupcy Gdyníscy SA were bought with intention of sale. According to this, this is a trading investment.

Stalexport S.A.

On 20 March 2003, at the request of Stalexport SA, the Management Board of Bank Zachodni WBK SA consented to a swap of a part of the Stalexport's debt to the Bank under settlement agreement (PLN 13 800k) to Stalexport's shares. The debt to 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. The shares represent 6.4% of the Stalexport share capital and carry 6 900 325 (6.4%) votes at the AGM. Shares in Stalexport SA evidenced at purchase value adjusted for impairment write-off's.

4.2.5

Effects of fair value valuation of 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 2003

	Income at fair value	79 502
	Cost	51 557

Transactions on debt securities* effected in 2003 are presented in the table below:

*secondary market	Income at fair value	122 190
	Cost	111 986
	Discount	10 094
	Profit	110

Income on debt securities in BZ WBK subsidiaries effected in 2003 is presented in the table below:

	Total income	243
	Treasury bills	210
	Treasury bonds	33

4.2.7

Information on income and costs arising on 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 situation in Bank Zachodni WBK S.A 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 and was described in point 4.2.4.

4.2.9.

In the case of financial assets impairment or if the reason ceased for which such charges were made and the value of the assets was increased, it is necessary to provide amounts decreasing or increasing the value of financial assets.

No.	Specification	Value acc. to purchase prices	Fair value as at 01.01.2002	Increase in the revaluation charge	Decrease in the revaluation charge	Fair value as at the date of sale	Fair value as at 31.12.03
SHARES							
1.	Stalexport S.A.	13 800	-	(3 450)	-		10 350
2.	Scanclimber Sp. z o.o.	1 690	567	(167)	-	400	-
DEBT SECURITIES							
1.	Mostostal Gdarsk S.A.	25 000	5 040	(5 040)	-	-	-
TOTAL		40 490	5 607	(8 657)	-	400	10 350

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	Commercial bonds
Up to 3 months	27 388	28 332	479	-
From 3 to 12 months	96 736	-	1 668	-
Suspended interest	-	-	-	944
Total Bank	124 124	28 332	2 147	944
Up to 3 months	26	-	-	-
From 3 to 12 months	285	-	-	-
Over 12 months	3	-	-	-
Total subsidiaries	314	-	-	-

4.2.11

As regards the impairment 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 of December 2003, closing balance of accrued but unrealized income on receivables totaled PLN 11 626k.

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.

Unpaid interest on amounts due (consolidated)

Amounts due from the financial sector	11 891
- current	131
- term	11 760
Amounts due from the non-financial sector	104 437
- current	125
- term	104 312
Amounts due from the public sector	561
- current	103
- term	458

4.2.13
Information on the notional amount of underlying instruments in derivative instruments

Such information is included in Note no. 6 and in Additional Note no. 4.2.1.

4.2.14
Objectives and principles of risk management

Capital management

Bank Zachodni WBK's policy is to maintain a strong capital base and to utilize it effectively for the benefit of its shareholders.

At the end of 2003, the Bank's capital resources amounted to PLN 2,533.7m (Group - PLN 2.542,7 m) while its solvency ratio was 11.77 % (Group - 12.01%).

Assuming further stable development of its activities, Bank Zachodni WBK plans to maintain the existing proportion of retained earnings that are re-invested in the business (i.e. ca. 80% of profit after tax).

Asset and liability management

The main objective of asset and liability management is the profitable development of the Bank's risk-taking activities within prudential parameters. Risk management in the Bank is conducted within the boundaries set in co-operation with AIB Group and covers three major risk areas: market risk, credit risk and liquidity risk.

The Bank's Management Board, which is ultimately responsible for risk management, has delegated authority to the following high level committees: the Asset and Liability Committee (ALCO), the Credit Committee

and the Provisioning Committee. These committees manage their relevant risk areas, monitor the Bank's risk profile on an on-going basis and map out current policies within the framework set by the Management Board.

Credit risk

The lending activity of Bank Zachodni WBK was focused on growing its portfolio in a way which would ensure high quality, good profitability and customer satisfaction.

The Bank's credit risk stems primarily from its lending activities on retail, corporate and inter-bank markets. It is managed within the lending policy framework set by the Management Board through a system of delegated discretionary limits which reflect the knowledge and experience of individual managers. The Bank operates an internal credit grading system which provides early warnings with regard to the loan portfolio quality.

Credit Forum

As part of the Risk Management Process, Bank Zachodni WBK has a Credit Forum. Its main objective is agreeing, approving and communicating best industry practices, industry analyses, credit policies, grading and risk assessment systems to the Bank's branches and the Business Support Centre divisions (which are directly responsible for business development and support). The Forum is composed of the management representatives from individual divisions.

Credit policies

Credit policies set forth guidelines concerning: identification of risk types, risk assessment and the methods of risk mitigation to the level acceptable by the Bank (e.g. fx risk in the case of fx loans). Credit policies of Bank Zachodni WBK, compliant with AIB Group standards, are at the same time adjusted to the specific nature of BZ WBK S.A. lending activities.

Grading

In the pursuit of enhancing professional credit risk management the Bank, apart from grading of credit exposures based on general regulations, develops and applies internal grading systems based on the experience and best practice of AIB Group. In 2003 the Bank commenced work on aligning the grading schemes currently in place with the Basle Committee's recommendations.

Provisioning

Bank Zachodni WBK raises provisions in line with the applicable legal regulations (Ordinance of the Minister of Finance, dated 10 December 2001, on Provisioning against risks related to Banking operations, Journal

of Laws No 149, item 1672, dd. 22 December 2001 as amended), and gives preference to a prudential approach in recognising security when calculating provisions. Provisioning Committee is responsible for maintaining an adequate level of loan loss provisions.

Return on risk

The Bank continues to implement risk-based methods of loan pricing, capital allocation and effectiveness measurement.

Process of taking credit decisions

The credit decision-taking process, as part of risk management, is based on the system of lending discretions assigned so as to reflect the knowledge and the experience of individual employees and match the areas of the Bank's lending activity (corporate, commercial and retail Banking). Exposures in excess of PLN 15m are approved by Credit Committees composed of top management and executives.

The Bank takes actions to provide top quality credit services which are tailored to customers' expectations and ensure security of the credit portfolio. With this in view, Chief Credit Officer and Credit Directors were appointed and are accountable for credit-decisions taking and portfolio quality oversight. This way the responsibility for transaction risk approval and sales was split.

The Bank is implementing scoring techniques in respect of selected retail products. The process began with implementing decision-making systems for review of credit applications filed by retail customers. This year decision platforms and customer/account behaviour scoring will be developed. These are aimed to enhance retail portfolio management, reduce the turnaround time and meet the requirements set forth in the Basle Committee's recommendation. The scoring system is implemented by renowned international companies and external auditors.

Credit reviews

Focusing on the quality of credit portfolio, the Bank conducts regular quality assurance reviews aimed at ensuring compliance with best practices of credit delivery, determining the actual credit portfolio quality, adequate grading and provisioning. The reviews also make it possible to carry out objective evaluation of the professionalism of credit management. They are conducted by the Credit Quality Assurance Department, which operates independently of the units accepting credit risk within their lending discretions.

Market risk

Bank Zachodni WBK's ALCO is responsible for strategic balance sheet management within risk policies approved by the Board. Its primary focus is on capital management, funding/liquidity, market risk capacity and market risk management. Market and liquidity risk management is carried out in the Bank within the scope determined by AIB Group and approved by the Management Board of Bank Zachodni WBK. The ALCO comprises senior divisional management. ALCO policies determine the basis for managing liquidity, interest and foreign exchange risks arising from the structure of the Bank's and the Group's balance sheet.

Market risk management

Market risks arising in the Bank's retail and commercial activities are transferred to the Bank's Treasury Division, which takes hedge positions (e.g. in marketable securities and derivatives) to mitigate these risks. In July 2003 the Assets and Liabilities Management Department was established which took over ALCO's responsibility for ongoing identification and measurement of market risk arising from the retail and commercial business.

The key objective of the Bank's market risk policies is to limit the adverse impact of interest and exchange rate movements on the Bank's profitability and shareholder value, and to enhance earnings within clearly defined risk parameters. The Bank's policies and practices in relation to market risk management reflect the following three guiding principles:

- Key market risk activities are subject to the Management Board approval based on the adopted policy,
- Market risk is substantially centralised in the Treasury, managed by skilled personnel and monitored using appropriate systems and controls,
- Market risk is measured and monitored by risk management personnel operating independently of risk taking units.

Bank Zachodni WBK operates within the parameters of conservative risk limits.

Liquidity risk management

In 2003 the Bank worked on implementation of a new liquidity policy which obtained sign off from the Management Board at the end of the year. New Bank's Liquidity Policy is to ensure the availability, at all times, of sufficient funds from the expected inflows or realisation of liquid assets (mainly debt securities) to meet claims arising from either liability demands or asset commitments, both actual and contingent, in exceptional or crisis situations triggered by internal or external factors (e.g. sudden increase in the value of facilities drawn down under the sanctioned credit lines, material drop in liquidity on fx swaps market). The new policy embraces all assets and liabilities as well as off- balance sheet item impacting the liquidity level and takes account of statistical research of deposit base behaviour. It also incorporates a liquidity contingency plan for critical situations.

Operational risk management

Operational risk covers potential threats arising from inadequate internal processes, human errors and external systems or factors. Bank Zachodni WBK Group Operational Risk Management determined the following areas of responsibility:

- organisational units responsible for operational risks related to their areas (risk identification, self-assessment, loss reports),
- Operational Risk Team, responsible for co-ordinating the operational risk management process (devising a system, supporting units, reporting, developing a database of losses),
- audit, accountable for control and assessment of operational risk management quality (independent quality assurance, reviews of risk identification standards in organisational units, evaluation of controls in place)

Bank Zachodni WBK developed and put in place an Information Security Policy and Information Standards which govern the issues related to the security of the information processed by the Bank, implementation and review of projects and their aspects related to the conformity with applicable standards, analysis of risks arising from changes to IT systems, ongoing analysis of information about threats related to data protection.

Bank Zachodni WBK supervises implementation of the respective Group business continuity management policy, liaises with business units, analyses needs and develops plans in this regard.

Other operational risk areas for the Bank Zachodni WBK to focus on are as follows:

- money laundering prevention
- operational risk self-assessment and analysis
- fraud prevention
- personal data protection.

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 hedge accounting in respect of fair value hedging. The adopted principles are described in par. 12 of Introduction to the Financial Statement.

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.

Gains/ losses on hedged fair value were charged entirely into the income statement.

Concluded call or put option contracts

Put option AWSA HOLLAND II B.V. interests

On 6 December 2002, the interests in AWSA HOLLAND II B.V. covered by the option were sold by the bank (83 927 shares). The payment was split into installments. The first installment of PLN 11 510k was paid on 10 December 2002 and the second (PLN 21 247k) on 31 October 2003. This installment was interest bearing, and the interest amount depended on the date of the second installment payment.

Agreement on disposal of shares in PB POLSOFT Sp. z o.o.

On 20 December 2002, Bank Zachodni WBK S.A. concluded a conditional agreement on disposal of 1020 shares in Projekty Bankowe Polsoft Sp. z o.o., for the benefit of Computerland S.A. The number of shares to be sold represents 51% of the share capital and votes at the Annual General Meeting of Partners. The agreement became effective upon permit of the Competition and Consumer Protection Office, consent of the Supervisory Boards of the Companies entering into the transaction and following positive examination of the disposed company by Computerland.

The total sale price was PLN 19 267k while the profit on the transaction was PLN 17 378k.

Assets which constitute a 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 2003, debt securities in Bank Zachodni WBK S.A. represented the security for an advance from a Banking Guarantee Fund. Details are provided in Note 6B.

As at 31 December 2003, assets in Bank Zachodni WBK S.A. subsidiaries representing security for own liabilities totaled PLN 512 921 k.

Repo/reverse repo transactions not included in the balance sheet

As at 31 December 2003, Bank Zachodni WBK Group did not have any repo/reverse repo transactions that would not be included in the balance sheet.

Sanctioned financial liabilities including irrecoverable 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 bonds held by the Bank represent ca 5% of all issued bonds. The purchase price is the PLN equivalent of EUR 6 250k. The final repurchase date is 31 May 2037.

Payment for taking up the bonds was backed with a letter of credit opened for that purpose. The draw-downs are in PLN based on the exchange rate as at the draw-down dates. At any time, AW S.A. can demand a payment of a subsequent tranche. By 31 December 2003, the draw-down from the letter of credit totaled PLN 20 562k, which represents the equivalent of EUR 4 921k. The equivalent of EUR 1 329k is still to be repaid. In line with the adopted schedule, the total amount is to be repaid by the end of 2004.

Unpaid part of the share capital of Commercial Union Polska Towarzystwo Ubezpieczeń na Życie S.A.

Bank Zachodni WBK S.A. 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 from the Bank is PLN 821 k 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.

Contribution and withdrawal of a part of the share capital of WBK Nieruchomości S.A.

i Wspólnicy Spółka Komandytowa

Bank Zachodni WBK S.A. is a limited partner in WBK Nieruchomości S.A. i Wspólnicy Sp. Komandytowa. The Bank participates in the Company's profits and losses pro rata to its contribution, i.e. 99.99%. The amount which the Bank was committed to contribute is PLN 41 996k. On 2 December 2003 the Bank made the outstanding contribution of PLN 4 312k.

On 2 September 2003 BZ WBK entered into an agreement with BZ WBK Nieruchomości (the general partner) whereby the deed of partnership was to be amended and the contributions made by individual partners to be reduced to PLN 28 634k. Consequently, on 3 September 2003 PLN 13 361k was reimbursed to the Bank. As a result of the agreement the name of the company was changed to BZ WBK Nieruchomości S.A. i Wspólnicy Sp. Komandytowa. As at 31 December 2003 the changes were not registered by the Registration Court.

In 2004 the Bank plans to withdraw a part of the share capital in the sum of PLN 6 838k.

BZ WBK Nieruchomości S.A.

Bank Zachodni WBK S.A. has a 99.99% shareholding in BZ WBK Nieruchomości S.A. The Company's share capital totals PLN 100k. 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. The capital was increased by PLN 250k in December 2003. All shares of the new issue were taken by Bank Zachodni WBK SA. As at 31 December 2003 the changes were not registered by the Registration Court.

BZ WBK Brokerage House

On 17 December 2003, pursuant to the sale agreement between BZ WBK S.A. Brokerage House and a shareholder of BZ WBK S.A., the Brokerage House purchased 217 070 shares with a view to their redemption. Fair value of the sold shares was PLN 24 999 974 and this sum will be paid to the Bank within 14 days after six months from the day the registration of the decrease in the share capital in the KRS Businesses Register has been announced.

BZ WBK Inwestycje Sp. z o.o.

On 7 November 2003 BZWBK Inwestycje entered into repurchase agreement with BZWBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. This agreement concerns Arka Global Index 2007 certificates issued by Closed Investment Fund. The subject of the agreement is repurchase guarantee granted by BZWBK Inwestycje to make a unconditional "buy order" on 19 December 2007. The order applies to every issued by this time certificates, listed at any regulated market.

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), highlighting the ones granted to connected entities.

Contingent liabilities granted and received	31.12.2003	31.12.2002
Granted liabilities:	4 374 730	3 654 523
- financing-related	3 786 813	2 975 302
Of which: import letters of credit	70 394	99 753
Of which: credit lines	3 350 983	2 698 266
- guarantees	587 917	679 221
Of which: confirmed export letters of credit	-	-
Received liabilities	533 857	1 116 635
Total	4 908 587	4 771 158

As at 31 December 2003, the Bank granted guarantees for the total of PLN 587 917, of which PLN 24 k represents the guarantees granted to subordinated entities (WBK Nieruchomości Sp. z o.o.).

Liabilities related to sell/buy transactions	31.12.2003	31.12.2002
1. Fx transactions	21 426 109	41 339 265
- bought foreign currencies	10 658 112	20 642 310
- sold foreign currencies	10 765 599	20 683 298
- differences arising on SWAPs	2 398	13 657
2. Securities related transactions	1 256 926	182 340
- securities to be released	1 073 096	20 380
- securities to be received	183 830	161 960
3. Transactions in financial instruments	18 967 028	6 714 951
- bought	10 749 005	3 678 175
- sold	8 218 023	3 036 776
Total	41 650 063	48 236 556

Information about the proposed dividend payment if it has not been formally approved, and also about not disclosed cumulated dividends from preference shares.

In line with the Bank's dividend payment strategy, BZWBK will earmark 20 % of the audited after-tax-profit for the 2003 shareholders' dividend (PLN 116 951k).

The dividend per share will be PLN 0.32 (PLN 0.72 for 2002) - number of shares: 72 960 284.

Information about the dividend approved for payment.

Bank Zachodni WBK S.A. has not formally approved the dividend yet.

Liabilities towards the State Treasury or local government units arising from gaining the ownership title to buildings and constructions.

As at 31 December 2003, 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 constructions.

Income, costs and impact of discontinued operations in the accounting period or of the operations planned to be discontinued in the next period.

In 2003, there were no costs or income related to discontinued operations in Bank Zachodni WBK Group

Costs of commenced investments and production
of fixed assets for the bank’s own needs

31.12.2003

As at 31 December 2003, the investments commenced in Bank Zachodni WBK Group were PLN 12 659 k. Commenced investments in hardware and other assets totaled PLN 10 953 k, and the construction investments as well as the original furnishing of outlets totaled PLN 1 707k.

31.12.2002

As at 31 December 2002, the investments commenced in Bank Zachodni WBK Group were PLN 16 356k. Commenced investments in hardware and other assets totaled PLN 5 760k, and the construction investments as well as the original furnishing of outlets totaled PLN 10 596k.

The capital outlays incurred and to be incurred in the upcoming
12 months from the balance sheet date, including outlays
for non-financial fixed assets

The capital expenditures incurred by Bank Zachodni WBK S.A. in 2003 totaled PLN 85 291k, including:

- information technology
- PLN 72 962k,
- real estate and other fixed assets
- PLN 12 329k.

As regards the group of IT projects, the largest outlays were incurred for the change in functionality of ICBS software - PLN 23 926k.

The capital outlays (cash flows) of Bank Zachodni WBK planned to be incurred in 2004 are PLN 104 397k, of which:

- information technology
- PLN 99 016k,
- real estate and other fixed assets
- PLN 5 381k.

In 2003, subsidiaries of Bank Zachodni WBK S.A. incurred capital outlays of PLN 7 095k, whereas the planned outlays for 2004 total PLN 8 175k.

Information about the issuer’s transactions with subsidiaries,
including entities connected with Bank Zachodni WBK
in terms of the 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	Subordinated entities consolidated on line-by-line basis	Subordinated entities valued under equity method	Total 31.12.2003
Amounts due from financial sector	517 932		517 932
Short-term	197 278		197 278
Long-term	320 654		320 654
Amounts due from non-financial sector		14	14
Short-term		14	14
Long-term			-
Other assets	26 230		26 230
Total	544 162	14	544 176

Receivables	Subordinated entities consolidated on line-by-line basis	Subordinated entities valued under equity method	Total 31.12.2002.
Amounts due from financial sector	439 182	69	439 251
Short-term	162 892	69	162 961
Long-term	276 290		276 290
Amounts due from non-financial sector	760		760
Short-term	760		760
Long-term			-
Other assets	232	2 158	2 390
Total	440 174	2 227	442 401

As at 31 December 2003, intercompany transactions represented 3.86% net receivables from financial, non-financial and public sector (as at 31 December 2002 - 3%)

Liabilities	Subordinated entities consolidated on line-by-line basis	Subordinated entities valued under equity method	Total 31.12.2003
Amounts due to financial sector	238 251	72 109	310 360
Short-term	238 251	72 109	310 360
Long-term			-

Amounts due to non-financial sector	1 781	356	2 137
Short-term	1 781	356	2 137
Long-term			
Special funds and other liabilities	35		35
Total	240 067	72 465	312 532

Liabilities	Subordinated entities consolidated on line-by-line basis	Subordinated entities valued under equity method	Razem 31.12.2002
Amounts due to financial sector	158 886	1 336	160 222
Short-term	158 886	1 322	160 208
Long-term		14	14
Amounts due to non-financial sector	323	102 354	102 677
Short-term	323	102 354	102 677
Long-term			-
Special funds and other liabilities	4 429		4 429
Total	163 638	103 690	267 328

As at 31 December 2003, intercompany transactions represented 1.66% net liabilities to financial, non-financial and public sector (as at 31 December 2002 - 0.87%)

Information about subsidiaries:

- a) receivables and liabilities
- b) costs and income, including interest and commissions, costs of provisions for loans and advances
- c) granted 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 commitments are presented in item 9.

Income on transactions with subsidiaries	Subordinated entities consolidated on line-by-line basis	Subordinated entities valued under equity method	Total 01.01-31.12.2003
Interest income	26 602		26 602
Commission income	26 802	15	26 817
Other operating income	12 203	647	12 850
Total	65 607	662	66 269

Income on transactions with subsidiaries	Subordinated entities consolidated on line-by-line basis	Subordinated entities valued under equity method	Total 01.01-31.12.2002
Interest income	14 958		14 958
Commission income	929	21	950
Other operating income	5 290	650	5 940
Total	21 177	671	21 848

Cost of transactions with subsidiaries	Subordinated entities consolidated on line-by-line basis	Subordinated entities valued under equity method	Total 01.01-31.12.2002
Interest expense	14 665	5	14 670
Commission expense	1 567		1 567
Other operating costs	255	160	415
Overheads	140		140
Total	16 627	165	16 792

	Subordinated entities consolidated on line-by-line basis	Subordinated entities valued under equity method	Total 01.01.-31.12.2002
Interest expense	16 694	111	16 805
Commission expense	155		155
Other operating costs	32	13 724	13 756
Overheads	1 730		1 730
Total	18 611	13 835	32 446

Intercompany transactions between subordinated entities consolidated on line-by-line resulted in following eliminations on consolidated balance sheet, off-balance sheet positions and income statement:

- assets
 - decreased by PLN 818 563 k:
 - amounts due from financial sector - PLN 760 185 k,
 - debt securities - PLN 30 479 k,
 - other assets - PLN 26 265 k,
 - prepayments - PLN 1 686 k,
- liabilities
 - decreased by PLN 816 877 k:
 - amounts due to financial sector PLN 759 623 k,
 - liabilities arising from the issue of debt securities - PLN 30 427 k,
 - special funds and other liabilities - PLN 26 322 k,
 - accrued and suspended income and expenses - PLN 505 k.
- off-balance sheet positions
 - decreased by PLN 5 822 k

- costs
 - decreased by PLN 84 835 k:
 - interest expense – PLN 40 172 k,
 - commission expense – PLN 27 494 k,
 - overheads – PLN 16 795 tys. zł,
 - other operating costs – PLN 377 k
- income
 - decreased by PLN 86 576 k:
 - interest income – PLN 36 397 k,
 - commission income PLN 29 280 k,
 - net income from sales of products, goods and materials – PLN 3 570 k,
 - other operating income PLN 15 955 k,
 - profit on financial operations – PLN 1 374 k.

All the transactions above were carried out at market prices.

Information on joint undertakings
which are not subject to consolidation

In 2003, entities of Bank Zachodni WBK Group did not participate in joint undertakings with entities,
which are not subject to consolidation under full consolidation method or the equity method

Income and costs of Bank Zachodni WBK’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's Group. Income from brokerage operations in 2003 totaled PLN 50 597k
with the costs totaling PLN 48 462k.

Write downs/off s of irrecoverable receivables
against costs, broken into write down/off titles 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.

When writing down/off receivables the Bank applies regulations of the CIT Act dated 15 February 1992 as
amended and recommendations stemming from the Tax policy for writing down/off, central write-downs and
disposal of receivables adopted by the Management Board on 2 April 2003. Until 1 July 2003 the BZ WBK S.A.

Write Down and Write Off Manual introduced by way of Management Board Member's Ordinance no. 221/2001
dated 7 December 2001 with later 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 has been applied.

In accordance with the said regulations write down/off against provisions can be applied only when the
provision covers the whole principal to be written down/off (except for cases when only interest is written
down/off).

As at 31 December 2003, write downs/off s and disposals of receivables totalled PLN 305 462k
(PLN 52 921k and PLN 217 527k, respectively). The amount includes gross value of sold debts of PLN 35 194k.

In 2003, BZ WBK Leasing S.A. and BZ WBK Finance & Leasing S.A. raised provisions for irrecoverable
receivables of PLN 51 046k (charged to costs).

Costs of raising provisions for
future liabilities to staff with
a break-down into individual categories

The costs related to raising provisions for future liabilities towards the staff of Bank Zachodni WBK S.A.
as at 31 December 2003 were as follows:

- | | |
|---------------------------------|----------------|
| provision for bonuses | - PLN 10 409k, |
| provision for awards | - PLN 8 500k, |
| provision for ZUS contributions | - PLN 3 559k. |

Costs related to creating provisions for future liabilities toward employees of subsidiaries
as at 31 December 2003 were:

- | | |
|-------------------------------------|-------------|
| reserve for bonuses | - PLN 427k, |
| reserve for ZUS | - PLN 79k, |
| reserve for remuneration and awards | - PLN 587k. |

Costs incurred for financing
staff pension schemes

Bank Zachodni WBK Group does not incur costs related to financing staff pension schemes.

Custodian services

Bank Zachodni WBK S.A. 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 maintaining securities accounts, settling transactions, handling dividend and interest payments, redemption of debt instruments, valuations of portfolios, executing instructions stipulated in authorisations given by customers, and representing them at the General Meetings of Shareholders 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.

Asset securitization

Bank Zachodni WBK Group does not securitize assets.

Average staffing level with a break-down into professional groups

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 employees. Average staffing level was 8 305,05 FTEs.

Average staff number in Bank Zachodni WBK subsidiaries consolidated under line-by-line method in 2003 was 384 (356,31FTEs).

The table below presents the employment structure in Bank Zachodni WBK S.A. with a break-down according to education:	Education	No. of staff	Structure %
2003	University/college degree	4 272	57.2 %
	High school degree	3 089	41.4 %
	Primary/vocational	36	0.5 %
	Other	65	0.9 %
	Total	7 462	100%

31.12.2002

As at 31 December 2002, manpower in Bank Zachodni WBK S.A. totaled 9 115.75 FTEs.

As at that day, the Bank employed 9 169 persons.

Average headcount in Bank Zachodni WBK S.A. in 2002 was at 9 504.13 FTEs and 9 569 staff.

Average staff number in Bank Zachodni WBK subsidiaries in 2002 was 356 (329.22 FTEs).

The Table below presents the employment structure in Bank Zachodni WBK S.A. with a break-down according to education:	Education	No. of staff	Structure %
2002	University/college degree	4 649	50.7 %
	High school degree	4 321	47.1 %
	Primary/vocational	72	0.8 %
	Other	127	1.4 %
	Total	9 169	100%

Remuneration and bonuses (both in cash and in kind) paid or due to (separately) 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 distribution of profit, and, where the issuer is a dominant 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)

31.12.2003

According to the information received by Bank Zachodni WBK S.A., the remuneration paid to the members of the Management Board of Bank Zachodni WBK S.A. and the members of the Supervisory Board in 2003 totaled PLN 12 396k and PLN 657k, respectively.

In 2003, none of the Members of the Supervisory Board of Bank Zachodni WBK S.A. received remuneration from subsidiaries or associated entities.

Total remuneration for the management of companies composing Bank Zachodni WBK Group in 2003 totaled PLN4 688 k

31.12.2002

According to the information received by Bank Zachodni WBK S.A., the remuneration paid to the members of the Management Board of Bank Zachodni WBK S.A. in 2002 and the members of the Supervisory Board totaled PLN 8,867k and PLN 403k, respectively.

In 2002, none of the Members of the Supervisory Board of Bank Zachodni WBK S.A. received remuneration from subsidiaries or associated entities.

Total remuneration for the management of companies composing Bank Zachodni WBK Group in 2002 totaled PLN 3 483 k.

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 2003

Board members

As at 31 December 2003, members of the Supervisory Board of Bank Zachodni WBK S.A. did not obtain any loans, advances or guarantees from Bank Zachodni WBK S.A. or its subsidiaries or associates. The balance of borrowings sanctioned to the members of the Management Board of Bank Zachodni WBK S.A. by the Bank as at 31 December 2003 totaled PLN 234k and CHF 25k. The balance of borrowings sanctioned to relatives and next of kin of the Members of the Management Board of the Bank totaled 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 borrowings were sanctioned based on the general terms and conditions as specified in the Bank's offering.

Employees

As at 31 December 2003 the balance of borrowings sanctioned to BZ WBK employees and subordinated entities employees was PLN 124 939k. As at 31 December 2003 the balance of borrowings sanctioned to employees of subordinated entities employees was PLN 3 633 k.

The balance of borrowings from the Company's Social Fund granted to the employees of Bank Zachodni WBK S.A. as at 31 December 2003 totaled PLN 20 002k. The loans and advances were sanctioned under general terms and conditions.

31 December 2002

As at 31 December 2002, members of the Supervisory Board of Bank Zachodni WBK S.A. did not obtain any loans, borrowings or guarantees from Bank Zachodni WBK S.A. or subsidiary or associated undertakings.

The balance of borrowings sanctioned to the members of the Management Board of Bank Zachodni WBK S.A. by the Bank as at 31 December 2002 totalled PLN 33k and CHF 28k. The balance of borrowings sanctioned to relatives and next of kin of the Members of the Management Board of the Bank totalled PLN 149k, CHF 58k and EUR 25k. All borrowings were sanctioned based on the general terms and conditions as specified in the Bank's offering.

The balance of borrowings from the Company's Social Fund granted to the employees of Bank Zachodni WBK S.A. as at 31 December 2002 totalled PLN 21 492k and the balance of borrowings granted to the Management Board totalled PLN 15k. The borrowings were sanctioned to the employees pursuant to the general terms and conditions offered by the Fund.

Significant events related to previous years included in the financial statements for the period

There were no significant events related to previous years to be included in financial statements for the period.

Significant post-Balance-Sheet date events which have not been reflected in the financial statements

Increase in share capital of BZ WBK Nieruchomości SA

On 9 January the increase in share capital of BZ WBK Nieruchomości SA Poznań-seated subsidiary of Bank Zachodni WBK SA - was registered.

Following the registration of the capital injection the share capital of BZ WBK Nieruchomości SA amounts to PLN 250k while the total number of votes carried by shares held by Bank Zachodni WBK SA is 2 499, i.e. 99.9% of all votes.

Taking up the new issue of shares of BZ WBK Finanse & Leasing S.A.

On 3 March 2004 the Extraordinary General Meeting of Shareholders of BZ WBK Finanse & Leasing S.A. passed a resolution to increase its share capital by PLN 5 000 k by issuing 50,000 ordinary registered series D shares of Issue 4, with numbers from 320 001 to 370 000. Bank Zachodni WBK S.A. has accepted to take up this issue at a nominal price of PLN 100 per share, equal to the issue price. All the shares will be obtained in return for a cash contribution. The shares have been offered to BZ WBK within a private subscription.

Taking up the new issue of shares of BZ WBK Leasing S.A.

On 3 March 2004 the Extraordinary General Meeting of Shareholders of BZ WBK Leasing S.A. passed a resolution to increase its share capital by PLN 37,000 k by issuing 370 000 ordinary preference series F shares with numbers from 711 921 to 1 081 920. Bank Zachodni WBK S.A. has accepted to take up this issue at a nominal price of PLN 100 per share, equal to the issue price. All the shares will be obtained in return for a cash contribution. The shares have been offered to BZ WBK within a private subscription.

Commercial Union Group dividend pay out

On 4 March 2004 the General Meeting of Commercial Union Group issued a dividend payout resolution. According to this Bank Zachodni WBK S.A. will receive a dividend of PLN 52 791 k, of which:

- from Commercial Union Polska Towarzystwo Ubezpieczeń na Życie S.A. PLN 37 714 k
- from Commercial Union Polska Powszechnie Towarzystwo Emerytalne BPH CU WBK S.A. PLN 14 974 k
- from Commercial Union Polska Towarzystwo Ubezpieczeń Ogólnych S.A. PLN 103 k

The day of the pay out is 4 May 2004.

Amendment to specific provision calculation rules

On 1 January 2004 came into effect Ordinance of the Minister of Finance on raising provisions for the risk related to banking operations (Journal of Laws 3.218.2147) amending prior principles of specific provision raising. The amendments refer to the principles of defining credit exposure limits decreases. The impact of above mentioned changes on Bank Zachodni WBK specific provisions level is negligible.

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.

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 did not participate in any merger in 2003.

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.

Specification of differences

along with explanations

between the data disclosed in the financial statement and the comparable financial data and the previously produced and published financial statements.

The 2003 data presented in the annual report of Bank Zachodni WBK S.A. were produced in line with the existing accounting principles arising from the currently applicable regulations.

Changes in the manner to presenting the data as at 31 December 2002 aimed at ensuring the comparability of the data for 2002 and 2003 refer to the following lines:

Balance sheet/ P&L item	31.12.2002
"Accrued expenses" - "deferred income and suspended interest"	15 042
"Other operating income" "Commission income"	6 869
"Overheads" "Commission expense"	5 709
Change in presentation of received collateral	5 525
Change in presentation of sale/purchase operation liabilities	241 466
"Profit on financial transactions" - "Income from shares, other securities and other financial instruments of variable yield"	124 220

In the current reporting period overnight deposits "tomnext" and "spotnext", which were previously presented under short-term receivables from financial sector, are now disclosed under current accounts. If the change had been applied to 2002 statements, the value of current accounts would have increased by PLN 6 689k in respect of receivables from the financial sector.

Changes

in the accounting practices

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.

The financial implications arising from, e.g. the change in the mode of producing the financial statements were described in the detail in point 32 of the Additional Notes to the financial statements.

Correction

of fundamental errors,

their reasons, titles and the impact of the resulting financial implications on the business and financial standing, liquidity, the financial result and profitability.

The 2003 consolidated statements of Bank Zachodni WBK S.A. do not include any corrections of fundamental errors because there were no such errors.

If there is

uncertainty

as to the possibility to continue in business

(ongoing 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 certain 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.

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 2003, there was no business combination with Bank Zachodni WBK Group participation.

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 S.A. produces consolidated financial statements.

Information about corrections and the original amounts of particular items

of the financial statements should be provided if respective data of the subordinated company’s financial statements were adjusted to the rules and methods adopted by the dominant entity and in case such adjustments were waived the rationale for such decision should be given.

Consolidated financial statements of Bank Zachodni WBK Group for 2003 do not include corrections of individual items of the financial accounts for which valuation principles and methods differed from the ones adopted by the dominant entity.

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.

All companies composing Bank Zachodni WBK Group were consolidated using the acquisition accounting method or under equity which has been described in detail in point 12 of the Introduction to the consolidated financial statements.

Moreover, additional information other than specified above and required by force of the applicable accounting regulations, or any other information that might substantially affect the assessment of the business and financial standing as well as the financial result and their changes should be disclosed in the relevant part of the financial statements.

Material court proceedings in which Bank Zachodni WBK S.A. is involved

Suit filed by Biletex S.A. against Powiat Dzierżoniowski (local authority)

On 11 July 2002, the District Court in Świdnica, gave a verdict in the suit filed by Biletex S.A. in Bielawa against Powiat Dzierżoniowski (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 is: PLN 18 328k) was invalid. 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 which was favorable for the Bank. Powiat Dzierżoniowski appealed against the decision. The case has not been heard yet by the Supreme Court.

Suit filed by Powiat Dzierżoniowski against Bieltex S.A and BZ WBK S.A.

Suit filed by Powiat Dzierżonowski against ZB Bieltex in bankruptcy and against Bank Zachodni WBK S.A. - the disputable amount is: PLN 18 328k (the case has not been reported before). On 24 July 2003, Powiat Dzierżonowski filed a claim, served on the Bank on 24 December 2003, to determine the wording 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 and pending among the parties. The above 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. Powiat Dzierżonowski lodged a final appeal to the Supreme Court. If the final appeal is rejected and thus the verdicts of the Lower and Higher Courts (favourable to the Bank) are upheld, the proceedings instituted by Powiat Dzierżoniowski on 24 December 2003 will be irrelevant. It is highly probable that the above proceedings will be suspended until the Supreme Court reaches its verdict on the final appeal.

Suit filed by the Receiver in Bankruptcy of ZZO S.A.

On 20 March 2002, the Supreme Court in Warsaw allowed BZ WBK appeal against the verdict of the Higher Court unfavourable to the Bank in the suit filed by the Receiver in Bankruptcy of ZZO S.A. in Złotoryja for a payment (the disputable amount is: PLN 5 000k) and handed the case over to the Appeal Court. On 17 October 2002, the Court of Appeal in Wrocław, after having re-examined the case, waived the judgement made by the Lower Court dated 10 February 1999 and awarded the refund of all costs incurred during the proceedings carried out in all instances to BZ WBK S.A.. The Plaintiff (the Receiver in Bankruptcy of ZZO S.A. in Złotoryja) lodged a final appeal to the Supreme Court. The Bank filed its reply to the final appeal. The final appeal was rejected by the Supreme Court. The ruling of the Court of Appeal, dated 17 October 2002, became final and as a result the suit filed by the Receiver in Bankruptcy of ZZO S.A. in Złotoryja will be considered from the very beginning. The date of re-hearing the case has not been set yet.

Suit filed by Agrofirma Spółdzielcza against BZ WBK S.A.

The disputable amount totals 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 a 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. On 6 January 2003, the Bank filed an extensive response to the claim. The Bank raised a provision for the disputable amount of PLN 1 500k. The evidence proceedings are pending before the Lower Court.

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. seated in Warsaw against BZ WBK S.A. The disputable amount totals PLN 2 738k (the case has not been reported before). 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 and the balance of CLIF S.A. liabilities towards BZ WBK stemming from its books. The Bank filed its response to the claim. The raised provision totals PLN 1 873k.

BZ WBK S.A. FX structure of assets and liabilities	Components of FX position B/S long (+)	Components of FX position B/S short (-)	Components of FX position index long (+)	Components of FX position index short (-)
HUF	112	-	-	-
CZK	1 083	-	-	-
EEK	1	-	-	-
AUD	1 388	-	-	-
JPY	8 165	-	-	-
USD	-	927 764	-	-
CAD	80	-	-	-
GBP	-	1 725	-	-
DKK	-	1 033	-	-
NOK	1 665	-	-	-
CHF	1 287 381	-	-	-
SEK	22 742	-	-	-
EUR	851 914	-	-	-
Total	2 174 531	930 522	-	-

	Components of FX position off B/S long (+)	Components of FX position off B/S short (-)
HUF	-	-
CZK	-	1 237
JPY	-	8 220
AUD	-	1 404
USD	927 383	-
GBP	2 001	-
DKK	820	-
NOK	-	1 513
CHF	-	1 286 230
SEK	-	22 873
EUR	-	852 958
Total	930 204	2 174 435