	FINANCIAL HIGHLIGHTS	PLN '000		EUR '000	
		01-01-2005 - 31-12-2005	01-01-2004 - 31-12-2004	01-01-2005 - 31-12-2005	01-01-2004 - 31-12-2004
I.	Interest and similar income	1 670 339	1 499 210	415 166	331 816
II	Fee and commission income	862 016	780 026	214 256	172 641
III	Operating profit	688 986	564 066	171 249	124 843
IV	Gross profit	689 456	570 151	171 366	126 190
V	Net profit	516 315	437 783	128 331	96 893
VI	Total net cash flow	(639 069)	(150 771)	(158 842)	(33 370)
VII	Total assets	29 604 085	27 545 770	7 669 849	6 753 069
VIII	Deposits from banks	1 692 595	1 301 638	438 519	319 107
IX	Deposits from customers	20 838 980	19 316 900	5 398 979	4 735 695
X	Total liabilities	26 167 624	24 495 563	6 779 528	6 005 286
XI	Equity attributable to the Company's equity holders	3 381 518	3 019 400	876 086	740 230
XII	Minority interest	54 943	30 807	14 235	7 553
XIII	Net profit attributable to the Minority	29 592	17 816	7 355	3 943
XIV	Number of shares	72 960 284	72 960 284		
XV	Net book value per share in PLN/EURO	46,35	41,38	12,01	10,14
XVI	Solvency ratio	16,05%	12,92%		
XVII	Profit (loss) per share in PLN/ EURO	7,08	6,00	1,76	1,33
XVIII	Declared or paid dividend per share in PLN/EURO	6,00	2,43	1,55	0,60

I	Interest income	1 543 464	1 387 715	383 635	307 141
II	Commission income	641 723	636 382	159 503	140 850
III	Operating profit	559 803	464 603	139 142	102 830
IV	Gross profit (loss)	559 803	464 603	139 142	102 830
V	Net profit (loss)	446 223	372 189	110 911	82 376
VI	Total net cash flow	(627 882)	(147 368)	(156 063)	(32 617)
VII	Total assets	28 182 947	26 336 835	7 301 660	6 456 689
VIII	Deposits from banks	1 319 491	906 751	341 855	222 297
IX	Deposits from customers	20 969 867	19 416 722	5 432 890	4 760 167
X	Total liabilities	24 994 017	23 442 109	6 475 470	5 747 024
XI	Equity	3 188 930	2 894 726	826 190	709 666
XII	Number of shares	72 960 284	72 960 284		
XIII	Net book value per share in PLN/EURO	43,71	39,68	11,32	9,73
XIV	Solvency ratio	15,06	12,46		
XV	Profit (loss) per share in PLN/ EURO	6,12	5,10	1,52	1,13
XVI	Declared or paid dividend per share in PLN/EURO	6,00	2,43	1,55	0,60

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1. Consolidated income statement

For reporting periods ending on:	01-10-2005 31-12-2005	01-01-2005 31-12-2005	01-10-2004 31-12-2004	01-01-2004 31-12-2004
Interest and similar income	409 612	1 670 339	420 251	1 499 210
Interest expense and similar charges	(166 412)	(761 064)	(198 014)	(624 718)
Net interest income	243 200	909 275	222 237	874 492
Fee and commission income	235 457	862 016	222 444	780 026
Fee and commission expense	(34 921)	(165 103)	(47 462)	(141 146)
Net fee and commission income	200 536	696 913	174 982	638 880
Dividend income	291	47 698	43	54 345
Foreign exchange profit	48 680	218 292	52 432	197 108
Gains less losses on hedge accounting transactions	193	(656)	(1 259)	(5 284)
Net trading income	2 662	18 624	10 806	39 530
Gains less losses from investment in securities	1 074	5 649	(20 620)	(17 846)
Gains less losses on sale of subsidiaries and associates	-	-	2	55 138
Other operating income	14 110	48 331	20 797	53 273
Impairment losses on loans and advances	(33 277)	(61 595)	(249)	(131 425)
Operating expenses	(319 428)	(1 193 545)	(319 235)	(1 194 145)
- Bank's staff, operating expenses and management costs	(265 496)	(978 297)	(250 727)	(953 618)
- Depreciation/amortisation	(46 025)	(186 481)	(46 878)	(199 404)
- Other operating expenses	(7 907)	(28 767)	(22 602)	(41 123)
Operating profit	158 041	688 986	139 936	564 066
Share in net profits (losses) of associates accounted for by the equity method	(238)	470	3 184	6 085
	-		-	
Gross profit	157 803	689 456	143 120	570 151
	-			
Corporate income tax	(45 158)	(143 549)	(39 662)	(114 552)
	-			
	-			
Net profit	112 645	545 907	103 458	455 599
of which:				
attributable to the Company's equity holders	103 535	516 315	94 878	437 783
attributable to the Minority equity holders	9 110	29 592	7 608	17 816
Net earnings (loss) per ordinary share (PLN /share)	1,42	7,08	1,30	6,00

2. Consolidated balance sheet

For reporting periods ending on:	31-12-2005	30-09-2005	31-12-2004
ASSETS			
Cash and balances with central bank	572 342	1 704 339	1 200 154
Loans and advances to banks	3 608 333	3 057 339	2 800 318
Securities at fair value through profit or loss	1 925 909	2 351 118	1 369 937
Derivative financial instruments	735 214	450 753	869 435
Loans and advances to customers	14 196 899	13 808 545	14 051 761
Reverse repo transactions	15 199	15 313	25 697
Investment securities:	6 990 336	7 220 514	5 607 851
- available-for-sale	6 990 336	7 220 514	2 923 003
- held-to maturity		-	2 684 848
Investment in subsidiaries and associates	73 237	87 455	76 943
Intangible asset	174 194	187 195	237 004
Property, plant & equipment	518 643	515 605	593 043
Deferred income tax assets	435 232	423 559	472 903
Other assets incl.:	358 547	289 566	240 724
- assets taken-over for sale	17 420	18 485	317
Total assets	29 604 085	30 111 301	27 545 770
LIABILITIES			
Deposits from banks	1 692 595	1 452 980	1 301 638
Derivative financial instruments	577 086	395 090	804 501
Deposits from customers	20 838 980	20 242 235	19 316 900
Repo transactions	999 541	2 233 128	732 690
Debt securities in issue	840 383	1 305 358	1 200 326
Deferred income tax liabilities	315 232	277 460	303 894
Other liabilities	903 807	838 610	835 614
Total liabilities	26 167 624	26 744 861	24 495 563
Equity			
Capital and reserves attributable to the Company's equity holders	3 381 518	3 320 607	3 019 400
Share capital	729 603	729 603	729 603
Other reserve funds	2 028 706	2 028 703	1 701 632
Revaluation reserve	250 088	292 716	156 012
Retained earnings	(143 194)	(143 194)	(5 630)
Profit of the current period	516 315	412 779	437 783
Minority interest	54 943	45 833	30 807
Total equity	3 436 461	3 366 440	3 050 207
Total equity and liabilities	29 604 085	30 111 301	27 545 770

3. Movements on consolidated equity

MOVEMENTS ON CONSOLIDATED EQUITY	Equity: Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Minority interest	Total
Opening balance at 31.12.2004	**729 603**	**1 701 632**	**156 012**	**432 153**	**30 807**	**3 050 207**
changes in accounting principles resulting from adoption of IFRS	-		29 197	(72 102)		(42 905)
Adjusted balance at 1.01.2005	**729 603**	**1 701 632**	**185 209**	**360 051**	**30 807**	**3 007 302**
Net change in available for sale investments	-	-	66 001	-		66 001
Net gains not recognised in income statement	-	-	66 001	-	-	66 001
Net profit	-	-	-	516 315	29 592	545 907
Total recognised increase in equity in 2005	**-**	**-**	**66 001**	**516 315**	**29 592**	**611 908**
Dividend relating to 2004	-	-	-	(177 293)	(5 459)	(182 752)
Transfer to general banking risk fund	-	30 000	-	(30 000)		-
Transfer to reserve capital	-	267 958	-	(267 958)		-
Transfer to supplementary capital	-	7 724	-	(7 724)		-
-other	-	21 392	(1 122)	(20 270)	3	3
As at 31.12.2005	**729 603**	**2 028 706**	**250 088**	**373 121**	**54 943**	**3 436 461**

MOVEMENTS IN CONSOLIDATED EQUITY	Equity: Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Minority interest	Total
Opening balance at 31.12.2004	**729 603**	**1 701 632**	**156 012**	**432 153**	**30 807**	**3 050 207**
changes in accounting principles resulting from adoption of IFRS	-		29 197	(72 102)		(42 905)
Adjusted balance at 1.01.2005	**729 603**	**1 701 632**	**185 209**	**360 051**	**30 807**	**3 007 302**
Net change in available for sale investments	-	-	108 628	-		108 628
Net gains not recognised in income statement	-	-	108 628	-	-	108 628
Net profit	-	-	-	412 780	20 482	433 262
Total recognised increase in equity in 2005	**-**	**-**	**108 628**	**412 780**	**20 482**	**541 890**
Dividend relating to 2004	-	-	-	(177 293)	(5 459)	(182 752)
Transfer to general banking risk fund	-	30 000	-	(30 000)		**-**
Transfer to reserve capital	-	267 958	-	(267 958)		**-**
Transfer to supplementary capital	-	7 724	-	(7 724)		**-**
-other	-	21 389	(1 121)	(20 271)	3	-
As at 30.09.2005	**729 603**	**2 028 703**	**292 716**	**269 585**	**45 833**	**3 366 440**

MOVEMENTS ON CONSOLIDATED EQUITY	Equity					
	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Minority interest	Total
Opening balance at 31.12.2003	**729 603**	**1 548 549**	**159 992**	**103 603**	**15 570**	**2 557 317**
changes in accounting principles resulting from adoption of IFRS	-	62 488	(62 057)	4 618	132	5 181
Adjusted balance at 1.01.2004	**729 603**	**1 611 037**	**97 935**	**108 221**	**15 702**	**2 562 498**
Net change in available for sale investments	-	-	58 077	-	(70)	58 007
Net gains not recognised in income statement	-	-	58 077	-	(70)	58 007
Net profit	-	-	-	437 783	17 816	455 599
Total recognised increase in equity in 2004	**-**	**-**	**58 077**	**437 783**	**17 746**	**513 606**
Dividend relating to 2003	-	-	-	(23 347)	(2 652)	(25 999)
Transfer to general banking risk fund	-	60 000	-	(60 000)		-
Transfer to reserve capital	-	26 700	-	(26 700)		-
Transfer to supplementary capital	-	3 895	-	(3 895)		-
-other	-	-	-	91	11	102
As at 31.12.2004	**729 603**	**1 701 632**	**156 012**	**432 153**	**30 807**	**3 050 207**

4. Consolidated cash flow statement

	od 01-10-2005 do 31-12-2005	od 01-01-2005 do 31-12-2005	od 01-10-2004 do 31-12-2004	od 01-01-2004 do 31-12-2004
Net profit (loss)	**103 777**	**516 315**	**94 327**	**437 783**
Total adjustments:	**(1 434 621)**	**376 031**	**577 332**	**(1 475 079)**
Profits (losses) of minorities	9 110	29 592	7 608	17 816
Share in net profits (losses) of associates accounted for by the equity method	(936)	(470)	(3 184)	(6 085)
Amortization	46 022	186 478	46 878	199 404
Impairment losses	(981)	(4 088)	1 937	4 588
Gains (losses) on exchange differences	7 076	22 784	21 645	38 834
Interests and similar charges	(5 647)	(9 522)	(160 305)	29 458
Dividend income	(291)	(47 698)	(43)	(54 345)
(Profit) loss from investing activities	(3 886)	(5 559)	(244)	(63 522)
Change in provisions	(2 402)	9 680	(17 962)	(21 920)
Change in financial instruments at fair value through profit and loss	322 724	(663 534)	25 412	(987 580)
Change in financial investments	(7 503)	(11 784)	-	-
Change in loans and advances from banks	(703 157)	(976 970)	(37 825)	(2 140 756)
Change in loans and advances from clients	(76 898)	(487 274)	333 677	289 466
Change in receivables arising from securities purchased under reverse repo agreements	114	10 498	8 658	(19 891)
Change in deposits from banks	117 856	861 067	(951 978)	(30 724)
Change in deposits from clients	569 761	1 682 041	723 863	690 311
Change in liabilities arising from securities sold under repurchase agreements	(1 233 587)	266 851	732 690	732 690
Change in liabilities arising from debt securities in issue	(500 379)	(457 353)	37 581	30 221
Change in assets and liabilities arising from deferred taxation	35 839	44 837	82 677	(12 277)
Change in other assets and liabilities	(7 612)	(73 728)	(274 406)	(172 738)
Other adjustments	156	183	653	1 971
Net cash flow from operating activities - indirect method	**(1 330 844)**	**892 346**	**671 659**	**(1 037 296)**
Inflows	**1 063 565**	**1 702 817**	**1 070 937**	**2 414 234**
Sale of shares or interests in subsidiaries and associates	13 955	13 955	-	68 000
Sale of investment securities	1 046 893	1 629 849	1 066 399	2 258 273
Sale of intangible and tangible fixed assets	2 043	9 030	3 579	32 570
Dividends received	291	47 698	43	54 345
Proceeds from other investments	383	2 285	916	1 046
Outflows	**(853 836)**	**(2 855 850)**	**(1 062 303)**	**(1 990 783)**
Purchase of investment securities	(815 282)	(2 777 729)	(1 022 455)	(1 912 475)
Purchase of intangible and tangible fixed assets	(37 877)	(76 247)	(39 523)	(76 529)
Other investments	(677)	(1 874)	(325)	(1 779)
	-		-	
Net cash flow from investing activities	**209 729**	**(1 153 033)**	**8 634**	**423 451**
	-		-	
Inflows	**27 147**	**99 701**	**104 772**	**602 313**
Drawing of long-term loans	-	-	53 964	259 943
Issue of debt securities	26 994	99 548	50 283	339 577
Other financial proceeds	153	153	525	2 793

Outflows	**(58 894)**	**(478 083)**	**(7 651)**	**(139 239)**
Repayment of long-term loans	(50 055)	(224 354)	-	(63 153)
Dividends and other payments to shareholders	(488)	(182 752)	-	(25 999)
Other financing outflows	(8 351)	(70 977)	(7 651)	(50 087)
Net cash flow from financing activities	**(31 747)**	**(378 382)**	**97 121**	**463 074**
Total net cash flow	**(1 152 862)**	**(639 069)**	**777 414**	**(150 771)**
Cash at the beginning of the accounting period	**(1 152 862)**	**(639 069)**	**777 414**	**(150 771)**
Cash at the beginning of the accounting period	**1 746 535**	**1 232 742**	**455 328**	**1 383 513**
Cash at the end of the accounting period	**593 673**	**593 673**	**1 232 742**	**1 232 742**

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

For reporting periods ending on:	od 01-10-2005 do 31-12-2005	od 01-01-2005 do 31-12-2005	od 01-10-2004 do 31-12-2004	od 01-01-2004 do 31-12-2004
Interest and similar income	376 716	1 543 464	387 464	1 387 715
Interest expense and similar charges	(155 934)	(714 273)	(187 409)	(588 043)
Net interest income	220 782	829 191	200 055	799 672
Fee and commission income	157 720	641 723	167 992	636 382
Fee and commission expense	(18 995)	(112 704)	(32 775)	(104 882)
Net fee and commission income	138 725	529 019	135 217	531 500
Dividend income	-	73 658	1 015	64 972
Foreign exchange profit	48 474	215 311	51 694	194 236
Gains less losses on hedge accounting transactions	279	(49)	(1 588)	(5 500)
Net trading income	106	12 647	6 706	28 520
Gains less losses from investment in securities	2 569	7 203	(21 345)	(18 632)
Gains less losses on sale of subordinated undertakings	-	-	2	54 925
Other operating income	17 632	41 424	24 739	49 784
Impairment losses on loans and advances	(33 270)	(57 471)	233	(126 096)
Operating expenses	(283 637)	(1 091 130)	(294 004)	(1 108 778)
Bank's staff, operating expenses and management costs	(232 666)	(886 089)	(230 730)	(883 467)
Depreciation/amortisation	(44 660)	(180 937)	(45 461)	(191 959)
Other operating expenses	(6 311)	(24 104)	(17 813)	(33 352)
Operating profit	111 660	559 803	102 724	464 603
Gross profit	111 660	559 803	102 724	464 603
Corporate income tax	(35 644)	(113 580)	(33 092)	(92 414)
Net profit	76 016	446 223	69 632	372 189
Net earnings (loss) per ordinary share (PLN/share)	1,04	6,12	0,95	5,10

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

	31-12-2005	30-09-2005	31-12-2004
ASSETS			
Cash and balances with central bank	572 329	1 704 325	1 200 143
Loans and advances to banks	3 606 067	3 029 099	2 787 304
Securities at fair value through profit or loss	1 925 612	2 350 719	1 354 938
Derivative financial instruments	735 214	450 092	869 435
Loans and advances to customers	12 897 389	12 628 090	12 875 698
Reverse repo transactions	15 199	15 313	25 697
Investment securities:	6 917 015	7 151 906	5 568 006
- available-for-sale	6 917 015	7 151 906	2 883 158
- held-to maturity	-	-	2 684 848
Investment in subsidiaries and associates	240 069	223 095	222 658
Intangible asset	166 728	180 836	230 665
Property, plant & equipment	510 976	508 720	585 734
Deferred income tax assets	402 407	390 931	442 311
Other assets incl.:	193 942	175 627	174 246
- assets taken-over for sale	17 420	18 485	317
Total assets	28 182 947	28 808 753	26 336 835
LIABILITIES			
Deposits from banks	1 319 491	1 169 315	906 751
Derivative financial instruments	604 755	421 275	821 342
Deposits from customers	20 969 867	20 341 719	19 416 722
Repo transactions	999 541	2 233 128	732 690
Debt securities in issue	93 035	587 167	560 695
Deferred income tax liabilities	303 428	264 576	290 386
Other liabilities	703 900	633 958	713 523
Total liabilities	24 994 017	25 651 138	23 442 109
Equity			
Capital and reserves attributable to the Company's equity holders	3 188 930	3 157 615	2 894 726
Share capital	729 603	729 603	729 603
Other reserve funds	1 950 396	1 950 396	1 684 362
Revaluation reserve	239 495	284 196	154 534
Retained earnings	(176 787)	(176 787)	(45 962)
Profit of the current period	446 223	370 207	372 189
Total equity	3 188 930	3 157 615	2 894 726
Total equity and liabilities	28 182 947	28 808 753	26 336 835

7. Movements on equity of Bank Zachodni WBK S.A.

MOVEMENTS IN EQUITY	Capital and reserves attributable to the Company's equity holders				
	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Total
Opening balance at 31.12.2004	**729 603**	**1 684 362**	**154 534**	**326 227**	**2 894 726**
changes in accounting principles resulting from adoption of IFRS	-	-	20 621	(59 687)	(39 066)
Adjusted balance at 1.01.2005	**729 603**	**1 684 362**	**175 155**	**266 540**	**2 855 660**
Net change in available for sale investments	-	-	64 340	-	64 340
Net change in revaluation of fixed assets	-			-	-
Net gains not recognised in income statement	-	-	64 340	-	64 340
Net profit	-	-	-	446 223	446 223
Total recognised increase in equity in 2005	**-**	**-**	**64 340**	**446 223**	**510 563**
Dividend relating to 2004	-	-	-	(177 293)	(177 293)
Transfer to general banking risk fund	-	30 000	-	(30 000)	-
Transfer to reserve capital	-	236 034	-	(236 034)	-
As at 31.12.2005	**729 603**	**1 950 396**	**239 495**	**269 436**	**3 188 930**

MOVEMENTS IN EQUITY	Capital and reserves attributable to the Company's equity holders				
	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Total
Opening balance at 31.12.2004	**729 603**	**1 684 362**	**154 534**	**326 227**	**2 894 726**
changes in accounting principles resulting from adoption of IFRS	-	-	20 621	(59 687)	(39 066)
Adjusted balance at 1.01.2005	**729 603**	**1 684 362**	**175 155**	**266 540**	**2 855 660**
Net change in available for sale investments	-	-	109 041	-	109 041
Net change in revaluation of fixed assets	-			-	-
Net gains not recognised in income statement	-	-	109 041	-	109 041
Net profit	-	-	-	370 207	370 207
Total recognised increase in equity in 2005	**-**	**-**	**109 041**	**370 207**	**479 248**
Dividend relating to 2004	-	-	-	(177 293)	(177 293)
Transfer to general banking risk fund	-	30 000	-	(30 000)	-
Transfer to reserve capital	-	236 034	-	(236 034)	-
As at 30.09.2005	**729 603**	**1 950 396**	**284 196**	**193 420**	**3 157 615**

MOVEMENTS IN EQUITY	Capital and reserves attributable to the Company's equity holders				
	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Total
Opening balance at 31.12.2003	**729 603**	**1 550 658**	**158 461**	**94 977**	**2 533 699**
changes in accounting principles resulting from adoption of IFRS	-	62 074	(62 074)	(45 962)	(45 962)
Adjusted balance at 1.01.2004	**729 603**	**1 612 732**	**96 387**	**49 015**	**2 487 737**
Net change in available for sale investments	-	-	58 147	-	58 147
Net change in revaluation of fixed assets					
Net gains not recognised in income statement	-	-	58 147	-	58 147
Net profit	-	-	-	372 189	372 189
Total recognised increase in equity in 2004	**-**	**-**	**58 147**	**372 189**	**430 336**
Dividend relating to 2003	-	-	-	(23 347)	(23 347)
Transfer to general banking risk fund	-	60 000	-	(60 000)	-
Transfer to reserve capital	-	11 630	-	(11 630)	-
As at 31.12.2004	**729 603**	**1 684 362**	**154 534**	**326 227**	**2 894 726**

8. Cash flow statement

	od 01-10-2005 do 31-12-2005	od 01-01-2005 do 31-12-2005	od 01-10-2004 do 31-12-2004	od 01-01-2004 do 31-12-2004
Net profit (loss)	**76 016**	**446 223**	**69 632**	**372 189**
Total adjustments:	**(1 317 156)**	**374 891**	**681 143**	**(869 988)**
Amortisation	44 660	180 937	45 461	191 959
Impairment losses	(2 315)	(5 140)	1 937	4 588
Interests and similar charges	(21 083)	(74 140)	(177 935)	(23 743)
Dividend income	-	(73 658)	(2 471)	(64 972)
(Profit) loss from investing activities	(295)	(2 058)	(291)	(63 558)
Change in provisions	(2 480)	9 680	(17 575)	(21 944)
Change in financial instruments at fair value through profit and loss	323 465	(653 040)	70 933	(959 991)
Change in loans and advances from banks	(571 896)	(818 831)	(37 825)	(2 140 756)
Change in loans and advances from customers	(281 299)	(97 181)	398 538	388 522
Change in receivables arising from securities purchased under reverse repo agreements	114	10 498	8 658	(19 891)
Change in deposits from banks	189 008	522 116	(982 724)	(30 724)
Change in deposits from customers	628 187	1 553 145	823 572	1 308 317
Change in liabilities arising from securities sold under repurchase agreements	(1 233 587)	266 851	732 690	732 690
Change in liabilities arising from debt securities in issue	(495 691)	(466 093)	12 986	27 894
Change in assets and liabilities arising from deferred taxation	37 861	46 716	33 821	(13 958)
Change in other assets and liabilities	68 798	(24 451)	(227 576)	(185 073)
Other adjustments	(603)	(460)	(1 056)	652
Net cash flow from operating activities - indirect method	**(1 241 140)**	**821 114**	**750 775**	**(497 799)**
Inflows	**1 013 918**	**1 649 220**	**1 065 830**	**2 399 528**
Sale of shares or interests in subsidiaries and associates	-	6 837	-	69 320
Sale of investment securities	1 011 607	1 558 382	1 059 922	2 233 309
Sale of intangible and tangible fixed assets	2 038	8 912	2 454	30 882
Dividends received	-	73 658	2 471	64 972
Proceeds from other investments	273	1 431	983	1 045
Outflows	**(859 978)**	**(2 808 168)**	**(1 045 120)**	**(1 983 271)**
Purchase of shares or interests in subsidiaries and associates	(16 360)	(16 360)	(2 000)	(44 000)
Purchase of investment securities	(808 310)	(2 720 370)	(1 005 135)	(1 868 004)
Purchase of intangible and tangible fixed assets	(34 791)	(69 833)	(37 660)	(69 488)
Other investments	(517)	(1 605)	(325)	(1 779)
Net cash flow from investing activities	**153 940**	**(1 158 948)**	**20 710**	**416 257**
Cash flow from financing activities				
Inflows	**-**	**-**	-	**-**
Outflows	**(39 723)**	**(290 048)**	**(2 280)**	**(65 826)**
Repayment of long-term loans	(38 871)	(109 376)	(955)	(37 177)
Dividends and other payments to shareholders	-	(177 263)	-	(23 347)
Other financing outflows	(852)	(3 409)	(1 325)	(5 302)
Net cash flow from financing activities	**(39 723)**	**(290 048)**	**(2 280)**	**(65 826)**
Total net cash flow	**(1 126 923)**	**(627 882)**	**769 205**	**(147 368)**
Change in the cash balance, of which:	**(1 126 923)**	**(627 882)**	**769 205**	**(147 368)**
Cash at the beginning of the accounting period	**1 718 307**	**1 219 266**	**450 061**	**1 366 634**
Cash at the end of the accounting period	**591 384**	**591 384**	**1 219 266**	**1 219 266**

9. Bank Zachodni WBK Group performance.

In 2005, Bank Zachodni WBK S.A. recorded a substantial y-o-y increase in financial profits.

Before-tax-profit was PLN 689.5m and 20.9% up
After-tax-profit was PLN 516.3m and 17.9% up

* * *

Excluding one-off gain earned in 2004 in the capital market,
Before-tax-profit was 33.9% higher
After-tax-profit was 31.3% higher

Financial performance

9.1 Profit and Loss Account

The table below presents major developments in key categories of the profit and loss account of Bank Zachodni WBK Group in 2005 compared with the previous year.

PLN m

Key Profit & Loss Items	2005	2004	Change
Total underlying income *	1,944.0	1,834.5	+6.0%
Total costs	(1,193.5)	(1,194.1)	-0.1%
Operating profit*	689.0	509.0	+35.4%
Profit-before-tax*	689.5	515.1	+33.9%
Income tax	(143.5)	(114.6)	+25.2%
Profit-after-tax*	516.3	393.2	+31.3%

** excluding the Group's profit on the disposal of Cardpoint S.A. in 2004 (PLN 55.1 m)*

In 2005, Bank Zachodni WBK Group posted profit-before-tax of PLN 689.5m which exceeds the 2004 figure by 20.9%. Adjusting for the one-off gain of PLN 55.1m earned in 2004 on the disposal of a subsidiary (Cardpoint S.A.), the underlying profit-before-tax increased by 33.9%. This was attributable to a very good performance of the bank and excellent results of subsidiaries, mainly BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A., BZ WBK AIB Asset Management S.A., Dom Maklerski BZ WBK S.A., BZ WBK Leasing S.A. and BZ WBK Finanse & Leasing S.A. The key factors driving the Group's financial profit were:

- business development, including: deposit base (+7.9%), personal lending (+13.1%), lease receivables (+15.5%), assets held by investment funds (+172.3%),
- higher net interest income (+4%) in the falling interest rate environment,
- good growth of net fee and commission income (+9.1%), particularly in the area of insurance products, asset management and investment funds distribution, third party card-related services, brokerage commissions and cross-border payments,
- increased foreign exchange profit (+10.8%) due to higher FX trading and business activity,
- strong cost discipline maintained with total operating costs at 2004 level and non-staff administrative costs reduced by 4.6%,
- lower loan impairment charge (-53.1%), reflecting the improved quality of the Group's assets (NPL ratio fell from 8.5% to 6.9% y-o-y).

Income

In 2005, Bank Zachodni WBK Group produced a total income of PLN 1,944m. Excluding the one-off capital gain realised in the comparable period, this aggregate shows an underlying year-on-year increase of 6%. The main components of total income were as follows:

Net interest income

Net interest income was PLN 909.3m and 4% up on 2004. Growing personal lending, expanding deposit base and efficient liquidity management in the falling interest rate environment were the key factors impacting this performance. Included in this figure were amortised credit fees (PLN 42.5m) which in 2004 were recognised on a cash basis as fee and commission income.

The Bank's FX Swap activity generates significant positive net income which may be considered as part of the bank's overall net interest margin, yet for accounting purposes it is reported as FX profit. If recognised under this line, FX Swaps would contribute PLN 39.8m to net interest income for 2005.

Net commission income

Net fee and commission income increased by 9.1% y-o-y to PLN 696.9m with considerable contribution from BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A., BZ WBK AIB Asset Management S.A. and Dom Maklerski BZ WBK S.A. Their superior business performance gave a sharp boost to the asset management and distribution fees (+114.6%), and brokerage-related commissions (+42.7%). During 2005, the highest growth in banking net fee and commission income was recorded in the area of distribution of insurance products (+116.7%), card-related services provided to external institutions (+83.2%), cross-border payments (+17.7%), credit cards (+9.2%). In 2005, this heading was also impacted by settlement and disclosure of the Group's fees and commissions in compliance with IAS 39, which reduced its value by PLN 45.7m.

Dividend income

Dividend income totalled PLN 47.7m and was down y-o-y by 12.2% as a result of a lower dividend paid out to Bank Zachodni WBK S.A. by the Commercial Union Group members included in the bank' s equity investment portfolio. In 2005, these entities disbursed PLN 44.1m in 2005 as compared to PLN 52.8m a year before.

FX profit

FX profit was PLN 218.3 m and 10.8% up on 2004 under the impact of steady improvements in FX trading and customer business.

Gains from financial instruments measured at fair value through profit and loss

Net income on trading financial assets measured at fair value through the profit and loss account fell by 52.9% to PLN 18.6m due to changed classification of the equity portfolio managed by BZWBK subsidiary and lower margins on Cross Currency Interest Rate Swaps as a result of lower PLN interest rates.

Other operating income

Other operating income amounted to PLN 48.3m and was lower by 9.4% than in 2004 due to fewer sales of fixed assets and lower level of released accruals for future liabilities.

Loan impairment charge

In 2005, the impairment charge to the profit and loss account fell by 53.1% y-o-y to PLN 61.6m, reflecting the sustained improvement in quality of the Group's assets and increased paybacks. At the end of December 2005, the impaired receivables accounted for 6.9% of the gross customer portfolio with a loan loss coverage ratio at 62.4%. A year before, the respective ratios were at 8.5% and 51.3%. This was accomplished due to an ongoing commitment to the quality and strict risk management.

Costs

Total operating costs of the Bank Zachodni WBK Group totalled PLN 1,193.5m and remained stable y-o-y. Their main components were as follows:

Staff and other administrative expenses

The Group's costs included under this heading increased by 2.6% to PLN 978.3m and were driven by dynamic business development of subsidiaries. On a stand-alone basis, the bank's costs were almost flat (+0.3%) compared to 2004, an increase in staff costs (+6.2%) being offset by a high decline (-7.1%) in non-staff expenses.
The Group's staff expenses increased by 8.3% to PLN 574.5m on account of salary raises and bonuses, higher employment (+178 FTEs) and larger training expenses. This was to some degree counterbalanced by savings on other administrative expenses which decreased by 4.6% to PLN 403.8m thanks to group-wide observance of purchasing policy rules, improved cost-effectiveness of operating processes, reduced suppliers' base and renegotiation of supply contracts. Compared to 2004, the most noteworthy reductions were achieved under IT usage line and maintenance and rental of premises.

Depreciation

Depreciation totalled PLN 186.5m and decreased by 6.5% compared to 2004 due to an ongoing process of fixed assets optimisation.

Other operating costs

Other operating costs totalled PLN 28.8m and were 29.9% down on the previous year, mainly as a result of lower level of provisions.

The results achieved by the Bank Zachodni WBK Group brought the cost/income ratio down to 61.4% from 65.1% in 2004.

9.2 Balance-sheet items

The table below presents major developments in key categories of the balance sheet of Bank Zachodni WBK Group as at the end of December 2005 versus the corresponding period of 2004.

PLN m

Key balance-sheet items	31-12-2005	31-12-2004	Change
Balance sheet total	29,604.1	27,545.8	+7.5%
Key assets			
Amounts due from customers (gross)	14,923.7	14,679.1	+1.7%
Investment securities	6,990.3	5,607.9	+24.7%
Loans and advances to banks	3,608.3	2,800.3	+28.9%
Key liabilities			
Deposits from customers	20,839.0	19,316.9	+7.9%
Amounts due to banks	1,692.6	1,301.6	+30%

As at 31 December 2005, total assets of the Bank Zachodni WBK Group amounted to PLN 29,604.1m and were 7.5% up on end-2004. The value and structure of the Group's balance sheet is determined by the bank's balance sheet which accounts for 95.2% of the consolidated total assets. Compared to 31 December 2004, the Group recorded a substantial increase in amounts due to customers and banks. As regards assets, 2005 saw strong growth of the group's placements in the interbank market and of investment in financial assets, mainly Treasury bonds acquired for the portfolio designed to mitigate the structural risk of the Group's balance sheet.

Deposit base

Customer deposits, which represent 70.4% of the Group's liabilities, are the main driver of the balance sheet growth and the primary source of funding its lending business. At the end of December 2005, customer deposits totalled PLN 20,839m and were higher by 7.9% y-o-y. Excluding 1D deposits, balances in the current accounts held by individuals, companies and public sector customers totalled PLN 7,352m and exceeded the 2004 figure by 28.1%. This growth was stimulated by interest rate cuts which made customers more inclined to keep their financial resources in current accounts. Term-deposit base (including 1D deposits) remained on the similar level y-o-y and amounted to PLN 13,052.5m. Deposits held by the Group were still dominated by deposits from individuals (54.1%); though the share of institutional deposits (from business and public sector customers) in the total customer-based resources was increasing (5.8pp over the year) along with growing volumes.

As at the end of December 2005, the Group's liability arising from debt securities in issue totalled 840.4m, a decrease of 30% y-o-y. The reduction of the own bonds portfolio results from the buy-back of PLN 448m worth of Bank Zachodni WBK bonds which were issued in 2003 under II Investment Bonds Issue Programme (PEOL). In 2005, BZWBK Leasing S.A. and BZ WBK Finanse & Leasing S.A. continued issuing their own bonds under public issue programmes.

As at the end of December 2005, the Group's total savings and deposit base, including customer deposits and bonds in issue, amounted to PLN 21,679.4m.

Credit portfolio

At the end of December 2005 gross loans and advances to customers were PLN 14,923.7m and 1.7% up y-o-y. A continually strong growth was recorded in personal loans and lease rentals offered by the bank's subsidiaries, i.e. BZ WBK Finanse & Leasing S.A. and BZ WBK Leasing S.A. Retail portfolio increased over 12 months by 13.1% to PLN 3,306.3m, the main growth drivers being cash loans (+89%), mortgages (+7.1%) and credit card exposures (+4.2%). The leasing portfolio increased by 15.5% on 2004 and totalled PLN 1,609.8m. In 2005, development of the business credit portfolio was impeded by the lower than expected level of investment and repayment of short-term liabilities ahead of schedules by companies with high liquidity. Satisfactory growth, however, was recorded in terms of property market transactions and structural financing.

The biggest item in the lending structure of the Bank Zachodni WBK Group were loans to business and public sector customers, accounting for 67% of the gross portfolio. Retail loans represented 22% of the overall portfolio, while leasing and other receivables made up 11%.

The Bank Zachodni WBK Group maintains an adequate diversification of the credit portfolio in accordance with its policy of exposure to industries and financial groups. In 2005, there was no single dominant sector and the biggest share of 11.5% was for the real estate activities (real estate sector as a percentage of a total portfolio before intercompany).

The quality of the Group's loan-book continued to improve during the year, which is reflected in the declining NPL ratio.

Bussines activities

Information on performance of BZWBK Group during four quarters of 2005 are discussed in detail in the Management Board Report on Bank Zachodni WBK Group Performance in 2005 issued simultaneously with the quarterly report.

10. Significant accounting principles applied in Bank Zachodni WBK Group

Statement of compliance

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Group is provided in note 3.

Standards that are issued and not yet effective.

IFRS 7 *Financial Instruments: Disclosures* is not effective until 1 January 2007 and was recently endorsement by the European Union. The Bank has not early adopted since management believe that the disclosures under IFRS 7 would not be very different to the requirements of IAS 32 and IAS 30. Other standards, amendments to the standards and IFRIC interpretations recently endorsed or awaiting endorsement are either not relevant to the Bank or would not have a material impact on the current year financial statements**.**

BZWBK Group did not present an estimated impact of the above regulations on the financial report due to a lack of feasible methods of making relevant estimates and an insignificant influence of the first-time adoption of the standard or interpretation on the consolidated financial statements (interpretations IFRIC 4 and IFRIC 5 apply to the annual periods commencing 1 January 2006 or later).

Basis of preparation

The financial statements are presented in PLN, rounded to the nearest thousand.
The financial statements are prepared on a fair value basis for derivative financial instruments, financial instruments at fair value through profit and loss account, and available-for-sale financial assets, except those for which a reliable measure of fair value is not available. Other financial assets and financial liabilities (including loans and advances) are recognized at amortised cost using the effective interest rate less impairment or purchase price less impairment.
The preparation of financial statements in conformity with IFRSs requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.
The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing an opening IFRS balance sheet at 1 January 2004 for the purposes of the transition to IFRSs.
The accounting policies have been applied consistently by Group entities.

Basis of consolidation

Subsidiaries

Subsidiaries are those enterprises which are controlled by BZWBK S.A. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Control also exists when the parent owns half or less of the voting power of an entity when there is:

(a) power over more than half of the voting rights by virtue of an agreement with other investors;
(b) power to govern the financial and operating policies of the entity under a statute or an agreement;
(c) power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; or
(d) power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Purchase method of accounting

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group’s share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group’s share of losses exceeds its interest in an associate, the Group’s carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group’s interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the reporting currency at the foreign exchange rates ruling at the dates that the fair values were determined.

Hedge accounting and derivative financial instruments

Derivative financial instruments are initially recognised at fair value. After their initial recognition, derivatives are subsequently measured at their fair values without any deduction for transactions costs to be incurred on sale or disposal.
The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification) or based on a valuation technique whose variables include only data from observable markets.

The Group uses derivative financial instruments to hedge its exposure to interest rate risks arising from operational, financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments and recognised at fair value.
Hedge accounting recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item.
At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged. The Group also documents, at inception and on going basis, an assessment of the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value.

Fair value hedge

This is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.
A fair value hedge is accounted for as follows: the gain or loss from remeasuring the hedging instrument at fair value (for a derivative hedging instrument) shall be recognised in profit or loss; and the gain or loss on the hedged item attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognised in profit or loss. This applies if the hedged item is otherwise measured at amortised cost. Recognition of the gain or loss attributable to the hedged risk in profit or loss applies if the hedged item is an available-for-sale financial asset.

Financial assets and financial liabilities

Classification

The Group classifies its financial instruments into the following categories: financial assets or financial liabilities at fair value through profit or loss; held-to-maturity investments; loans and receivables and available-for-sale financial assets.

Financial asset or financial liability at fair value through profit or loss

This is a financial asset or liability that meets either of the following conditions.

(1) Classified as held for trading. A financial asset or financial liability is classified as held for trading if:
  a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
  b) it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.
  c) derivatives are held for trading unless the derivative is a designated and effective hedging instrument.

(2) Upon initial recognition it is designated by the Group as at fair value through profit or loss.

Held-to-maturity investments

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group’s management has the positive intention and ability to hold to maturity. If the Group were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity, the entire category would be tainted and reclassified as available for sale and for a two year period the Group would not utilise the held to maturity classification.

Loans and receivables

Loans and receivables arise when the Group provides money to a debtor for a purpose other than short-term profit taking. Loans and receivables comprise loans and advances to banks and customers including purchased receivables and investments in debt instruments provided that they are not quoted in an active market.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost using EIR method include deposits from banks, deposits from customers, repo transactions and debt securities in issue which are not subject to hedge accounting.

Recognition

A regular way purchase or sale of a financial asset classified at fair value through profit or loss, held to maturity and available for sale are recognised using settlement date accounting. The method is applied consistently for all purchases and sales of financial assets. Loans are recognised when cash is advanced to the borrowers.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the Group transfers the contractual rights to receive the cash flows.

Measurement

When a financial asset or financial liability is recognised initially, it is measured at fair value plus (in the case of a financial asset or financial liability not at fair value through profit or loss) transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

After initial recognition, the Group measure financial assets, including derivatives that are assets, at their fair values, without any deduction for transaction costs it may incur on sale or other disposal, except for (a) loans and receivables which shall be measured at amortised cost using the effective interest method (b) held-to-maturity investments which shall be measured at amortised cost using the effective interest method; and (c) investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, except for: (a) financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are measured at fair value (b) financial liabilities resulting from transferring a financial asset that is not to be derecognised .

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

Gains and losses on subsequent measurement

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

A gain or loss on a financial asset or financial liability classified as at fair value through profit or loss is recognised in profit or loss.

A gain or loss on an available-for-sale financial asset, except for impairment losses and foreign exchange gains and losses, is recognised directly in equity, through the statement of changes in equity until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the entity's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities) the Group establishes fair value by using valuation techniques which include recent arms length market transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Where a fair value cannot be reliably estimated, unquoted instruments that do not have a quoted market price in an active market are measured at cost and periodically tested for impairment.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when there is a legally enforceable right to set off the recognised amounts and when there is an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Sale and repurchase agreements

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

Securities sold subject to repurchase agreements ("repos") are not derecognised at the balance sheet date. Where the transferee has the right by contract or custom to sell or repledge the collateral, the liability is disclosed as a liability arising from repo transactions. Securities purchased under agreements to resell ("reverse repos") are recorded as receivables arising from reverse repo transactions. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

Impairment of financial assets

Assets carried at amortised cost

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. It may not be possible to identify a single, discrete event that caused the impairment. Rather the combined effect of several events may have caused the impairment Losses expected as a result of future events, no matter how likely, are not recognised. Objective evidence that a financial asset or group of assets is impaired includes observable data about the following loss events:

(a) significant financial difficulty of the issuer or obligor;

(b) a breach of contract, such as a default or delinquency in interest or principal payments;

(c) the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;

(d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

 (i) adverse changes in the payment status of borrowers in the group, or

 (ii) national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If a loan, receivable or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The carrying amount of the asset shall be reduced through identification of a provision. The amount of the loss shall be recognised in profit or loss.

As a practical expedient, the Group may measure impairment of a financial asset carried at amortised cost on the basis of an instrument's fair value using an observable market price. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

The Group periodically reviews its loan portfolio to check whether there is any objective evidence that a financial asset or group of financial assets are impaired.

The analysis of impairment is carried out:

- with reference to individual credit exposures representing significant reporting items (in excess of PLN 2 m),
- with reference to the portfolio of credit exposures which individually are not significant.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised by the Group are not included in a collective assessment of impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms (for example, on the basis of the Group's credit risk evaluation or the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). The characteristics chosen are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status or other factors that are indicative of incurred losses in the group and their magnitude). The Group reviews regularly the methodology and assumptions used for estimating future cash flows in order to reduce any differences between loss estimates and actual loss experience.
In the case of credit exposures for which no indications of impairment were identified, the impairment analysis is carried out based on the concept of losses already incurred but not yet reported and connected with loan impairment (IBNR), which is estimated on the basis of the historical loss experience for loans with a similar risk profile.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting the provision. The amount of the reversal is recognised in profit or loss. Recoveries related to previously recognised write offs are recognised in profit nad loss account in "Impairment losses on loans and advances".

Available-for-sale financial assets

For financial assets classified as available-for-sale for which there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from equity and recognised in profit or loss shall be the difference between the acquisition cost (net of any principal repayments and amortisation) and current fair value. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Finance lease receivables

Leases where the Group transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable at an amount equal to the net investment in the lease is recognised.
The recognition of finance lease income is based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.
Finance lease receivables are included in loans and advances to customers.

Off balance sheet liabilities

For off-balance sheet liabilities, provisions for impairment is measured using the existing credit limit and the recoverable amount defined as the present value of the estimated future cash flows discounted by the effective interest rate. For off-balance sheet liabilities the cash flows are calculated with reference to the existing credit limit at the date corresponding to the maturity of the obligation and depend on the probability of outflow of the funds from the Bank.

Property, plant and equipment

Owned assets
Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses.

Leased assets
Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Subsequent costs
The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

• buildings	40 years
• structures	22 years
• plant and equipment	3 – 14 years

Intangible assets

Goodwill

Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint ventures. In respect of business acquisitions that have occurred since 1 January 2003, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is no longer amortised but is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Negative goodwill arising on an acquisition is recognised directly in profit or loss.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

• software development costs	3 – 5 years
• computer software	3 – 5 years

Other items

Other trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

Borrowings

Borrowings are recognised initially at fair value, being the issue proceeds (fair value of consideration received) net of transaction costs occurred. Borrowings are subsequently stated at amortised cost.

Impairment of assets other than financial assets.

The carrying amounts of the Group's assets, other than deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Calculation of recoverable amount

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Reversals of impairment

An impairment loss in respect of goodwill is not reversed.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Equity

Equity comprises capital and funds created in accordance with applicable law, acts and the Statutes. Equity also includes retained earnings and prior year losses carried forward.
Share capital is stated at its nominal value in accordance with the Statutes and the entry in the court register.
Supplementary capital is created from profit allocations and share issue premiums.
Reserve capital is created from profit allocations and is earmarked for covering balance sheet losses.
Revaluation reserve comprises:

- differences from the valuation of financial assets available for sale taking into account the deferred income tax,

Revaluation reserve is not distributable.

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

Net financial result for the accounting year is the profit disclosed in the profit and loss account of the current year adjusted by the corporate income tax charge.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

Dividends

Dividends on redeemable preference shares are recognised as a liability and expressed on an accrual basis. Other dividends are recognised as a liability in the period in which they are declared.

Employee benefits

Long-term service benefits

The Group's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The accrual for retirement bonus granted under the provisions of the Collective Labour Agreement and terms of individual employee contracts as well as the accrual for disability pension bonus were estimated on the basis of an actuarial valuation. The actuarial valuation of those accruals is updated on an annual basis.

The identifiable actuarial gains and losses include: retrospective adjustments to the actuarial assumptions being the difference between the previous actuarial assumptions and the actual occurrences and the effects of changes in the actuarial assumptions.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provisions for off balance sheet items such as guarantees, letters of credit, and unutilised irrevocable credit facilities are recognised in accordance with this policy.

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

Net interest income

Interest income and expenses for all financial instruments is recognised in the income statement at amortised cost using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees (e.g. arrangement, drawdown, renewal, restructure fees and fees for annexes which modify payments) and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Net commission income

Fees and commissions settled under effective interest rate are listed above. Fees on overdrafts, revolving loans, credit cards and off balance sheet liabilities are brought in a straight-line method to the profit and loss account.

Other fees and charges, which are not settled according to effective interest rate, are taken to profit and loss account on an on-going basis.

Dividend income

Dividends are taken to the profit and loss account at the moment of acquiring rights to them.

FX profit

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

Result on and valuation of FX Swap and FX Forward transactions is disclosed in "FX gains/losses".

The effects of valuation of the FX off balance sheet items (FX swaps, forwards and spot contracts) are recognized in the balance sheet and the profit and loss account at the transaction date.

Profit on disposal of subsidiaries and associates

Profit on the sale of interests in subsidiaries and associates is set as a difference between the book value of the securities and their sale price. It is disclosed as profit on disposal of subordinated entities and undertakings.

Other operating income and costs

Other operating income and costs include expenses and revenues, which are not related directly to the statutory activity of the Group. These are primarily revenues and costs from the sale and liquidation of fixed assets, income from sale of other services, paid and received damages, penalties and fines.

Operating lease payments

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Finance lease payments

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

Corporate income tax

Corporate income tax consists of current and deferred tax.

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

The Group creates a provision for deferred tax in respect of all taxable temporary differences and deferred tax assets with regard to all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities should be measured as the multiple of a temporary difference and the tax rates that are expected to apply to the period when the asset is realised or the liability is settled (liability method), based on tax rates/laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are not discounted.

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

Fixed assets held for sale

Directly before initial classification of an asset (or a group of assets for sale) as an asset for sale, the Group establishes the carrying amount of the assets (or all assets and liabilities included in the group) in line with the applicable IFRS. Then the unit recognises the asset (or a group of assets) classified as asset for sale at the lower of its carrying amount and fair value less costs of disposal.

Impairment of assets initially classified as available for sale is presented in the profit and loss account. The same applies to the revaluation-related future profits and losses.

11. First-time-adoption of IFRS

The consolidated financial statements of the BZ WBK Group for the year 2005 were prepared in line with the International Financial Reporting Standards and are the first time adoption of IFRS. The accounting policies specified in Note 11 were used in preparation of the financial statements for year ened on 31 December 2005 and for presentation of comparable data for the financial year ended 31 December 2004 as well as for preparation of the opening balance as at 1 January 2004 (date of IFRS adoption by the Group) in compliance with IFRS. The comparable data presented in the financial statements were not adjusted to the extent allowed by the IFRS exemptions.

Exemptions from full retrospective application of IFRS:

Business combinations - the Group did not apply IFRS 3 retrospectively with regard to the past business combinations. At the date of adoption of IFRS, the goodwill was tested for impairment and appropriate impairment charge was recognised.

Fair value or reinstatement to the deemed cost - the Group decided to accept as the deemed cost the reinstated amounts of individual items of property, plant and equipment calculated earlier in accordance with the generally accepted accounting principles.

Identification of earlier recognised financial instruments – the Group adopted the date of adoption of IFRS as the date of recognition of the financial instruments classified as assets held for sale or financial liabilities measured at fair value through the profit and loss account or as available for sale.

Exemption from retrospective application of IFRS:

Assets classified as available for sale – as at 1 January 2005 stated the assets available for sale separately, in line with IFRS 5.

Estimates - the Group's estimates under IFRSs at the date of transition to IFRSs are consistent with estimates made for the same date under previous GAAP (after adjustments to reflect any difference in accounting policies).

Exemptions from conversion of comparable data

The Group also elected to use the exemption from the requirement to convert the comparable data relating to IAS 39 and IAS 32. The adjustments arising from IAS 39 and IAS 32 were applied on 1 January 2005 and are presented in consolidated balance sheet as at 1 January 2005.

Significant differences between PAS and IFRS in the BZWBK Group consolidated financial statement

Below there are differences between financial information presented in previous interims according to the Polish Accounting Standards (PAS) and financial data including the impact of IFRS.

Consolidated balance sheet as at 1 January 2004

Assets		PAS	Adjustment	IFRS
Cash and balances with central bank		1 161 497		1 161 497
Loans and advances to banks		832 578		832 578
Securities at fair value through profit & loss account		478 173		478 173
Derivative financial instruments		159 317		159 317
Loans and advances to customers	(a)(b)(e)(f)	13 954 199	(14 995)	13 939 204
Reverse repo transactions		5 806		5 806
Investment securities	(e)	5 923 907	570	5 924 477
Investments in subsidiaries and associates	(e)	70 934	(783)	70 151
Intangible assets		301 353		301 353
Property, plant & equipment	(a)(e)	695 547	(4 559)	690 988
Deferred income tax assets	(a)(b)(d) (e)	290 724	1 485	292 209
Other assets	(e)(f)	283 532	(20 721)	262 811
Total assets		**24 157 567**	**(39 003)**	**24 118 564**
Liabilities				
Deposits from banks		937 475		937 475
Derivative financial instruments		259 409		259 409
Deposits from clients	(e)	18 348 719	(476)	18 348 243
Debt securities in issue		792 574		792 574
Negative goodwill from acquisition of subsidiaries and associates	(c)	11 196	(11 196)	-
Deferred income tax liabilities	(c)(e)	138 810	970	139 780
Other liabilities	(a)(d)(e)(f)	1 111 102	(32 516)	1 078 586
Total liabilities		**21 599 285**	**(43 218)**	**21 556 067**
Share capital		729 603		729 603
Other reserve funds	(e)(g)	1 548 549	62 488	1 611 037
Revaluation reserve	(e)(g)	159 992	(62 057)	97 935
Retained earnings	(a)(b)(c) (d)(e)	104 568	3 653	108 221
Minority interest	(e)	15 570	132	15 702
Total equity		**2 558 282**	**4 215**	**2 562 497**
Total Liabilities		**24 157 567**	**(39 003)**	**24 118 564**

a) Conversion of operating leases into finance leases

In accordance with the previous accounting standards, some types of lease were classified as operating leases based on legal ownership criteria. From 1 January 2004, these leases are classified as finance leases according to IAS 17, and their related assets are excluded from the Group balance sheet and converted into finance lease receivables. As a result, adjustments were made to the following items:

1)	Increase in loans and advances to customers	4 439
2)	Decrease in property, plant and equipment	(4 746)
3)	Increase in deferred tax assets	26
4)	Decrease in other liabilities	(169)
5)	Decrease in retained earnings	(112)

b) Use of effective interest rate and valuation of leases at amortised cost

Due to the retrospective application of IAS 17, from 1 January 2004 lease receivables have been recognised at amortised costs and using the effective interest rate. In effect, the received fees on lease agreements were reclassified, which affected the following items:

1)	Decrease in loans and advances to customers	(7 420)
2)	Increase in deferred tax assets	1 410
3)	Decrease in retained earnings	(6 010)

c) Reversal of negative goodwill of subsidiary undertakings

At the date of adoption of IFRS, the Group reversed the previously recognised negative goodwill of the subsidiaries accounted for using the equity method. Additionally Group recognised deferred tax liability on equity method valuation.

1)	Decrease in negative goodwill of subsidiaries and associates	(11 196)
2)	Increase in deferred tax liability	965
2)	Increase in retained earnings	10 231

d) Costs of the option programme

At the date of adoption of IFRS, in line with IFRS 2 the Group recognised in its financial statements the costs option programme for the BZ WBK executives, as the costs were not previously reported. The change affected the following items:

1)	Increase in deferred tax assets	37
2)	Increase in other liabilities	195
3)	Decrease in retained earnings	(158)

e) Change in the scope of consolidation

As at 1 January 2004, in connection with the retrospective application of IAS 27, the Group made changes to the scope of consolidation. As a result, the following entities were included in line-by-line consolidation:
BZ WBK Nieruchomości S.A.
Brytyjsko-Polskie Towarzystwo Finansowe WBK –CU Sp. z o.o.

1)	Decrease in loans and advances to customers	(14)
2)	Increase in investment securities	570
3)	Decrease in investments in subsidiaries and associates	(783)
4)	Increase in property, plant and equipment	187
5)	Increase in deferred tax assets	12
6)	Increase in other assets	546
7)	Decrease in deposits from customers	(476)
8)	Increase in deferred tax liabilities	5
9)	Increase in other liabilities	725
10)	Increase in other funds	425
11)	Increase in revaluation reserve	5
12)	Decrease in retained earnings	(298)
13)	Increase in minority interests	132

f) Netting of Social Fund receivables

According to IAS 1 Group netted Social Fund receivables against other liabilities.

1)	Decrease of loans and advances from customers	(12 000)
2)	Decrease of other assets	(21 267)
3)	Decrease of other liabilities	(33 267)

g) Revaluation reserve

Transfer of fixed assets revaluation reserve, accounted for by PAS, imposed by application of IAS 1.

1)	Decrease of revaluation reserve	(62 062)
2)	Increase of other reserve capitals	62 062

The cumulated impact on the balance of deferred tax assets/liabilities and retained earnings as at 1 January 2004 is presented in the tables below:

Deferred tax assets

1)	Impact of converting rent and operating lease agreements into finance lease agreements.	26
2)	Impact of adopting an effective interest rate method in measuring lease receivables.	1 410
3)	Change in the scope of consolidation (line-by-line consolidation method applied to subsidiaries formerly excluded from consolidation).	12
4)	Impact of costs related with a share option program for BZWBK Group executives.	37
	Total impact	1 485

Deferred tax liabilities

1)	Change in the scope of consolidation (line-by-line consolidation method applied to subsidiaries formerly excluded from consolidation)	5
2)	Impact deferred tax on equity method valuation	965
	Total impact	970

Retained earnings

1)	Impact of converting rent and operating lease agreements into finance lease agreements.	(112)
2)	Impact of adopting an effective interest rate method in measuring lease receivables.	(6 010)
3)	Reversal of negative goodwill from acquisition of subsidiary undertakings	10 231
4)	Impact of costs related with a share option incentive program for BZWBK Group executives.	(158)
5)	Change in the scope of consolidation (reversal of equity method evaluation of subsidiaries).	(298)
	Total impact	3 653

Consolidated balance sheet as at 31 December 2004

Assets		PAS	Adjustment	IFRS
Cash and balances with central bank		1 200 154		1 200 154
Loans and advances to banks		2 800 318		2 800 318
Securities at fair value through profit & loss account		1 369 937		1 369 937
Derivative financial instruments		869 435		869 435
Loans and advances to customers	(a)(b)(e)(h)	14 070 254	(18 493)	14 051 761
Reverse repo transactions		25 697		25 697
Investment securities		5 607 851		5 607 851
Investments in subsidiaries and associates	(e)	77 781	(838)	76 943
Intangible assets	(f)	238 212	(1 208)	237 004
Property, plant & equipment	(a)(e)	595 851	(2 808)	593 043
Deferred income tax assets	(a)(b)(c)(d)(e)	470 699	2 204	472 903
Other assets	(e)(h)	240 305	(20 961)	240 724
Total assets		**27 587 874**	**(42 104)**	**27 545 770**
Liabilities				
Deposits from banks		1 301 638		1 301 638
Derivative financial instruments		804 501		804 501
Deposits from clients	(e)	19 317 970	(1 070)	19 316 900
Repo transactions		732 690		732 690
Debt securities in issue		1 200 326		1 200 326
Negative goodwill from acquisition of subsidiaries and associates	(c)	8 600	(8 600)	-
Deferred income tax liabilities	(a)(b)c)(e)	301 472	2 422	303 894
Other liabilities	(a)(d)(e)(h)	868 054	(32 440)	835 614
Total liabilities		**24 535 251**	**(39 688)**	**24 495 563**
Share capital		729 603		729 603
Other reserve funds	(e)(i)	1 641 684	59 948	1 701 632
Revaluation reserve	(e)(i)	215 454	(59 442)	156 012
Retained earnings	(a)(b)(c)(d)(e)(f)	435 207	(3 054)	432 153
Minority interest	(e)	30 675	132	30 807
Total equity		**3 052 623**	**(2 416)**	**3 050 207**
Total liabilities		**27 587 874**	**(42 104)**	**27 545 770**

a) Conversion of operating leases into finance leases

In accordance with the previous accounting standards, some types of lease were classified as operating leases based on legal ownership criteria. From 1 January 2004, these leases are classified as finance leases according to IAS 17, and their related assets are excluded from the Group balance sheet and converted into finance lease receivables. As a result, adjustments were made to the following items:

1)	Increase in loans and advances to customers	2 569
2)	Decrease in property, plant and equipment	(2 937)
3)	Increase in deferred tax assets	262
4)	Increase in deferred tax liabilities	224
5)	Decrease in other liabilities	(169)
6)	Decrease in retained earnings	(161)

b) Use of effective interest rate and valuation of leases at amortised cost

Due to the retrospective application of IAS 17, from 1 January 2004 lease receivables have been recognised at amortised costs and using the effective interest rate. In effect, the received fees on lease agreements were reclassified, which affected the following items:

1)	Decrease in loans and advances to customers	(9 076)
2)	Increase in deferred tax assets	1 800
3)	Increase in deferred tax liabilities	75
4)	Decrease in retained earnings	(7 351)

c) Reversal of negative goodwill of subsidiary undertakings

At the date of adoption of IFRS, the Group reversed the previously recognised negative goodwill of the subsidiaries accounted for using the equity method. Additionally Group recognised deferred tax liability on equity method valuation.

1)	Decrease in negative goodwill of subsidiaries and associates	(8 600)
2)	Increase in deferred tax liability	2 121
3)	Increase in retained profits	6 479

d) Costs of the option programme

At the date of adoption of IFRS, in line with IFRS 2 the Group recognised in its financial statements the costs option programme for the BZ WBK executives, as the costs were not previously reported. The change affected the following items:

1)	Increase in deferred tax assets	123
2)	Increase in other liabilities	645
3)	Decrease in retained earnings	(522)

e) Change in the scope of consolidation

As at 1 January 2004, in connection with the retrospective application of IAS 27, the Group made changes to the scope of consolidation. As a result, the following entities were included in line-by-line consolidation:
BZ WBK Nieruchomości S.A.
Brytyjsko-Polskie Towarzystwo Finansowe WBK –CU Sp. z o.o.

1)	Increase in loans and advances to customers	14
2)	Decrease in investments in subsidiaries and associates	(838)
3)	Increase in property, plant and equipment	129
4)	Increase in deferred tax assets	19
5)	Increase in other assets	419
6)	Decrease amounts due to customers	(1 070)
7)	Increase in deferred tax liabilities	2
8)	Increase in other liabilities	464
9)	Increase in other funds	501
10)	Increase in revaluation reserve	5
11)	Decrease in retained earnings	(291)
12)	Increase in minority interest	132

(f) Reversal of goodwill

At the date of adoption of IFRS, the goodwill, included in intangible fixed assets, was tested for impairment and appropriate impairment charge was recognised.

1)	Decrease in intangible fixed assets	(1 208)
2)	Decrease in retained earnings	(1 208)

The cumulated impact on the balance of deferred tax assets/liabilities and retained earnings as at 31 December 2004 is presented in the tables below:

h) Netting of Social Fund receivables

According to IAS 1 Group netted Social Fund receivables against other liabilities.

1)	Decrease of loans and advances from customers	(12 000)
2)	Decrease of other assets	(21 380)
3)	Decrease of other liabilities	(33 380)

i) Revaluation reserve

Transfer of fixed assets revaluation reserve, accounted for by PAS, imposed by application of IAS 1.

1)	Decrease of revaluation reserve	(59 402)
2)	Increase of other reserve capitals	59 402

Deferred tax assets

1)	Impact of converting rent and operating lease agreements into finance lease agreements.	262
2)	Impact of adopting an effective interest rate method in measuring lease receivables.	1 800
3)	Change in the scope of consolidation (line-by-line consolidation method applied to subsidiaries formerly excluded from consolidation).	19
4)	Impact of costs related with a share option program for BZWBK Group executives.	123
	Total impact	2 204

Deferred tax liabilities

1)	Change in the scope of consolidation (line-by-line consolidation method applied to subsidiaries formerly excluded from consolidation)	2
2)	Impact of adopting an effective interest rate method in measuring lease receivables	224
3)	Impact of the adjustment due to conversion of rent and operating lease agreements into financial lease agreements	75
4)	Impact deferred tax on equity method valuation	2 121
	Total impact	2 422

Retained earnings

1)	Impact of converting rent and operating lease agreements into finance lease agreements.	(161)
2)	Impact of adopting an effective interest rate method in measuring lease receivables.	(7 351)
3)	Reversal of negative goodwill from acquisition of subsidiary undertakings	6 479
4)	Impact of costs related with a share option incentive program for BZWBK Group executives.	(522)
5)	Change in the scope of consolidation (reversal of equity method evaluation of subsidiaries).	(291)
6)	Write-off of goodwill	(1 208)
	Total impact	(3 054)

Consolidated balance sheet as at 1 January 2005

(including among others impact of application of IAS 39)

The table below shows the impact of adjustments arising from prospective application of IFRS in the consolidated financial statements of the BZ WBK Group.

Assets		**IFRS 31.12.2004**	**Adjustment**	**IFRS 01.01.2005**
Cash and balances with central bank		1 200 154		1 200 154
Loans and advances to banks		2 800 318		2 800 318
Securities at fair value through profit & loss account	(g)	1 369 937	(14 357)	1 355 580
Derivative financial instruments		869 435		869 435
Loans and advances to customers	(h)(i)	14 051 761	(141 183)	13 910 578
Reverse repo transactions		25 697		25 697
Investment securities	(g)	5 607 851	39 815	5 647 666
Investments in subsidiaries and associates		76 943		76 943
Intangible assets	(k)	237 004	52	237 056
Property, plant & equipment	(j)	593 043	(22 295)	570 748
Deferred income tax assets	(g)(h)(i)	472 903	18 242	491 145
Other assets	(j)(k)(l)	240 724	18 595	259 319
Total assets		**27 545 770**	**(101 131)**	**27 444 639**
Liabilities				
Deposits from banks	(l)	1 301 638	(791)	1 300 847
Derivative financial instruments		804 501		804 501
Deposits from clients		19 316 900		19 316 900
Repo transactions		732 690		732 690
Debt securities in issue	(l)(m)	1 200 326	(5 951)	1 194 375
Deferred income tax liabilities	(g)(i)(l)(m)	303 894	8 370	312 264
Other liabilities	(i)(h)	835 614	(60 112)	775 502
Total liabilities		**24 495 563**	**(58 484)**	**24 437 079**
Share capital		729 603		729 603
Other reserve funds		1 701 632		1 701 632
Revaluation reserve	(g)	156 012	29 197	185 209
Retained earnings	(h)(i)(l)(m)	432 153	(71 844)	360 309
Minority interest		30 807		30 807
Total equity		**3 050 207**	**(42 647)**	**3 007 560**
Total liabilities		**27 545 770**	**(101 131)**	**27 444 639**

g) Reclassification of financial assets

As at 1 January 2005, the BZ WBK Group companies, using IAS 39, reclassified the following financial instruments:
debt securities from the held-to-maturity category to the available-for-sale category (value before reclassification PLN 2,714,385 k, fair value adjustment: - PLN 25,458 k);
equity securities from the category "measured at fair value through the profit and loss to investment securities.

1)	Decrease in financial instruments measured at fair value through profit and loss	(14 357)
2)	Increase in investment securities	39 815
3)	Increase in deferred tax assets	98
4)	Increase in deferred tax liabilities	4 837
5)	Increase in revaluation reserve	29 197
6)	Decrease in retained earnings	(8 478)

h) Impairment

As at 1 January 2005 the BZ WBK Group entities tested their loans and advances to customers for impairment calculated in accordance with IAS 39.

1)	Decrease in loans and advances to customers	(101 669)
2)	Increase in deferred tax assets	5 245
3)	Decrease in other liabilities	(72 993)
4)	Decrease in retained earnings	(23 432)

i) Use of effective interest rate and valuation of loans at amortised cost

On 1 January 2005, under IAS 39 provisions, Bank Zachodni WBK has started to measured its loan receivables at amortised cost. The impact of this change of accounting policies on individual balance sheet items is presented in the table below:

1)	Decrease in loans and advances to customers	(39 514)
2)	Increase in deferred tax assets	12 899
3)	Increase in deferred tax liabilities	2 945
4)	Increase in other liabilities	12 881
5)	Decrease in retained earnings	(42 440)

j) Separation of assets for sale

In accordance with the previous GAAP, assets for sale were recognised in property plant and equipment. On adoption of IFRS 5, Bank Zachodni WBK stopped writing off these assets and separated them as a stand-alone category of Other assets – assets for sale.

1)	Decrease in property, plant and equipment	(22 295)
2)	Increase in other assets	22 295

k) Separation of intangible fixed assets

As part of IFRS adoption, in accordance with IFRS 38 a new intangible fixed asset was separated, which previously constituted a part of other assets.

1)	Increase in intangible fixed assets	52
2)	Decrease in other assets	(52)

l) Effective interest rate on fees paid

The method of settlement of fees on amounts due to banks and debt securities issued was changed. In accordance with IAS 39, Bank Zachodni WBK started to amortise the fees and the securities using the effective interest rate.

1)	Decrease in other assets	(3 648)
2)	Decrease in amounts due to banks	(791)
3)	Decrease in liabilities arising from the issue of debt securities	(3 739)
4)	Increase in deferred tax liabilities	168
5)	Increase in retained earnings	714

m) Hedge accounting

Due to the adoption of IFRS, the Group made corrections to the valuation of its hedged instruments, adjusting them to IAS 39.

1)	Decrease in liabilities arising from the issue of debt securities	(2 212)
2)	Increase in deferred tax liabilities	420
3)	Decrease in retained earnings	1 792

The cumulated impact on the balance of deferred tax assets/liabilities and retained earnings as at 01 January 2005 is presented in the tables below:

Deferred tax assets

1)	Impact of the use of effective interest rate on loans and advances to customers	12 899
2)	Impact of the recognition of impairment of the loans and advances to customers	5 245
3)	Adjustment of deferred tax asset by the effects of valuation of financial assets	98
	Total impact	18 242

Deferred tax liabilities

1)	Impact of the use of effective interest rate	3 113
2)	Impact of the reclassification of securities from the held-to-maturity category to the available-for-sale category	4 837
3)	Impact of the adjustment of the hedged instrument valuation (own bonds issued)	420
	Total impact	8 370

Retained earnings

1)	Adjustment due to impairment of the loans and advances to customers	(23 432)
2)	Impact of the reclassification of the equity securities from the category "measured at fair value through the profit and loss to investment securities	(8 478)
3)	Impact of the use of effective interest rate on loans and advances to customers	(42 440)
4)	Impact of the use of effective interest rate on the issue of own bonds	74
5)	Impact of the use of effective interest rate on the amounts due to financial institutions	640
6)	Impact of the adjustment of the hedged instrument valuation (own bonds issued)	1 792
	Total impact	(71 844)

Consolidated profit and loss account for the period from 01 January 2004 to 31 December 2004.

		PAS	Adjustment	IFRS
Interest and similar income		1 495 033	4 177	1 499 210
Interest expense and similar charges		(624 724)	6	(624 718)
Net interest income	(a)(b)(e)	870 309	4 183	874 492
Fee and commission income		790 596	(3 382)	787 214
Fee and commission expense		(147 109)	(1 225)	(148 334)
Net fee and commission income	(b)(e)	643 487	(4 607)	638 880
Dividend income		54 345		54 345
Foreign exchange profit		197 108		197 108
Gains less losses on hedge accounting transactions		(5 284)		(5 284)
Net trading income		39 530		39 530
Gains less losses from investment in securities		(17 846)		(17 846)
Gains less losses on sale of subsidiaries and associates		55 138		55 138
Other operating income	(a)(c)(e)	53 786	(513)	53 273
Impairment losses on loans and advances		(131 425)		(131 425)
Operating expenses				
Bank's staff, operating expenses and management costs	(f)(e)	(952 071)	(1 547)	(953 618)
Depreciation/amortization	(a)(d)(e)	(202 089)	2 685	(199 404)
Other	(d)(e)	(38 377)	(2 746)	(41 123)
Operating profit		**566 611**	**(2 545)**	**564 067**
Share in net profits (losses) of associates accounted for by the equity method	(c)	9 447	(3 362)	6 085
Gross profit		**576 058**	**(5 907)**	**570 151**
Corporate income tax	(a)(b)(e)(f)	(114 946)	394	(114 552)
Minority (profits) losses		(17 816)		(17 816)
Net profit		**443 296**	**(5 513)**	**437 783**

a) Conversion of operating leases into finance leases

In accordance with the previous accounting standards, some types of lease were classified as operating leases based on legal ownership criteria. From 1 January 2004, these leases are classified as finance leases according to IAS 17, and their related assets are excluded from the Group balance sheet and converted into finance lease receivables. As a result, adjustments were made to the following items:

1)	Increase in net interest income	261
2)	Decrease in other operating income	(1 620)
3)	Decrease in depreciation	1 299
4)	Decrease in deferred tax charge	11

b) Use of effective interest rate and valuation of leases at amortised cost

Due to the retrospective application of IAS 17, from 1 January 2004 lease receivables have been recognised at amortised costs and using the effective interest rate. In effect, the received fees on lease agreements were reclassified, which affected the following items:

1)	Increase in net interest income	3 891
2)	Decrease in net commission income	(5 547)
3)	Decrease in deferred tax charge	315

c) Reversal of negative goodwill of subsidiary undertakings

At the date of adoption of IFRS, the Group reversed the previously recognised negative goodwill of the subsidiaries accounted for using the equity method.

1)	Decrease in the share in net profits (losses) of associates entities accounted for using the equity method	(3 325)
2)	Increase in other operating income	729

d) Reversal of goodwill

At the date of adoption of IFRS, the goodwill, included in intangible fixed assets, was tested for impairment and appropriate impairment charge was recognised.

1)	Decrease in goodwill amortisation	1 443
2)	Increase in other operating costs	(2 651)

e) Change in the scope of consolidation

As at 1 January 2004, in connection with the retrospective application of IFRS 3, the Group made changes to the scope of consolidation. As a result, the following entities were included in line-by-line consolidation:
BZ WBK Nieruchomości S.A.
Brytyjsko-Polskie Towarzystwo Finansowe WBK –CU Sp. z o.o.

1)	Increase in net interest income	31
2)	Increase in net commission income	940
3)	Increase in other operating income	378
4)	Increase in staff and operating costs	(1 097)
5)	Increase in depreciation	(57)
6)	Increase in other operating costs	(95)
7)	Decrease in share in net profits of entities accounted for by the equity method	(37)
8)	Increase in deferred tax charge	(18)

f) Costs of the option programme

At the date of adoption of IFRS, in line with IFRS 2 the Group recognised in its financial statements the costs option programme for the BZ WBK executives, as the costs were not previously reported. The change affected the following items:

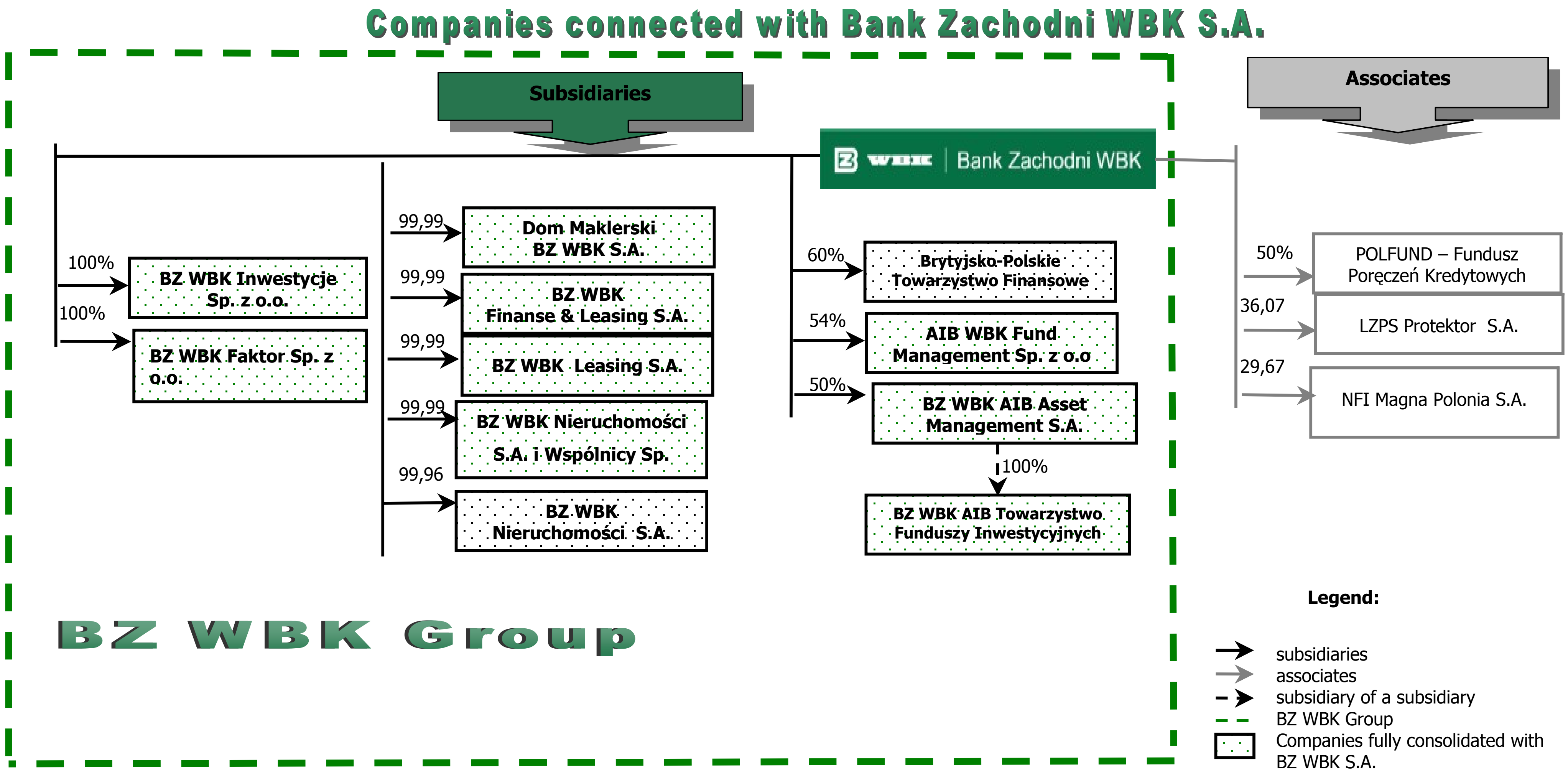
1)	Increase in bank's staff, operating expenses and management costs	(450)
2)	Decrease in deferred tax charge	85

Cash flow statement

Due to the consolidation of additional entities, changes were made to the balance of cash at the beginning of the period (by PLN 476 k) and at the end of the period (by PLN 1 251 k). Other adjustments to the cash flow statement arise directly from adjustments to the relevant balance sheet and profit and loss account items.

12. Description of organization of BZWBK Group

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



Pursuant to IAS 27, the following subsidiary undertakings were fully consolidated in the financial statements of Bank Zachodni WBK for Q4 2005:

1) BZ WBK Inwestycje Sp. z o.o.
2) BZ WBK Faktor Sp. z o.o.
3) Dom Maklerski BZ WBK S.A. (Brokerage House)
4) BZ WBK Finanse & Leasing S.A.
5) BZ WBK Leasing S.A.
6) BZ WBK Nieruchomości S.A. i Wspólnicy Spółka Komandytowa
7) AIB WBK Fund Management Sp. Z O.O.
8) BZ WBK AIB Asset Management S.A.
9) BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. - subsidiary of BZ WBK AIB Asset Management S.A.
10) BZ WBK Nieruchomości S.A.
11) Brytyjsko-Polskie Towarzystwo Finansowe WBK –CU Sp. z o.o.

In case of BZ WBK AIB Asset Management S.A., the Bank is a co-owner of the company together with AIB Capital Markets plc. Both owners of BZ WBK AIB Asset Management S.A. are members of Allied Irish Banks Group and each holds an equal stake of 50% in the company's share capital. In practice, Bank Zachodni WBK S.A. exercises control over the company and its subsidiary, BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A., because through its agency the ultimate parent (Allied Irish Banks) pursues its policy in Poland. Therefore, in line with the accounting act, the company is treated as a subsidiary undertaking.

Pursuant to IAS 28, as at 31 December 2005, associated undertakings were accounted for using the equity method. This applies to the following companies:

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

13. Related party disclosures

All relevant information is disclosed in annual consolidated financial statements for year 2005.

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

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

15. Character and amounts of items which are extraordinary due to their nature, volume, or occurrence and have influence on the assets,liabilities, equity, financial performance or cash flows

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

16. Accounting estimates and judgements

All relevant information is disclosed in annual consolidated financial statements for year 2005.

17. Issues, redemption or repayment of debt or equity instruments

In Q4 2005, Bank Zachodni did not issue bonds or other own debt securities, however bonds were issued in BZWBK Leasing S.A. subsidiary undertaking - 3-year bonds – 3S1008X of PLN 12 801 k (nominal value) with the final redemption date of 06.10.2008 and in BZWBK Finanse&Leasing S.A. - 3-year bonds – 3S1108X of PLN 14 315 k with the final redemption date of 16.11.2008.

BZ WBK bond purchase

In Q4 2005 BZ WBK Inwestycje Sp. z o.o. purchased on the MTS-CeTO market 4 248 178 oridinary bearer bonds, series: 2S1005 (BZS1005), 2S1105 (BZS1105), 2S1205 (BZS1205) issued by Bank Zachodni WBK S.A. under the 2nd Investments Bonds Issue Programme. The above-mentioned bonds were purchased pursuant to BZ WBK Inwestycje Sp. z o.o. Articles of Association, i.e. with the consent of its Supervisory Board. The purchase was exercised as a follow up of the agreement concluded on 1 June 2005 between Bank Zachodni WBK S.A. and BZ WBK Inwestycje Sp. z o.o. Bank Zachodni WBK S.A. advised about this agreement in its report no. 12/2005 on 2 June 2005. BZ WBK Inwestycje Sp. z o.o. intends to maintain the purchased bonds until their redemption.

Redemption of BZ WBK bonds

On 24 October, 2005, Bank Zachodni WBK S.A. purchased and redeemed 366 268 (three hundred and sixty six thousand two hundred and sixty eight) bonds, i.e. all ordinary 2S1005 (BZS1005) series bearer bonds issued by Bank Zachodni WBK S.A. under II Program Emisyjny Obligacji Lokacyjnych (2nd Savings Bond Issue Program).
The day of purchasing 2S1005 series bonds was defined in the 2S1005 series bonds Prospectus published by Bank Zachodni WBK S.A. in the form of current report no. 45/2003 on 22 October 2003 as the 23rd of October 2005. As this was not a Business Day in the understanding of the definition used in the issue Prospectus for BZ WBK ordinary bearer bonds 2nd Program, in line with the principles described in this Prospectus, the purchase took place on the earliest Business Day, i.e. on 24 October 2005.
On 10 November 2005 Bank Zachodni WBK S.A. purchased and redeemed 2 985 695 all ordinary 2S1105 (BZS1105) series bearer bonds issued by Bank Zachodni WBK S.A. under II Program Emisyjny Obligacji Lokacyjnych (2nd Savings Bond Issue Program).
W dniu 5 grudnia 2005 Bank Zachodni WBK S.A. purchased and redeemed 1 128 502 all ordinary 2S1205 (BZS1205) series bearer bonds issued by Bank Zachodni WBK S.A. under II Program Emisyjny Obligacji Lokacyjnych (2nd Savings Bond Issue Program).
The purchase value of one redeemed bond totalled PLN 100 (one hundred zlotys) and was equal to its nominal value.

18. Dividend information.

As at 31.12.2005 Bank Zachodni WBK will allocate to dividends 98,1% of net profit of PLN 437 761 704 i.e. PLN 6,00 per one share (PLN 2,43 in 2004). Outstanding profit of PLN 8 460 864 will be allocated to other reserve capital. Number of shares totaled 72 960 284.

19. Income and profits by business segments

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

- Activity of the Treasury Operations Segment comprises foreign exchange and interbank transactions as well as transaction in derivative instruments and debt securities
- Activity of the Investment Banking Segment includes 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".

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

Consolidated income statement

31.12.2005

	Branch operations	Treasury operations	Investment banking	Leasing operations	Eliminations	Total
1. Total segments income	**2 859 458**	**668 478**	**300 273**	**148 905**	**(1 154 520)**	**2 822 594**
Segments income (external)	2 251 232	164 262	260 238	146 862		**2 822 594**
Segments income (internal)	608 226	504 216	40 035	2 043	(1 154 520)	**-**
2. Total segments costs	**(2 318 859)**	**(601 599)**	**(165 642)**	**(106 481)**	**1 154 520**	**(2 038 061)**
Segments costs (external)	(1 778 232)	(41 485)	(122 061)	(96 283)		**(2 038 061)**
Segments costs (internal)	(540 627)	(560 114)	(43 581)	(10 198)	1 154 520	**-**
3. Dividend income	**-**	**-**	**47 698**	**-**		**47 698**
4. Movements in provisions	**(57 356)**	**-**	**-**	**(4 239)**	**-**	**(61 595)**
Write off	(146 143)			(21 433)		**(167 576)**
Write back	88 787			17 194		**105 981**
5. Segments income on investment in associates	**-**	**-**	**470**	**-**	**-**	**470**
6. Segments gross profit	**483 243**	**66 879**	**182 799**	**38 185**	**-**	**771 106**
7. Unallocated income						-
8. Unallocated costs						(81 650)
9. EBT						**689 456**
10. Income tax						**(143 549)**
11. Minority interest						**(29 592)**
12. Net profit						**516 315**

Consolidated income statement
31.12.2004

	Branch operations	Treasury operations	Investment banking	Leasing operations	Eliminations	Total
1. Total segments income	**2 583 339**	**555 881**	**241 863**	**136 608**	**(929 797)**	**2 587 894**
Segments income (external)*	2 099 177	142 825	211 333	134 559		**2 587 894**
Segments income (internal)	484 162	413 056	30 530	2 049	(929 797)	**-**
2. Total segments costs	**(2 117 872)**	**(497 053)**	**(92 162)**	**(97 667)**	**929 797**	**(1 874 957)**
Segments costs (external)	(1 681 903)	(31 676)	(79 480)	(81 898)		**(1 874 957)**
Segments costs (internal)	(435 969)	(465 377)	(12 682)	(15 769)	929 797	**-**
3. Dividend income	**-**	**-**	**54 345**	**-**		**54 345**
4. Movements in provisions	**(126 797)**	**-**	**-**	**(4 628)**	**-**	**(131 425)**
Write off	(417 034)	**-**	**-**	(28 943)		**(445 977)**
Write back	290 237	**-**	**-**	24 315		**314 552**
5. Segments income on investment in associates	**-**	**-**	**6 085**	**-**	**-**	**6 085**
6. Segments gross profit	**338 670**	**58 828**	**210 131**	**34 313**	**-**	**641 942**
7. Unallocated income						-
8. Unallocated costs						(71 791)
9. EBT						**570 151**
10. Income tax						**(114 552)**
11. Minority interest						**(17 816)**
12. Net profit						**437 783**

* External income of Investment Banking contains the result on sale of CardPoint 55 135 PLN k

20. Acquisitions and disposals of investments.

On 22 of December 2005 AIB WBK Fund Management transferred 4 508 419 shares of NFI Magna Polonia to Bank Zachodni WBK S.A. and AIB Capital Markets. Total amount of the transaction was PLN 30 296 k.

21. Changes to the contingent liabilities or assets

Off balance sheet liabilities

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

Contingent liabilities, sanctioned and received	31.12.2005	30.09.2005	Movement
Liabilities sanctioned:	**4 926 883**	**5 041 809**	**(114 926)**
- financing-related	**4 173 175**	**4 276 847**	**(103 672)**
including: import letters of credit	54 032	51 124	2 908
including: credit lines	3 665 826	3 635 950	29 876
including: credit card debits	358 406	364 131	(5 725)
- guarantees	**753 708**	**764 962**	**(11 254)**
including: confirmed export letters of credit	2 630	1 248	1 382
Received liabilities	**2 130 958**	**588 392**	**1 542 566**
Total	**7 057 841**	**5 630 201**	**1 427 640**

As at 31.12.2005 , the Bank issued guarantees of PLN 59 838 k to following subsidiary undertakings: BZ WBK S.A. Finanse & Leasing, BZ WBK Leasing, BZWBK Dom Maklerski SA, BZWBK TFI and Nieruchomości SA. The guaranties were excluded as intragroup transactions.
The most common forms of guarantee are: payment guarantee, performance bond, bid bond, advance payment guarantee, loan repayment guarantee, customs guarantee. In accordance with the "Non-consumer lending regulations", the bank issues civil law guarantees (mainly: loan or advance repayment guarantee, service or goods repayment guarantee, advance payment guarantee, performance bond, bid bonds and other) and B/E guarantees (mainly: loan or advance repayment guarantee, service or goods repayment guarantee and other).
Guarantees and civil law guarantees are issued on the basis of the same information and in accordance with the same procedure as it is in the case of loans. Applicable regulations are set out in the Commercial Lending Manual and the Lending Manual of the Corporate Banking Centre.
These contingent liabilities carry an off-balance sheet credit risk as only the funding arrangement fees and loan loss provisions are disclosed in the balance sheet until repayment or expiry of the obligation. Many of the existing contingent liabilities will expire before any payment is made. For this reason, their values do not reflect the expected future cash flows.

	Derivatives' nominal values	31.12.2005	30.09.2005	Movement
1.	**Derivatives (hedging)**	**1 144 942**	**2 799 362**	**(1 654 420)**
a)	Single-currency interest rate swaps – purchased amounts	572 471	1 399 681	(827 210)
b)	Single-currency interest rate swaps – sold amounts	572 471	1 399 681	(827 210)
2.	**Term (speculative) derivatives**	**96 513 128**	**92 480 085**	**4 033 043**
a)	Interest rate operations	77 522 418	68 908 572	8 613 846
-	Single-currency interest rate swaps – purchased amounts	16 211 209	12 319 281	3 891 928
-	Single-currency interest rate swaps – sold amounts	16 211 209	12 319 291	3 891 918
-	FRA-purchased amounts	24 600 000	25 720 000	(1 120 000)
-	FRA-sold amounts	20 500 000	18 550 000	1 950 000
b)	FX operations	18 990 710	23 571 513	(4 580 803)
-	FX swap – purchased amounts	8 478 482	10 719 151	(2 240 669)
-	FX swap – sold amounts	8 404 563	10 729 358	(2 324 795)
-	Double-currency interest rate swaps – purchased amounts	1 072 912	1 075 349	(2 437)
-	Double-currency interest rate swaps – sold amounts	1 034 753	1 047 655	(12 902)
3.	**Derivatives – non-stock market options**	**1 451 276**	**377 671**	**1 073 605**
-	Options purchased	872 515	335 713	536 802
-	Options sold	578 761	41 958	536 803
	Total	**99 109 346**	**95 657 118**	**3 452 228**

22. Principles of PLN conversion into EURO

Selected financial figures for Q4 2005 were converted according to the following principles:

for 2005:

Selected balance sheet data and book value per share - according to the average EURO/PLN rate current at the balance sheet date and announced by the National Bank of Poland – 3,8598.

Selected items of profit and loss account and cash flow according to the exchange rate calculated as an arithmetic mean on the last day of each month in a quarter – 4,0233 (Jan - 4,0503, Feb – 3,9119, Mar – 4,0837, Apr – 4,2756, May – 4,1212, Jun – 4,0401, Jul – 4,0758, Aug – 4,0495, Sep – 3,9166, Oct – 3,9893, Nov – 3,9053, Dec – 3,8598).

for 2004:

Selected balance sheet data and book value per share - according to the average EURO/PLN rate current at the balance sheet date and announced by the National Bank of Poland – 4,0790.

Selected items of profit and loss account and cash flow for Q4 2004 - according to the exchange rate calculated as an arithmetic mean on the last day of each month in a quarter – 4,5182 (Jan - 4,7614, Feb – 4,8746, Mar – 4,7455, Apr – 4,8122, May – 4,6509, Jun – 4,5422, Jul – 4,3759, Aug – 4,4465, Sep – 4,3832, Oct - 4,3316, Nov – 4,2150, Dec – 4,0790).

23. Shareholders with min. voting power of 5%

According to the information held by the Bank's Management Board, the shareholder with a min. 5% of the total number of votes at the BZWBK Annual General Meeting as at the publication date of the quarterly consolidated report for Q4 2005 /22.02.2006r./ is AIB European Investments Ltd. based in Dublin.

Shareholder	No. of shares held	% shareholding	No. of votes at AGM	% share in total number of votes at AGM
As at 22.02.2006r.				
AIB European Investments Limited	51 413 790	70,5 %	51 413 790	70,5 %
As at 8.11.2005r.				
AIB European Investments Limited	51 413 790	70,5 %	51 413 790	70,5 %

24. Changes in shareholding of members of the Management and Supervisory Boards WBK S.A.

	No. Of Bank Zachodni WBK shares held		
	22.02.2006r.	8.11.2005r.	Change
Members of the Management Board	3 582	3 582	-
Members of the Supervisory Board	278	278	-

Table below presents personal shareholding of Supervisory and Management Board Members as at 22 February 2006

Owner	No. of shares
Supervisory Board	
Waldemar Frąckowiak	278
Management Board	
Jacek Kseń	475
Aleksander Kompf	3107

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

25. Information about the commenced court proceedings

Significant court proceedings conducted by Bank Zachodni WBK S.A.

As at 31 December 2005, no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the Bank or its subsidiaries amounting to a minimum of 10% of the Group's equity.
The value of all litigations totals PLN 290 300 k, which is ca. 8.58% of Group's equity. This amount includes PLN 70 148 k claimed by the Bank, PLN 46 243 k in claims against the Bank and PLN 173 909 k are Bank's receivables due to bankruptcy or arrangement cases.

26. Information concerning issuing loan guarantees by an issuer or its subsidiary – to one business unit or its subsidiary, if the total of guarantees issued amounts to at least 10% of issuer's equity.

As at 31 December 2005 Bank Zachodni WBK S.A. and its subsidiaries had not issued any guarantees to one business unit or a subsidiary totalling a minimum of 10% of issuer's equity.

27. Events which occurred after the balance sheet date

Resignation of President of Management Board

Bank Zachodni WBK S.A. announces that Jacek Kseń - President of Management Board decided to perform function of President of Management Board untill April 2007. Supervisory Board of BZ WBK S.A. accepted this decision.

Amendment to statute of Bank Zachodni WBK S.A.

On 25 January 2006 BZWBK received a decision on entering changes in the Bank's Statute adopted by the Extraordinary General Meeting of the Bank's Shareholders held on 8 December 2005 to the National Court Register. The decision was made on 18 January 2006 by the District Court for Wroclaw-Fabryczna, 4th Commercial Department of the National Court Register. The reasons for the subject changes include: obligation to adjust the Bank to new regulations of the banking law, amendments to the Code of Commercial Companies, a new version of "Good practices in public companies in 2005" and a project "Brokerage services in the Bank". Additionally, the Extraordinary General Meeting of Shareholders agreed changes in the Regulations of Extraordinary General Meetings of the Bank's Shareholders.

Sale of shares of associate company LZPS PROTEKTOR S.A.

On 27 January 2006 BZ WBK S.A. sold, in package transactions on the Warsaw Stock Exchange, 443 228 shares of the Company with the nominal value of PLN 3 each which represent 28.4% of the Company's share capital and the total number of votes at the AGM. The total sale price of the above assets was PLN 8 199 718, i.e. PLN 18.50 per share. Having disposed of the above shares BZ WBK holds 143 188 Company's shares which represent 9.17% of the share capital and give rights to 143 188 i.e. 9.17% of votes at the Company's AGM.

An Incentive Scheme for BZWBK Group key management personnel

As requested by the Supervisory Board, The Management Board undertook actions aimed at implementing, as of this year, the Incentive Scheme for the Senior Management of Bank Zachodni WBK SA and its subsidiaries. The Scheme will consist in allocating bonds with pre-emptive rights to the Company's managerial cadre (no more than 200,000 shares in total in years 2006-2009).

SIGNATURES OF PERSONS REPRESENTING THE ENTITY

Date	Name	Position	Signature
17-02-2006	James Murphy	Member of the Management Board	
17-02-2006	Wanda Rogowska	Financial Accounting Director	