Financial highlights

		PLN k		EUR K	
		3 Q 2005 01-01-2005 - 30-09-2005	3 Q 2004 01-01-2004 - 30-09-2004	3 Q 2005 01-01-2005 - 30-09-2005	3 Q 2004 01-01-2004 - 30-09-2004
Consolidated financial statements					
I	Interest income	1 260 727	1 078 959	310 654	233 470
II	Commission income	625 886	551 960	154 224	119 436
III	Operating profit	532 119	425 102	131 119	91 986
IV	Gross profit (loss)	531 653	428 003	131 004	92 613
V	Net profit (loss)	412 538	343 456	101 653	74 319
VI	Total net cash flow	513 793	(928 185)	126 603	(200 845)
VII	Total assets	30 111 301	26 558 808	7 688 123	6 059 228
VIII	Deposits from banks	1 452 980	2 295 430	370 980	523 688
IX	Deposits from customers	20 242 235	18 458 611	5 168 318	4 211 218
X	Total liabilities	26 742 982	23 668 221	6 828 112	5 399 758
XI	Equity	3 322 489	2 867 249	848 310	654 145
XII	Minority interest	45 830	23 338	11 701	5 324
XIII	Minority profits	(20 482)	(10 208)	(5 047)	(2 209)
XIV	Number of shares	72 960 284	72 960 284		
XV	Net book value per share in PLN/EURO	45,54	39,30	11,63	8,97
XVI	Solvency ratio	16,87%	12,96%		
XVII	Profit (loss) per share in PLN/ EURO	5,65	4,71	1,39	1,02
XVIII	Declared or paid dividend per share in PLN/EURO	2,43	0,32	0,62	0,07

		PLN k		EUR K	
		3 Q 2005 01-01-2005 – 30-09-2005	3 Q 2004 01-01-2004 – 30-09-2004	3 Q 2005 01-01-2005 – 30-09-2005	3 Q 2004 01-01-2004 – 30-09-2004
	Stand alone financial statements				
XIX	Interest income	1 166 748	1 000 251	287 497	216 439
XX	Commission income	477 833	462 768	117 742	100 136
XXI	Operating profit	448 143	361 879	110 426	78 305
XXII	Gross profit (loss)	448 143	361 879	110 426	78 305
XXIII	Net profit (loss)	370 207	302 557	91 222	65 469
XXIV	Total net cash flow	499 042	(916 573)	122 968	(198 332)
XXV	Total assets	28 808 753	25 528 212	7 355 551	5 824 104
XXVI	Deposits from banks	1 169 315	1 873 734	298 554	427 481
XXVII	Deposits from customers	20 341 719	18 609 845	5 193 719	4 245 721
XXVIII	Total liabilities	25 651 138	22 716 268	6 549 338	5 182 576
XXIX	Equity	3 157 615	2 811 944	806 213	641 528
XXX	Number of shares	72 960 284	72 960 284		
XXXI	Net book value per share in PLN/EURO	43,28	38,54	11,05	8,79
XXXII	Solvency ratio	16,33%	12,46%		
XXXIII	Profit (loss) per share in PLN/ EURO	5,07	4,15	1,25	0,90
XXXII	Declared or paid dividend per share in PLN/EURO				

Consolidated Financial Statements of BZ WBK Group PLN k

CONSOLIDATED FINANCIAL STATEMENTS OF BZ WBK GROUP

1 Consolidated profit and loss account

	For the period	01-07-2005 30-09-2005	01-01-2005 30-09-2005	01-07-2004 30-09-2004	01-01-2004 30-09-2004
I	Interest and similar income	419 666	1 260 727	382 950	1 078 959
II	Interest expense and similar charges	(186 730)	(594 652)	(161 625)	(426 704)
III	**Net interest income**	**232 936**	**666 075**	**221 325**	**652 255**
IV	Fee and commission income	229 971	625 886	190 959	551 960
V	Fee and commission expense	(51 934)	(135 579)	(33 485)	(92 712)
VI	**Net fee and commission income**	**178 037**	**490 307**	**157 474**	**459 248**
VII	Dividend income	10	47 407	4	54 302
VIII	Foreign exchange profit	52 020	169 612	49 976	144 676
IX	Gains less losses on hedge accounting transactions	(1 024)	(849)	(823)	(4 025)
X	Net trading income	9 826	15 962	5 107	28 724
XI	Gains less losses from investment in securities	712	4 575	53	2 774
XII	Gains less losses on sale of subordinated undertakings	-	-	1	55 136
XIII	Other operating income	12 605	41 565	13 120	38 098
XIV	Impairment losses on loans and advances	(11 576)	(28 318)	(36 639)	(131 176)
XV	Operating expenses	(293 909)	(874 217)	(283 098)	(874 910)
XV.1	*Bank's staff, operating expenses and management costs*	(239 089)	(712 801)	(228 229)	(702 891)
XV.2	*Depreciation/amortisation*	(46 140)	(140 456)	(49 796)	(152 526)
XV.3	*other*	(8 680)	(20 960)	(5 073)	(19 493)
XVI	**Operating profit**	**179 637**	**532 119**	**126 500**	**425 102**
XVII	Share in net profits (losses) of subordinated entities accounted for by the equity method	708	(466)	3 117	2 901
XVIII	**Gross profit**	**180 345**	**531 653**	**129 617**	**428 003**
XIX	Corporate income tax	(38 594)	(98 633)	(28 382)	(74 339)
XX	Minority (profits) losses	(9 815)	(20 482)	(5 250)	(10 208)
XXI	**Net profit**	**131 936**	**412 538**	**95 985**	**343 456**

Consolidated Financial Statements of BZ WBK Group PLN k

2 Consolidated balance sheet

	Assets	30-09-2005	30-06-2005	31-12-2004	30-09-2004
I	Cash and balances with central bank	1 704 339	1 031 427	1 200 154	414 751
II	Treasury bills and other bills eligible for rediscounting in central bank	-	-	-	-
III	Loans and advances to banks	3 057 339	2 055 316	2 800 318	2 772 023
IV	Securities at fair value through profit or loss	2 351 118	2 882 443	1 369 937	1 447 873
V	Derivative financial instruments	450 753	742 920	869 435	450 521
VI	Loans and advances to customers	13 808 545	13 789 721	14 063 761	14 386 637
VII	Reverse repo transactions	15 313	26 102	25 697	34 355
VIII	Investment securities:	7 220 514	7 199 099	5 607 851	5 456 791
VIII.1	- available-for-sale	7 220 514	7 199 099	2 923 003	2 663 293
VIII.2	- held-to maturity	-	-	2 684 848	2 793 498
IX	Investment in associates	87 455	73 789	76 943	74 388
X	Intangible asset	187 195	203 096	237 004	244 868
XI	Property, plant & equipment	515 605	533 049	593 043	601 696
XII	Deferred tax assets	423 559	510 478	472 903	422 017
XIII	Other assets	289 566	253 627	262 104	252 888
	incl: assets held for sale	18 485	18 485	317	366
	Total assets	**30 111 301**	**29 301 067**	**27 579 150**	**26 558 808**
	Liabilities				
I	Deposits from banks	1 452 980	1 722 996	1 301 638	2 295 430
II	Derivative financial instruments	395 090	814 098	804 501	465 772
III	Deposits from customers	20 242 235	20 048 133	19 316 900	18 458 611
IV	Repo transactions	2 233 128	1 027 278	732 690	-
V	Debt securities in issue	1 305 358	1 307 583	1 200 326	1 107 653
VI	Other liabilities relating to financial instruments	-	-	-	-
VII	Subordinated loans	-	-	-	-
VIII	Deferred tax liabilities	275 581	321 641	301 773	220 729
IX	Other liabilities	838 610	819 961	868 994	1 120 026
	Total Liabilities	**26 742 982**	**26 061 690**	**24 526 822**	**23 668 221**
	Equity				
	Capital and reserves attributable to the Company's equity holders	**3 322 489**	**3 203 362**	**3 021 521**	**2 867 249**
X	Share capital	729 603	729 603	729 603	729 603
XI	Other reserve funds	1 948 141	1 948 117	1 642 185	1 642 070
XII	Revaluation reserve	353 010	365 843	215 459	156 638
XIII	Retained earnings	(120 803)	(120 803)	(4 702)	(4 518)
XIV	Profit of the current period	412 538	280 602	438 976	343 456
XV	**Minority interest**	**45 830**	**36 015**	**30 807**	**23 338**
	Total equity	**3 368 319**	**3 239 377**	**3 052 328**	**2 890 587**
	Total equity and liabilities	**30 111 301**	**29 301 067**	**27 579 150**	**26 558 808**

Consolidated Financial Statements of BZ WBK Group PLN k

3 Consolidated movements on equity

	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Total
Opening balance at 31.12.2004	**729 603**	**1 642 185**	**215 459**	**434 274**	**3 021 521**
changes in accounting principles resulting from adoption of IFRS	-	-	29 197	(72 102)	(42 905)
Adjusted balance at 1.01.2005	**729 603**	**1 642 185**	**244 656**	**362 172**	**2 978 616**
Net change in available for sale investments	-	-	108 628	-	108 628
Net change in revaluation of fixed assets	-	274	(274)	-	-
Net gains not recognised in income statement	-	274	108 354	-	108 628
Net profit	-	-	-	412 538	412 538
Total recognised increase in equity in 3 Q 2005	**-**	**274**	**108 354**	**412 538**	**521 166**
Dividend relating to 2004	-	-	-	(177 293)	(177 293)
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)	-
As at 30.09.2005	**729 603**	**1 948 141**	**353 010**	**291 735**	**3 322 489**

Consolidated Financial Statements of BZ WBK Group PLN k

	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Total
Opening balance at 31.12.2003	**729 603**	**1 548 549**	**159 992**	**104 568**	**2 542 712**
changes in accounting principles resulting from adoption of IFRS	-	426	5	4 618	5 049
Adjusted balance at 1.01.2004	**729 603**	**1 548 975**	**159 997**	**109 186**	**2 547 761**
Net change in available for sale investments	-	-	58 077	-	58 077
Net change in revaluation of fixed assets	-	2 615	(2 615)	-	-
Net gains not recognised in income statement	-	2 615	55 462	-	58 077
Net profit	-	-	-	438 976	438 976
Total recognised increase in equity in 2004	**-**	**2 615**	**55 462**	**438 976**	**497 053**
Dividend relating to 2003	-	-	-	(23 347)	(23 347)
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	-	-	-	54	54
As at 31.12.2004	**729 603**	**1 642 185**	**215 459**	**434 274**	**3 021 521**

Consolidated Financial Statements of BZ WBK Group PLN k

	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Total
Opening balance at 31.12.2003	**729 603**	**1 548 549**	**159 992**	**104 568**	**2 542 712**
changes in accounting principles resulting from adoption of IFRS	-	426	5	4 618	5 049
Adjusted balance at 1.01.2004	**729 603**	**1 548 975**	**159 997**	**109 186**	**2 547 761**
Net change in available for sale investments	-	-	(859)	-	(859)
Net change in revaluation of fixed assets	-	2 500	(2 500)	-	-
Net gains not recognised in income statement	-	2 500	(3 359)	-	(859)
Net profit	-	-	-	343 456	343 456
Total recognised increase in equity in 3 Q 2004	**-**	**2 500**	**(3 359)**	**343 456**	**342 597**
Dividend relating to 2003	-	-	-	(23 347)	(23 347)
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	-	-	-	238	238
As at 30.09.2004	**729 603**	**1 642 070**	**156 638**	**338 938**	**2 867 249**

Consolidated Financial Statements of BZ WBK Group PLN k

4 Consolidated cash flow statement

For the period	01-07-2005 30-09-2005	01-01-2005 30-09-2005	01-07-2004 30-09-2004	01-01-2004 30-09-2004
A. Net cash flow from operating activities - indirect method				
I. Net profit (loss)	131 936	412 538	95 985	343 456
II. Total adjustments:	584 080	1 790 927	(605 829)	(2 021 665)
1. Profits (losses) of minorities	9 815	20 482	5 250	10 208
2. Share in net profits (losses) of subordinated entities accounted for by the equity method	(708)	466	(3 117)	(2 901)
3. Amortisation	46 140	140 456	49 796	152 526
4. Impairment losses	(3 453)	(3 107)	-	2 651
5. Gains (losses) on exchange differences	13 630	15 708	4 271	17 189
6. Interests and similar charges	(70 703)	(3 875)	26 780	189 763
7. Dividend income	(144)	(47 407)	(4)	(54 302)
8. (Profit) loss from investing activities	(83)	(1 673)	(1 696)	(63 278)
9. Change in provisions	26 658	12 082	(2 041)	(3 958)
10. Change in financial instruments at fair value through profit and loss	404 524	(986 258)	(663 907)	(1 012 992)
11. Change in financial investments	(4 115)	(4 281)	-	-
12. Change in loans and advances from banks	(1 017 945)	(273 813)	(21 141)	(2 102 931)
13. Change in loans and advances from clients	(273 633)	(410 376)	(72 810)	(44 211)
14 . Change in receivables arising from securities purchased under reverse repo agreements	10 789	10 384	(10 675)	(28 549)
15. Change in deposits from banks	181 968	723 486	161 316	952 000
16. Change in deposits from clients	55 293	1 112 280	373 839	(33 552)
17. Change in liabilities arising from securities sold under repurchase agreements	1 205 932	1 500 438	-	-
18. Change in liabilities arising from debt securities in issue	5 598	43 026	17 878	(7 360)
19. Change in assets and liabilities arising from deferred taxation	45 174	8 998	(33 769)	(94 954)
20. Change in other assets and liabilities	(50 963)	(66 116)	(435 841)	101 668
21. Other adjustments	307	28	42	1 318
III. Net cash flow from operating activities (I +/- II) - indirect method	**716 016**	**2 203 465**	**(509 844)**	**(1 678 209)**
B. Cash flow from investing activities				
I. Inflows	**192 531**	**639 252**	**51 298**	**1 343 297**
1. Sale of shares or interests in subordinated undertakings	-	-	-	68 000
2. Sale of shares or interests at fair value through profit and loss	-	-	-	-
3. Sale of investment shares or interests	189 870	582 956	47 985	1 191 874
4. Sale of intangible and tangible fixed assets	1 641	6 987	3 241	28 991
5. Dividends received	144	47 407	4	54 302
6. Proceeds from other investments	876	1 902	68	130

Consolidated Financial Statements of BZ WBK Group PLN k

II. Outflows	**(151 889)**	**(2 002 014)**	**(453 818)**	**(928 480)**
1. Purchase of shares or interests in subordinated undertakings	-	-	-	-
2. Purchase of shares or interests at fair value through profit and loss	-	-	-	-
3. Purchase of investment shares or interests	(137 599)	(1 962 447)	(441 604)	(890 020)
4. Purchase of intangible and tangible fixed assets	(13 799)	(38 370)	(11 889)	(37 006)
5. Other investments	(491)	(1 197)	(325)	(1 454)
III Net cash flow from investing activities (I - II)	**40 642**	**(1 362 762)**	**(402 520)**	**414 817**
C. Cash flow from financing activities				
I. Inflows	**3 602**	**72 554**	**219 311**	**497 541**
1. Drawing of long-term loans	-	-	28 344	205 979
2. Issue of debt securities	3 602	72 554	190 590	289 294
3. Drawing of subordinated loans	-	-	-	-
4. Net inflows from issue of own shares and capital contributions	-	-	-	-
5. Other financial proceeds	-	-	377	2 268
II. Outflows	**(76 100)**	**(399 464)**	**(97 333)**	**(162 334)**
1. Repayment of long-term loans	(29 637)	(154 574)	(72 951)	(93 899)
2. Redemption of debt securities	-	-	-	-
3. Repayment of subordinated liabilities	-	-	-	-
4. Dividends and other payments to shareholders	(5 001)	(182 264)	(2 652)	(25 999)
5. Purchase of own shares	-	-	-	-
6. Other financing outflows	(41 462)	(62 626)	(21 730)	(42 436)
III. Net cash flow from financing activities (I - II)	**(72 498)**	**(326 910)**	**121 978**	**335 207**
D. Total net cash flow (A.III +/- B.III +/- C.III)	**684 160**	**513 793**	**(790 386)**	**(928 185)**
F. Cash at the beginning of the accounting period	**684 160**	**513 793**	**(790 386)**	**(928 185)**
F. Cash at the beginning of the accounting period	**1 062 375**	**1 232 742**	**1 245 714**	**1 383 513**
G. Cash at the end of the accounting period (F+/- D)	**1 746 535**	**1 746 535**	**455 328**	**455 328**

Consolidated Financial Statements of BZ WBK Group PLN k

5 Profit and loss account of BZWBK SA

	For the period	01-07-2005 30-09-2005	01-01-2005 30-09-2005	01-07-2004 30-09-2004	01-01-2004 30-09-2004
I	Interest and similar income	389 640	1 166 748	354 088	1 000 251
II	Interest expense and similar charges	(174 421)	(558 339)	(150 886)	(400 634)
III	**Net interest income**	**215 219**	**608 409**	**203 202**	**599 617**
IV	Fee and commission income	167 906	477 833	159 032	462 768
V	Fee and commission expense	(34 601)	(93 609)	(27 833)	(71 135)
VI	**Net fee and commission income**	**133 305**	**384 224**	**131 199**	**391 633**
VII	Dividend income	-	73 658	1 070	63 957
VIII	Foreign exchange profit	51 348	166 837	49 431	142 542
IX	Gains less losses on hedge accounting transactions	(20)	(328)	(740)	(3 912)
X	Net trading income	6 335	12 541	(871)	21 814
XI	Gains less losses from investment in securities	712	4 634	54	2 713
XII	Gains less losses on sale of subordinated undertakings	-	-	-	54 923
XIII	Other operating income	9 065	29 962	9 579	30 667
XIV	Impairment losses on loans and advances	(6 982)	(24 201)	(36 542)	(126 329)
XV	Operating expenses	(272 387)	(807 593)	(264 963)	(815 746)
XV.1	Bank's staff, operating expenses and management costs	(219 903)	(653 423)	(212 926)	(652 737)
XV.2	*Depreciation/amortisation*	(44 848)	(136 277)	(48 102)	(146 498)
XV.3	*other*	(7 636)	(17 893)	(3 935)	(16 511)
XVI	**Operating profit**	**136 595**	**448 143**	**91 419**	**361 879**
XVII	Share in net profits (losses) of subordinated entities accounted for by the equity method	-	-	-	-
XVIII	**Gross profit**	**136 595**	**448 143**	**91 419**	**361 879**
XIX	Corporate income tax	(30 604)	(77 936)	(21 154)	(59 322)
XX	Minority (profits) losses	-	-	-	-
XI	**Net profit**	**105 991**	**370 207**	**70 265**	**302 557**

Consolidated Financial Statements of BZ WBK Group PLN k

6 Balance sheet of BZWBK SA

	Assets	30-09-2005	30-06-2005	31-12-2004	30-09-2004
I	Cash and balances with central bank	1 704 325	1 031 412	1 200 143	414 740
II	Treasury bills and other bills eligible for rediscounting in central bank	-	-	-	-
III	Loans and advances to banks	3 029 099	2 040 134	2 787 304	2 762 137
IV	Securities at fair value through profit or loss	2 350 719	2 881 318	1 354 938	1 435 608
V	Derivative financial instruments	450 092	740 128	869 435	456 201
VI	Loans and advances to customers	12 628 090	12 593 981	12 887 698	13 286 236
VII	Reverse repo transactions	15 313	26 102	25 697	34 355
VIII	Investment securities:	7 151 906	7 139 888	5 568 006	5 426 421
VIII.1	- available-for-sale	7 151 906	7 139 888	2 883 158	2 632 923
VIII.2	- held-to maturity	-	-	2 684 848	2 793 498
IX	Investment in associates	223 095	222 657	268 463	273 300
X	Intangible asset	180 836	197 263	230 665	238 961
XI	Property, plant & equipment	508 720	526 089	585 734	594 514
XII	Deferred tax assets	390 931	474 815	442 311	392 431
XIII	Other assets	175 627	174 783	194 489	213 308
	incl: assets held for sale	18 485	18 485	317	366
	Total assets	**28 808 753**	**28 048 570**	**26 414 883**	**25 528 212**
	Liabilities				
I	Deposits from banks	1 169 315	1 422 480	906 751	1 873 734
II	Derivative financial instruments	421 275	851 681	821 342	475 738
III	Deposits from customers	20 341 719	20 124 657	19 416 722	18 609 845
IV	Repo transactions	2 233 128	1 027 278	732 690	-
V	Debt securities in issue	587 167	580 617	560 695	546 150
VI	Other liabilities relating to financial instruments	-	-	-	-
VII	Subordinated loans	-	-	-	-
VIII	Deferred tax liabilities	264 576	310 030	290 386	206 599
IX	Other liabilities	633 958	665 763	745 766	1 004 202
	Total liabilities	**25 651 138**	**24 982 506**	**23 474 352**	**22 716 268**
	Equity				
	Capital and reserves attributable to the Company's equity holders	**3 157 615**	**3 066 064**	**2 940 531**	**2 811 944**
X	Share capital	729 603	729 603	729 603	729 603
XI	Other reserve funds	1 891 205	1 891 186	1 624 903	1 624 788
XII	Revaluation reserve	343 387	357 846	213 993	155 153
XIII	Retained earnings	(176 787)	(176 787)	(157)	(157)
XIV	Profit of the current period	370 207	264 216	372 189	302 557
XV	**Minority interest**				
	Total equity	**3 157 615**	**3 066 064**	**2 940 531**	**2 811 944**
	Total equity and liabilities	**28 808 753**	**28 048 570**	**26 414 883**	**25 528 212**

Consolidated Financial Statements of BZ WBK Group PLN k

7 Movements on equity of BZWBK SA

	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Total
Opening balance at 31.12.2004	**729 603**	**1 624 903**	**213 993**	**372 032**	**2 940 531**
changes in accounting principles resulting from adoption of IFRS	-	-	20 621	(105 493)	(84 872)
Adjusted balance at 1.01.2005	**729 603**	**1 624 903**	**234 614**	**266 539**	**2 855 659**
Net change in available for sale investments	-	-	109 042	-	109 042
Net change in revaluation of fixed assets	-	269	(269)	-	-
Net gains not recognised in income statement	-	269	108 773	-	109 042
Net profit	-	-	-	370 207	370 207
Total recognised increase in equity in 3 Q 2005	**-**	**269**	**108 773**	**370 207**	**479 249**
Dividend relating to 2004	-	-	-	(177 293)	(177 293)
Transfer to general banking risk fund	-	30 000	-	(30 000)	-
Transfer to reserve capital	-	236 033	-	(236 033)	-
As at 30.09.2005	**729 603**	**1 891 205**	**343 387**	**193 420**	**3 157 615**

Consolidated Financial Statements of BZ WBK Group PLN k

	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	-	-	-	(157)	(157)
Adjusted balance at 1.01.2004	**729 603**	**1 550 658**	**158 461**	**94 820**	**2 533 542**
Net change in available for sale investments	-	-	58 147	-	58 147
Net change in revaluation of fixed assets	-	2 615	(2 615)	-	-
Net gains not recognised in income statement	-	2 615	55 532	-	58 147
Net profit	-	-	-	372 189	372 189
Total recognised increase in equity in 2004	**-**	**2 615**	**55 532**	**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**	**1 624 903**	**213 993**	**372 032**	**2 940 531**

Consolidated Financial Statements of BZ WBK Group PLN k

	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	-	-	-	(157)	(157)
Adjusted balance at 1.01.2004	**729 603**	**1 550 658**	**158 461**	**94 820**	**2 533 542**
Net change in available for sale investments	-	-	(808)	-	(808)
Net change in revaluation of fixed assets	-	2 500	(2 500)	-	-
Net gains not recognised in income statement	-	2 500	(3 308)	-	(808)
Net profit	-	-	-	302 557	302 557
Total recognised increase in equity in 3 Q 2004	**-**	**2 500**	**(3 308)**	**302 557**	**301 749**
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 30.09.2004	**729 603**	**1 624 788**	**155 153**	**302 400**	**2 811 944**

Consolidated Financial Statements of BZ WBK Group PLN k

8 Cash flow statement of BZWBK SA

	01-07-2005 30-09-2005	01-01-2005 30-09-2005	01-07-2004 30-09-2004	01-01-2004 30-09-2004
A. Net cash flow from operating activities - indirect method				
I. Net profit (loss)	105 991	370 207	70 265	302 557
II. Total adjustments:	**535 685**	**1 672 322**	**(88 115)**	**(1 551 131)**
1. Amortisation	44 848	136 277	48 102	146 498
2. Impairment losses	(3 171)	(2 825)	-	2 651
3. Gains (losses) on exchange differences	-	-	-	
4. Interests and similar charges	(85 415)	(53 057)	12 728	154 192
5. Dividend income	(7 882)	(73 658)	(4 052)	(62 501)
6. (Profit) loss from investing activities	(495)	(1 763)	(1 475)	(63 267)
7. Change in provisions	27 123	12 160	(2 353)	(4 369)
8. Change in financial instruments at fair value through profit and loss	390 274	(976 505)	(666 840)	(1 030 924)
9. Change in financial investments	-		-	-
10. Change in loans and advances from monetary institutions	(991 067)	(246 935)	(21 141)	(2 102 931)
11. Change in loans and advances from clients	(33 789)	184 118	120 245	(10 016)
12 . Change in receivables arising from securities purchased under reverse repo agreements	10 789	10 384	(10 675)	(28 549)
13. Change in deposits from monetary institutions	(228 135)	313 383	161 250	952 000
14. Change in deposits from clients	216 773	924 958	390 083	484 745
15. Change in liabilities arising from securities sold under repurchase agreements	1 205 850	1 500 438	-	-
16. Change in liabilities arising from debt securities in issue	6 550	29 598	10 146	14 908
17. Change in assets and liabilities arising from deferred taxation	41 804	8 855	10 644	(47 779)
18. Change in other assets and liabilities	(60 256)	(93 249)	(136 152)	42 503
19. Other adjustments	123	144	1 375	1 708
III. Net cash flow from operating activities (I +/- II) - indirect method	**639 914**	**2 042 529**	**(17 850)**	**(1 248 574)**
B. Cash flow from investing activities				
I. Inflows	**180 978**	**635 303**	**38 183**	**1 333 698**
1. Sale of shares or interests in subordinated undertakings	-	6 838	1 320	69 320
2. Sale of shares or interests at fair value through profit and loss	-	-	-	-
3. Sale of investment shares or interests	171 221	546 775	30 066	1 173 387
4. Sale of intangible and tangible fixed assets	1 621	6 874	2 745	28 428
5. Dividends received	7 882	73 658	4 052	62 501
6. Proceeds from other investments	254	1 158	-	62
II. Outflows	**(124 169)**	**(1 948 190)**	**(424 635)**	**(938 151)**

Consolidated Financial Statements of BZ WBK Group PLN k

1. Purchase of shares or interests in subordinated undertakings	-	-	-	(42 000)
2. Purchase of shares or interests at fair value through profit and loss	-	-	-	-
3. Purchase of investment shares or interests	(111 696)	(1 912 060)	(414 453)	(862 869)
4. Purchase of intangible and tangible fixed assets	(12 085)	(35 042)	(9 857)	(31 828)
5. Other investments	(388)	(1 088)	(325)	(1 454)
III Net cash flow from investing activities (I - II)	**56 809**	**(1 312 887)**	**(386 452)**	**395 547**
C. Cash flow from financing activities				
I. Inflows	**-**	**-**	**-**	**-**
1. Drawing of long-term loans	-	-	-	-
2. Issue of debt securities	-	-	-	-
3. Drawing of subordinated loans	-	-	-	-
4. Net inflows from issue of own shares and capital contributions	-	-	-	-
5. Other financial proceeds	-	-	-	-
II. Outflows	**(25 593)**	**(230 600)**	**(29 636)**	**(63 546)**
1. Repayment of long-term loans	(24 741)	(50 780)	(28 309)	(36 222)
2. Redemption of debt securities	-	-	-	-
3. Repayment of subordinated liabilities	-	-	-	-
4. Dividends and other payments to shareholders	-	(177 263)	-	(23 347)
5. Purchase of own shares	-	-	-	-
6. Other financing outflows	(852)	(2 557)	(1 327)	(3 977)
III. Net cash flow from financing activities (I - II)	**(25 593)**	**(230 600)**	**(29 636)**	**(63 546)**
D. Total net cash flow (A.III +/- B.III +/- C.III)	**671 131**	**499 042**	**(433 938)**	**(916 573)**
E. Change in the cash balance	**671 131**	**499 042**	**(433 938)**	**(916 573)**
F. Cash at the beginning of the accounting period	**1 047 177**	**1 219 266**	**883 999**	**1 366 634**
G. Cash at the end of the accounting period (F+/- D)	**1 718 308**	**1 718 308**	**450 061**	**450 061**

ADDITIONAL INFORMATION TO CONSOLIDATED QUARTERLY REPORT OFBZ WBK GROUP

1 Bank Zachodni WBK Group performance

Overview

Continually strong y-o-y performance

Gross profit of PLN 531.7m increased by 24% y-o-y

Net profit of 412.5m increased by 20% y-o-y

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Adjusting for one-off capital gain,

underlying gross profit increased by 43% y-o-y

underlying net profit increased by 38% y-o-y

Highest quarterly result in Q3 2005 with PLN 179.6m operating profit reported

- **Underlying gross profit went up by 43% y-o-y due to:**
  - **income growth**
    - increase in interest income (+2.1%) in reducing interest rate environment
    - growth in other income driven by increased activity in Mutual Funds, eBusiness and Payments, Brokerage House, primarily
    - continued growth in bottom line figures reported by subsidiaries (BZWBK Brokerage House, BZ WBK AIB Investment Fund Corporation, BZ WBK AIB Asset Management, leasing companies)
  - **cost control**
    - strong cost discipline maintained with operating costs at 2004 levels
  - **provisioning**
    - lower loan impairment charge (-78.4%), reflecting improved quality of the Group's loan-book and increased paybacks

- **Positive trends in business:**
  - mutual investment funds have doubled since September 2004
  - substantial increase in customer deposit volumes (+9.7% y-o-y)
  - good growth in strategic loan portfolios: cash consumer loans, credit card loans, home mortgages, lease rentals
  - ever-improving quality of the loan book (NPL ratio decreased from 10.7% to 7.7% y-o-y)

Financial performance in 1-3Q 2005 as compared to 1-3Q 2004

PLN m

Financial highlights	*1-3Q 2005*	*1-3Q 2004*	*Change*
Total underlying income [1]	1,434.8	1,376.1	+4.3%
Total costs	(874.2)	(874.9)	-0.1%
Underlying operating profit [1]	532.1	370.0	+43.8%
Gross profit[2]	531.7	428.0	+24.2%
Net profit	412.5	343.5	+20.1%

[1] *data for 1-3Q 2004 exclude profit of PLN 55.1m from the disposal of CardPoint*
[2] *profit before tax and profits attributable to minority shareholders (includes profit from the disposal of CardPoint)*

- Over 9 months to end-September 2005, the Bank Zachodni WBK Group produced **a total income** (P&L: III+VI+(VII-XIII)) of PLN 1,434.8m. Excluding the one-off profit of PLN 55.1m earned in 2Q 2004 from the disposal of a subsidiary (CardPoint S.A.), this aggregate shows an underlying year-on-year increase of 4.3%. The main components of the total income are as follows:

  - **Net interest income** (P&L: III) was PLN 666.1m and higher by 2.1% y-o-y on the same period last year. Reducing rate environment, competition and changing business mix were key factors impacting this performance. On a quarter-on-quarter basis net interest income showed an increase of 8.4% (to PLN 232.9m), reflecting increase in credit fees amortisation and reduced impact of FX SWAP treatment.

  - **Net fee and commission income** (P&L: VI) increased by 6.8% y-o-y to PLN 490.3m. A significant contribution to the Group's fee and commission income was made by subsidiaries, especially BZ WBK AIB Investment Fund Corporation, BZ WBK AIB Asset Management S.A. and Brokerage House. Their superior business performance gave a sharp boost to the management fees (105%), brokerage and IPO-related fees (+68%). The highest growth in the banking fee and commission income was recorded in the area of card-related services to external institutions (+90%), cross-border payments (+22%) and insurance products (+220%). This line was also impacted by the settlement and disclosure of the Group's fees and commissions in compliance with IAS 39. Due to a good quarter-on-quarter increase in most of the above-mentioned fees, net fee and commission income for 3Q 2005 was PLN 178m and 12.4% up on the previous quarter.

  - **Dividend income** (P&L: VII) totalled PLN 47.4m and was down by 12.7% as a result of lower dividend paid out to the bank in 2005 by the companies from the Commercial Union Group included in the bank's equity investment portfolio (minority interest).

  - **Foreign exchange profit** (P&L: VIII) was PLN 169.6m and 17.2% up on 1-3Q 2004 due to higher FX trading activity and steady growth in FX customer business.

  - **Net trading income** (P&L: X) decreased by 44.3% to PLN 16m under the impact of a significant decline in interbank market interest rates in 2005.

  - **The loan impairment charge** (P&L: XIV) to the profit and loss account decreased by 78.4% y-o-y to PLN 28.3m, reflecting the improved quality of the Group's loan book and increased level of paybacks. As at 30

September 2005, the NPL ratio amounted to 7.7% with the loan loss coverage ratio at 58.7%. A year before, the respective ratios were recorded at 10.7% and 47.4%. This was accomplished due to an ongoing commitment to the quality and strict risk management.

- **Total operating costs** (P&L: XV) were stable y-o-y and amounted to PLN 874.2m. The most important constituents of total operating costs were as follows:

  - **Staff and other administrative expenses** (P&L: XV.1) increased by 1.4% to PLN 712.8m. Staff expenses went up on account of salary increases and performance-driven bonus payments. This increase was largely offset by the savings in non-staff expenses. The latter constituent declined thanks to the group-wide observance of purchase policy rules, improved cost-effectiveness of operating processes, renegotiation of contracts with suppliers and a variety of projects launched across the organisation. Compared to 1-3Q 2004, the most noteworthy reductions were achieved in IT usage, maintenance and rental of premises, data transmission, postage, communication and security costs.

  - **Depreciation** (P&L: XV.2) totalled PLN 140.5m and decreased by 7.9% compared to 1-3Q 2004 due to an ongoing process of fixed assets optimisation.

- The results achieved YTD brought the **cost-to-income ratio** down to 60.9%.

- As at 30 September 2005, **total assets** of the BZWBK Group amounted to PLN 30.1bn and were up by 13.4% on end-September 2004.

  - **Customer deposits** (L: III) are the main driver of the balance sheet growth and the primary source of funding the Group's lending business. Over 12 months to end-September 2005 they increased by 9.7% to PLN 20.2bn, accounting for 67.2% of the balance sheet total. Customer deposits were driven by term deposits and current account balances of individuals and companies.

  - **The Group's liability arising from debt securities in issue** (L: V) was PLN 1.3bn and 17.8% up on end-September 2004 due to further issues of 3Y own bonds by BZ WBK Leasing and BZ WBK Finanse & Leasing.

  - **Customer-based financial resources**, including deposits from customers and bonds in issue, amounted to PLN 21.5bn at end-September 2005, which is 10.1% higher than 12 months before. Taking into account the assets of investment funds (PLN 5.2bn), the total of the Group's funds were PLN 26.7bn and 20.7% up on 2004.

  - **Loans and advances to customers (before provisions)** declined to PLN 14.6bn with performing loans increasing by 2.2%. The Group's total personal lending continued on an upward trend, growing by 8.8% y-o-y to PLN 3.2bn. The main growth drivers were cash consumer loans (+59%), credit card loans (+5.8%) and mortgage loans (+2.6%). Due to continued demand for lease rentals offered by leasing subsidiaries, the total leasing receivables increased by 15.9% y-o-y. Notwithstanding substantial new business loans approved or granted, scheduled and early repayments are a significant flowback on the existing book. This results in a rather stagnant book in a flat market where small levels continue to disappoint.

Business performance in 1-3Q 2005 as compared to 1-3Q 2004

Business review

- Strong sales of the key products achieved in 3Q 2005 fuelled further increase in respective business volumes of the BZ WBK Group. Year-on-year the following growths were recorded:

  - Assets of investment funds (+ 99.2%)
  - Cash consumer loans (+59%)
  - Number of credit cards (+10.8%); credit card exposure (+5.8%)
  - Home mortgages (+2.6%)

- As at 30 September 2005, the BZ WBK distribution network comprised 384 branches and 588 ATMs.

- The number of personal and business customers availing of the BZWBK24 electronic banking package stood at 646.9k (24.7k customers more than at end-June 2005). Minibank24, an office-banking solution, was used by 14.6k corporate customers (comparatively stable customer base against end-June-2005).

Key achievements of Bank Zachodni WBK S.A.

- The process of opening personal accounts via the Internet and the phone was modified to enable the customers to open accounts without having to visit a branch. Effective from 1 September 2005, applications can be filed via the Internet or by calling the Communication Centre with agreements signed through the intermediary of a courier. The new process transferred most processing activities to the Business Support Centre, thus reducing the workload in branches.

- In September 2005, Konto<30, a service package for clients between 13 and 30 years of age was added to the Bank's products. Konto<30 streamlines the previous offering such as: Konto24 Young, Konto24 X-tra Student and Konto24 Absolwent. The main advantages of Konto<30 are: no fee for account maintenance, low fee for internet transfers and a dedicated card (Visa Electron<30 BZ WBK). The launch of a new product was supported by a promotional campaign in the press, Internet, BZ WBK branch network and colleges. In addition, a special internet website (Strefa<30) was made available to the account holders. The offer proved a success – by the end of September, 6.5k new customers had already availed of it.

- In July 2005, Bank Zachodni WBK started to issue debit cards with the chip technology. In effect, not only the bank's credit cards but also new and renewed debit cards are equipped with a chip, which improves security of card transactions.

- In 3Q 2005, the product range of Bank Zachodni WBK debit cards was expanded with several new proposals, including Visa Classic Debit Card (AlleKarta) co-branded by Allegro.pl, the Poland's biggest Internet auction house. This product, along with a dedicated free bank account (Konto24.pl), is addressed to the registered Allegro users and available only through the Allegro.pl web site.

- The bank has introduced further functional improvements to its e-banking services. The users of the BZWBK24 package were offered the option to manage their Individual Pension Accounts of the Arka funds. Also, the speed of transactions for retail customers was increased and functionality of Moja Firma Plus, an on-line banking tool for business customers, was improved. Additionally, the bank prepared and implemented a new version of the Minibank24.

- 3Q 2005 saw development and implementation of further changes to the lending procedures in line with the new personal lending policy. This simplifies and harmonises the documentation required from personal customers and improves the bank's credit offering. Respective modifications were made in the area of home mortgages, cash consumer loans, overdrafts and credit card limits.

- The bank's range of retail facilities were expanded to include a new product, i.e. "special purpose mortgage loan to repay financial obligations with Bank Zachodni WBK or another bank". Customers could also avail of loans to purchase primary market shares of the following companies: BARLINEK S.A., PGNiG S.A. and TELL S.A.

- Thanks to the amendment of the agreement with POLFUND S.A. (Credit Guarantee Fund) and more favourable conditions of credit guarantee granting offered by this fund, the bank is in a position to offer enhanced SME credit facilities, faster and on more competitive conditions.

- Bank Zachodni WBK started to offer investment loans for projects refinanced under another EU programme: Investment Subsidies Fund within PHARE 2003. The subsidies are designed to support investments that foster development of SMEs and increase their share in the country's economic growth.

- Bank Zachodni WBK acted as an advisor in the public offering of BARLINEK and TELL shares effected by Dom Maklerski BZ WBK. The bank participated in the preparation of the share prospectuses of both companies and acted as an "investment sub-issuer". The offer from BARLINEK S.A. of PLN 160.6m included shares from the new issue and the sale of the existing shares held by Barcocapital Investment Limited. TELL S.A. offered newly issued shares with a value of PLN 16.3m.

- In 3Q 2005, an agreement was signed to sell the bank's shareholding in eCard (representing 17.71% of the company's share capital). The revenue from the transaction was PLN 10k.

- In September 2005, the bank entered into a conditional agreement to sell its 14,470,400 shares of Wschodni Bank Cukrownictwa S.A. to Getin Holding S.A. The value of the share package at the sales price was PLN 15.2m.

Key achievements of selected subsidiaries

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

- In 3Q 2005, Bank Zachodni WBK achieved a record turnover in the three most important stock markets: shares (PLN 5.4bn), futures (467.8k contracts) and options (18.1k contracts).

- The volume of shares trading YTD stood at PLN 14.3bn and was higher by 99% year-on-year. During the three quarters of 2005 Dom Maklerski BZ WBK acted as an agent for concluding 1,046.5k futures and 25.9k option contracts, which represents a year-on-year increase of 76% and 280%, respectively. With this performance, the company was ranked the second in the futures market in Poland (with a share of 13.5%), fourth in the shares market (11.4%) and fifth in the options market (8.8%).

- In 3Q 2005, Dom Maklerski BZ WBK effected the public offerings of BARLINEK and TELL shares. It also acted as an agent for the IPOs of POLICE S.A. and PGNiG S.A.

BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. and BZ WBK AIB Asset Management S.A.

- In 3Q 2005, the investment funds managed by BZ WBK AIB TFI achieved the highest sales in the company's history thanks to excellent investment performance (highest returns of the balanced, share, stable growth and bonds funds), favourable external conditions (increase in demand driven by low interest rates and good business climate on the stock market) and a successful advertising campaign.

- The rapid growth in sales led to an increase in the value of the funds' assets by 36.4% q-o-q and by 99.2% y-o-y. As at the end of September 2005, total assets amounted to PLN 5.2bn, giving the company 9.8% share in the investment fund market (2.3pp higher than last year).

- The value of assets in the individually managed portfolios of the customers of BZ WBK AIB AM increased by 26.6% q-o-q and by 91.4% y-o-y (to PLN 525.7m).

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

- The value of assets leased by the two BZ WBK leasing companies (BZ WBK Finance & Leasing and BZ WBK Leasing) in 3Q 2005 stood at PLN 240m. The YTD figure of PLN 666.9m is 8.6% higher than last year and accounts for 6.5% of the market share. In line with the market trend, the largest growth was observed in the lease of machinery and equipment.

- In 3Q 2005, the Autostart leasing offer for retail customers was modified, whereby service procedures and documentation requirements were simplified and the availability of consumer leasing was increased.

- As part of the public programme of issue of bonds up to the maximum amount of PLN 2bn, BZ WBK Finanse & Leasing issued another series of 3-year fixed rate bonds. The nominal value of the bonds sold amounted to PLN 3m. The funds acquired from the issue are used for the core operations of the subsidiary.

BZ WBK Faktor Sp. z o.o.

- In 3Q 2005, BZ WBK Faktor successfully completed the pilot of its new product, i.e. factoring without recourse, and obtained approval for its implementation in the branch network.

- As at end-September 2005, the value of receivables purchased YTD by the company amounted to PLN 448.6m, a year-on-year increase of 98.5%.

2 Significant accounting principles applied in Bank Zachodni WBK Group

Statement of compliance

The interim consolidated financial statements of the Group has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with respect to matters not regulated by the above standards, in accordance with the Accounting Act dated 29 September 1994 (Official Journal from 2002, No. 76, item 694 with amendments) and the respective laws and in accordance with the Decree of the Council of Ministers dated 31 March 2005 on current and periodical information provided by issuers of securities (Official Journal from 2005, No. 49, item 463).
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.

Basis of preparation

The financial statements are presented in PLN, rounded to the nearest thousand.

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial assets and financial liabilities held at fair value through profit or loss and financial instruments classified as available-for-sale.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with IFRSs requires 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. Actual results may differ from these estimates.

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 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. 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 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 repackaging) 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 foreign exchange and 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.
The Group designates certain derivatives as a fair value hedge.
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 or cash flows attributable to the hedged risk.

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 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 it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; 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. Derivatives are also categorised as 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 other than those created with the intention of 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.

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 trade date accounting [or 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 at 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) of financial liabilities resulting from transferring a financial asset that is not to be derecognised or recognised applying the approach resulting from exposure retention**.**

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 is recognised directly in equity, through the statement of changes in equity except for impairment losses and foreign exchange gains and losses 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.

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 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 can be repurchased at the same price plus initially agreed interest.

Securities sold subject to repurchase agreements ("repos") are not derecognised but are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral, the counterparty liability arising from repo transactions. Securities purchased under agreements to resell ("reverse repos") are recorded as 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

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 that comes to the attention of the holder of the asset 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 either directly or through use of an allowance account. 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.

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 an allowance account. The amount of the reversal is recognised in profit or loss.

Write-down of credit exposures

In order to ensure realistic presentation of the balance sheet, the Group writes down its receivables against the previously raised impairment provisions.

Credit exposures are written down where the Group establishes that it cannot expect any inflows in reduction of the debt.

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 repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss. 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.

Property, plant and equipment

Owned assets

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

Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 January 2004, the date of transition to IFRSs, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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. Land is not depreciated. The estimated useful lives are as follows:

- buildings 40 years
- residential buildings 67 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:

- **patents and trademarks** 5 years
- **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.

Liabilities

Liabilities, other than financial liabilities held for trading, are stated at 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, assets that have an indefinite useful life and 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 or its cash-generating unit 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.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

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,
- deferred tax charges,
- value from revaluation of fixed assets.

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.

The equity also comprises:

- financial result in the course of approval reduced by planned dividends,
- declared but unpaid dividends.

Every six months, in accordance of art. 127 of the Banking Law, the net income earned is allocated to equity.

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

Short-term service benefits

The Group's short-term employment benefits include wages, bonuses, holiday pay and social insurance payments are recognised as an expense as incurred.

Long-term service benefits

The Group's net obligation in respect of long-term service benefits, other than pension plans, 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 were estimated on the basis of an actuarial valuation. The actuarial valuation of those accruals is updated on an annual basis.

Share-based payment transactions

The Group recognises liabilities related to share-based payments in line with ISFR2. This liability is measured at fair value through profit and loss account over the period based on the option-pricing model.

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.

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 method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. 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.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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, which are not settled according to effective interest rate, are taken to profit and loss account on an on-going basis (e.g. fees for distribution of ARKA funds, maintenance of current accounts, insurance of transactions, international payments, asset management and brokerage services).

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 are recognized in the balance sheet and the profit and loss account at the transaction date.

Profit on disposal of subordinated entities

Profit on the sale of interests in subordinated entities is set as a difference between the book value of the interests 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.

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 at 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, taken 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 even in the case of over-valuation. The same applies to the revaluation-related future profits and losses.

3 First time adoption of IFRS

The consolidated financial statements of the BZ WBK Group for the first three quarters of 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 2 were used in preparation of the financial statements for three quarters ended 30 September 2005 and for presentation of comparable data for the financial year ended 31 December 2004 and 30 September 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 retrospective application of IFRS:

1. 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.

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2. 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.

3. 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:

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

2. 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

3. 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

		PAS	Adjustment	IFRS
Assets				
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)	13 954 199	(2 995)	13 951 204
Reverse repo transactions		5 806		5 806
Investment securities	(e)	5 923 907	570	5 924 477
Investments in subordinated undertakings	(e)	70 934	(783)	70 151
Intangible assets		301 353		301 353
Property, plant & equipment	(a)(e)	695 547	(4 559)	690 988

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Deferred income tax assets	(a)(b)(d)(e)	290 724	1 485	292 209
Other assets	(e)	283 532	546	284 078
Total assets		**24 157 567**	**(5 736)**	**24 151 831**
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 subordinated undertakings	(c)	11 196	(11 196)	-
Deferred income tax liabilities	(e)	138 810	5	138 815
Other liabilities	(a)(d)(e)	1 111 102	751	1 111 853
Total liabilities		**21 599 285**	**(10 916)**	**21 588 369**
Share capital		729 603		729 603
Other reserve funds	(e)	1 548 549	425	1 548 974
Revaluation reserve	(e)	159 992	5	159 997
Retained earnings	(a)(b)(c)(d)(e)	104 568	4 618	109 186
Minority interest	(e)	15 570	132	15 702
Total equity		**2 558 282**	**5 180**	**2 563 462**
Total Liabilities		**24 157 567**	**(5 736)**	**24 151 831**

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)

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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.

1)	Decrease in negative goodwill of subordinated entities	(11 196)
2)	Increase in retained earnings	11 196

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 subordinated undertakings	(783)

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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

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
	Total impact	5

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	11 196
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	4 618

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Consolidated balance sheet as at 30 September 2004

		PAS	Adjustment	IFRS
Assets				
Cash and balances with central bank		414 751		414 751
Loans and advances to banks		2 772 023		2 772 023
Securities at fair value through profit & loss account		1 447 873		1 447 873
Derivative financial instruments		450 521		450 521
Loans and advances to customers	(a)(b)(e)	14 390 682	(4 045)	14 386 637
Reverse repo transactions		34 355		34 355
Investment securities	(e)	5 456 200	591	5 456 791
Investments in subordinated undertakings	(e)	75 181	(793)	74 388
Intangible assets	(f)	246 436	(1 568)	244 868
Property, plant & equipment	(a)(e)	605 667	(3 971)	601 696
Deferred income tax assets	(a)(b)(d) (e)	419 991	2 026	422 017
Other assets	(e)	252 420	468	252 888
Total assets		26 566 100	(7 292)	26 558 808
Liabilities				
Deposits from banks		2 295 430		2 295 430
Derivative financial instruments		465 772		465 772
Deposits from clients	(e)	18 459 215	(604)	18 458 611
Repo transactions		-		-
Debt securities in issue		1 107 653		1 107 653
Negative goodwill from acquisition of subordinated undertakings	(c)	8 703	(8 703)	-
Deferred income tax liabilities	(a)(b)(e)	220 349	380	220 729
Other liabilities	(a)(d)(e)	1 119 338	688	1 120 026
Total liabilities		23 676 460	(8 239)	23 668 221
Share capital		729 603		729 603
Other reserve funds	(e)	1 641 569	501	1 642 070
Revaluation reserve	(e)	156 633	5	156 638
Retained earnings	(a)(b)(c) (d)(e)(f)	338 629	309	338 938
Minority interest	(e)	23 206	132	23 338

Consolidated Financial Statements of BZ WBK Group PLN k

Total equity	2 889 640	947	2 890 587
Total liabilities	26 566 100	(7 292)	26 558 808

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	4 611
2)	Decrease in property, plant and equipment	(4 111)
3)	Increase in deferred tax assets	75
4)	Increase in deferred tax liabilities	202
5)	Decrease in other liabilities	(169)
6)	Increase in retained earnings	542

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	(8 645)
2)	Increase in deferred tax assets	1815
3)	Increase in deferred tax liabilities	173
4)	Decrease in retained earnings	(7 003)

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 negative goodwill of subordinated entities	(8 703)
2)	Increase in retained profits	8 703

Consolidated Financial Statements of BZ WBK Group PLN k

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	281
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	(11)
2)	Increase in investment securities	591
3)	Decrease in investments in subordinated entities	(793)
4)	Increase in property, plant and equipment	140
5)	Increase in deferred tax assets	13
6)	Increase in other assets	468
7)	Decrease in amounts due to customers	(604)
8)	Increase in deferred tax liabilities	5
9)	Increase in other liabilities	576
10)	Increase in other funds	501
11)	Increase in revaluation reserve	5
12)	Decrease in retained earnings	(207)
13)	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	(1 568)
2)	Decrease in retained earnings	(1 568)

The cumulated impact on the balance of deferred tax assets/liabilities and retained earnings as at 30 September 2004 is presented in the tables below:

Consolidated Financial Statements of BZ WBK Group PLN k

Deferred tax assets

1)	Impact of converting rent and operating lease agreements into finance lease agreements.	75
2)	Impact of adopting an effective interest rate method in measuring lease receivables.	1 815
3)	Change in the scope of consolidation (line-by-line consolidation method applied to subsidiaries formerly excluded from consolidation).	13
4)	Impact of costs related with a share option program for BZWBK Group executives.	123
	Total impact	2 026

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 of adopting an effective interest rate method in measuring lease receivables	173
3)	Impact of converting rent and operating lease agreements into finance lease agreements	202
	Total impact	380

Retained earnings

1)	Impact of converting rent and operating lease agreements into finance lease agreements.	542
2)	Impact of adopting an effective interest rate method in measuring lease receivables.	(7 003)
3)	Reversal of negative goodwill from acquisition of subsidiary undertakings	8 703
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).	(207)
6)	Write-off of goodwill	(1 568)
	Total impact	309

Consolidated Financial Statements of BZ WBK Group PLN k

Consolidated balance sheet as at 31 December 2004

		PAS	Adjustment	IFRS
Assets				
Cash and balances with central bank		1 200 154		1 200 154
Loans and advances to monetary institutions		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)	14 070 254	(6 493)	14 063 761
Reverse repo transactions		25 697		25 697
Investment securities		5 607 851		5 607 851
Investments in subordinated undertakings	(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)	261 685	419	262 104
Total assets		**27 587 874**	**(8 724)**	**27 579 150**
Liabilities				
Deposits from monetary institutions		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 subordinated undertakings	(c)	8 600	(8 600)	-
Deferred income tax liabilities	(a)(b)(e)	301 472	301	301 773
Other liabilities	(a)(d)(e)	868 054	940	868 994
Total liabilities		**24 535 251**	**(8 429)**	**24 526 822**
Share capital		729 603		729 603
Other reserve funds	(e)	1 641 684	501	1 642 185
Revaluation reserve	(e)	215 454	5	215 459
Retained earnings	(a)(b)(c)(d)(e)(f)	435 207	(933)	434 274
Minority interest	(e)	30 675	132	30 807

Consolidated Financial Statements of BZ WBK Group PLN k

Total equity	**3 052 623**	**(295)**	**3 052 328**
Total liabilities	**27 587 874**	**(8 724)**	**27 579 150**

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.

1)	Decrease in negative goodwill of subordinated entities	(8 600)
2)	Increase in retained profits	8 600

Consolidated Financial Statements of BZ WBK Group PLN k

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 subordinated entities	(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	(1070)
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:

Consolidated Financial Statements of BZ WBK Group PLN k

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
	Total impact	301

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	8 600
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	(933)

Consolidated Financial Statements of BZ WBK Group PLN k

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.

		IFRS 31.12.2004	Adjustment	IFRS 01.01.2005
Assets				
Cash and balances with central bank		1 200 154		1 200 154
Loans and advances to monetary institutions		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)	14 063 761	(141 183)	13 922 578
Reverse repo transactions		25 697		25 697
Investment securities	(g)	5 607 851	39 815	5 647 666
Investments in subordinated undertakings		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)	262 104	18 595	280 699
Total assets		**27 579 150**	**(101 131)**	**27 478 019**
Liabilities				
Deposits from monetary institutions	(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)	301 773	8 370	310 143
Other liabilities	(i)(h)	868 994	(60 112)	808 882
Total liabilities		**24 526 822**	**(58 484)**	**24 468 338**
Share capital		729 603		729 603

Consolidated Financial Statements of BZ WBK Group PLN k

Other reserve funds		1 642 185		1 642 185
Revaluation reserve	(g)	215 459	29 197	244 656
Retained earnings	(h)(i)(l)(m)	434 274	(71 844)	362 430
Minority interest		30 807		30 807
Total equity		**3 052 328**	**(42 647)**	**3 009 681**
Total liabilities		**27 579 150**	**(101 131)**	**27 478 019**

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)

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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)

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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

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Total impact	(71 844)

Consolidated profit and loss account for the period from 01 January 2004 to 30 September 2004.

		PAS	Adjustment	IFRS
Interest and similar income		1 075 446	3 513	1 078 959
Interest expense and similar charges		(426 711)	7	(426 704)
Net interest income	(a)(b)(e)	648 735	3 520	652 255
Fee and commission income		554 548	(2 588)	551 960
Fee and commission expense		(91 509)	(1 203)	(92 712)
Net fee and commission income	(b)(e)	463 039	(3 791)	459 248
Dividend income		54 302		54 302
Foreign exchange profit		144 676		144 676
Gains less losses on hedge accounting transactions		(4 025)		(4 025)
Net trading income		28 724		28 724
Gains less losses from investment in securities		2 774		2 774
Gains less losses on sale of subordinated undertakings		55 136		55 136
Other operating income	(a)(e)	38 268	(170)	38 098
Impairment losses on loans and advances		(131 176)		(131 176)
Operating expenses				
Bank's staff, operating expenses and management costs	(e)	(702 055)	(836)	(702 891)
Depreciation/amortization	(a)(d)(e)	(154 630)	2 104	(152 526)
Other	(d)	(16 827)	(2 666)	(19 493)
Operating profit		**426 941**	**(1 839)**	**425 102**
Share in net profits (losses) of subordinated entities accounted for by the equity method	(c)(e)	5 388	(2 487)	2 901
Gross profit		**432 329**	**(4 326)**	**428 003**
Corporate income tax	(a)(b)(e)	(74 392)	53	(74 339)
Minority (profits) losses		(10 208)		(10 208)

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Net profit			**347 729**	**(4 273)**	**343 456**

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	200
2)	Decrease in other operating income	(460)
3)	Decrease in depreciation	1 067
4)	Increase in deferred tax charge	(152)

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	3 296
2)	Decrease in net commission income	(4 522)
3)	Decrease in deferred tax charge	233

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 subordinated entities accounted for using the equity method	(2 493)

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.

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1)	Decrease in goodwill amortisation	1 083
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	24
2)	Increase net commission income	731
3)	Increase in other operating income	290
4)	Increase in staff and operating costs	(836)
5)	Increase in depreciation	(46)
6)	Decrease in share in net profits (losses) of subordinated entities accounted for using the equity method	(15)
7)	Increase in deferred tax charge	(27)

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 603 k. Other adjustments to the cash flow statement arise directly from adjustments to the relevant balance sheet and profit and loss account items.

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	4 189	1 499 222
Interest expense and similar charges		(624 724)	6	(624 718)
Net interest income	(a)(b)(e)	870 309	4 195	874 504
Fee and commission income		782 931	(3 382)	779 549
Fee and commission expense		(146 037)	(1 225)	(147 262)
Net fee and commission income	(b)(e)	636 894	(4 607)	632 287
Dividend income		54 336		54 336
Foreign exchange profit		197 108		197 108
Gains less losses on hedge accounting transactions		(5 284)		(5 284)

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Net trading income		14 497		14 497
Gains less losses from investment in securities		7 198		7 198
Gains less losses on sale of subordinated undertakings		55 136		55 136
Other operating income	(a)(c)(e)	66 015	(554)	65 461
Impairment losses on loans and advances		(131 301)		(131 301)
Operating expenses		(1 198 297)	(1 578)	(1 199 875)
Bank's staff, operating expenses and management costs	(e)	(943 247)	(1 301)	(944 548)
Depreciation/amortization	(a)(d)(e)	(202 089)	2 690	(199 399)
Other	(d)(e)(f)	(52 961)	(2 968)	(55 929)
Operating profit		**566 611**	**(2 545)**	**564 067**
Share in net profits (losses) of subordinated entities accounted for by the equity method	(c)	9 447	(3 325)	6 122
Gross profit		**576 058**	**(5 869)**	**570 189**
Corporate income tax	(a)(b)(e)(f)	(113 790)	393	(113 397)
Minority (profits) losses		(17 816)		(17 816)
Net profit		**444 452**	**(5 477)**	**438 976**

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	273
2)	Decrease in other operating income	(1 637)
3)	Decrease in depreciation	1 304
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:

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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 subordinated 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	354
4)	Increase in staff and operating costs	(1 301)
5)	Increase in depreciation	(57)
6)	Decrease in other operating costs	133
7)	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:

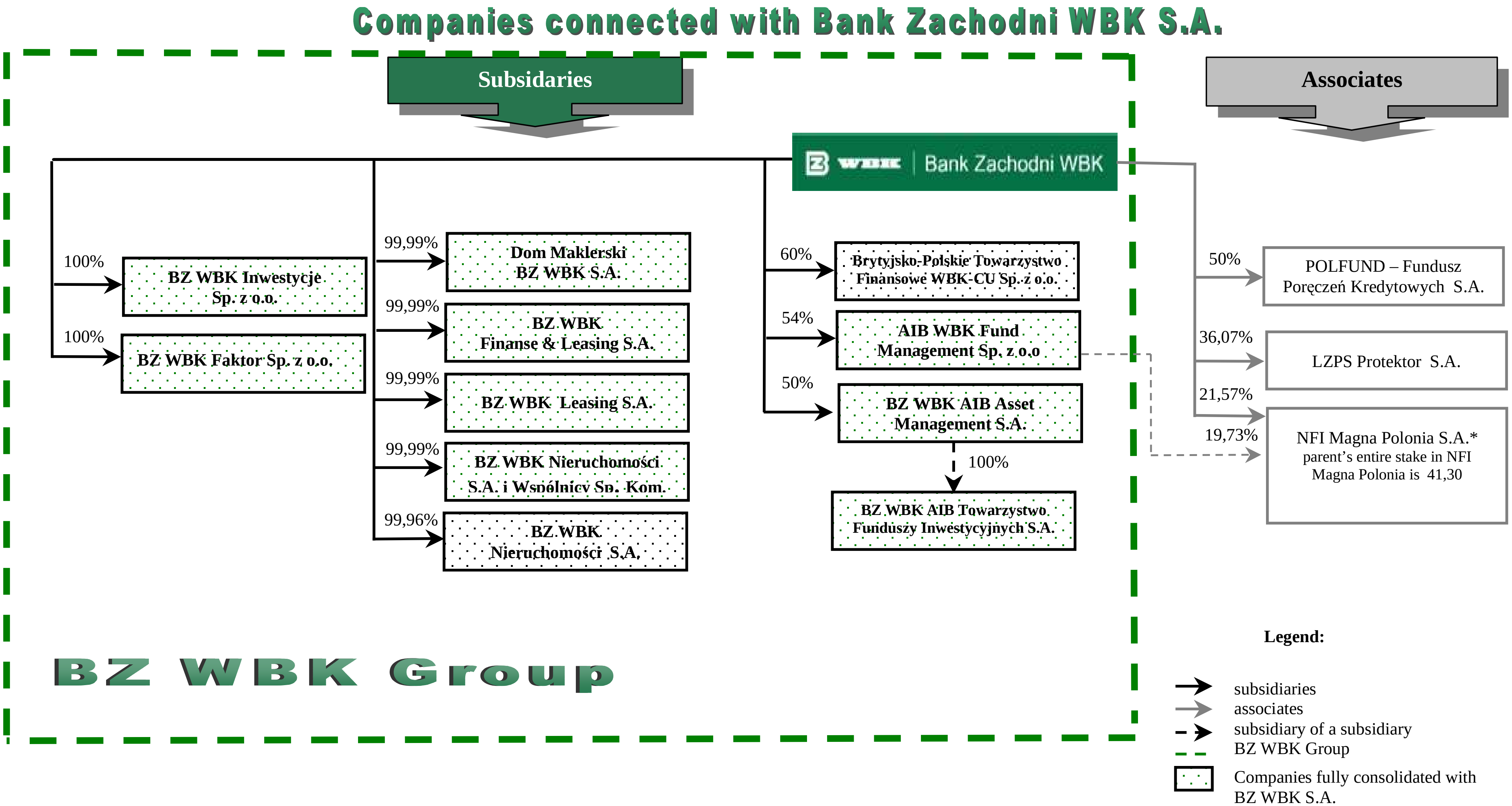
1)	Increase in other operating costs	(450)
2)	Decrease in deferred tax charge	85

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 1,250 k). Other adjustments to the cash flow statement arise directly from adjustments to the relevant balance sheet and profit and loss account items.

4. 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 Q3 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 30 September 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.

5 Related party disclosures

The Group companies enter into intercompany transactions. The transactions are effected between subsidiaries, associates and parent entity. Most of the transactions are banking transactions made as part of ordinary business activities and mainly include loans, deposits and guarantees.

Intercompany transactions effected by the bank and its subsidiaries have been eliminated during consolidation process.

Consolidated Financial Statements of BZ WBK Group PLN k

The table below contains information about transactions effected by the bank and its subsidiaries with related entities at the end of the reporting period:

Assets and liabilities

30.09.2005

Receivables	of which, from subsidiaries	of which, from associates	of which, from the parent company (AIB Group)	Total 30.09.2005
Loans and advances to banks	618 638	-	679 635	1 298 273
Securities at fair value through profit or loss	5 351	-	-	5 351
Derivative financial instruments	26 263	-	-	26 263
Loans and advances to customers	421 263	-	-	421 263
Other assets	4 316	-	23 469	27 785
Total assets	1 075 831	-	703 104	1 778 935

Liabilities	of which, from subsidiaries	of which, from associates	of which, from the parent company(AIB Group)	Total 30.09.2005
Deposits from banks	412 527	-	38	412 565
Derivative financial instruments	26 263	-	-	26 263
Deposits from clients	612 436	65 167	-	677 603
Debt securities in issue	5 351	-	-	5 351
Other liabilities	20 960	7	39 080	60 047
Retained earnings	(1 706)	-	-	(1 706)
Total liabilities	1 075 831	65 174	39 118	1 180 123

30.09.2004

Receivables	of which, from subsidiaries	of which, from associates	of which, from the parent company(AIB Group)	Total 30.09.2004
Loans and advances to banks	383 140	-	784 779	1 167 919
Securities at fair value through profit or loss	22 402	-	-	22 402
Derivative financial instruments	12 076	-	-	12 076
Loans and advances to customers	275 738	-	-	275 738
Other assets	26 803	-	18 740	45 543
Total assets	720 159	-	803 519	1 523 678

Consolidated Financial Statements of BZ WBK Group PLN k

Liabilities	of which, from subsidiaries	of which, from associates	of which, from the parent company(AIB Group)	Total 30.09.2004
Deposits from banks	271 874	-	50 029	321 903
Derivative financial instruments	15 445	-	-	15 445
Deposits from clients	372 892	68 350	-	441 242
Debt securities in issue	19 242	-	-	19 242
Other liabilities	40 204	-	57 501	97 705
Retained earnings	502	-	-	502
Total liabilities	720 159	68 350	107 530	896 039

Income and costs

1.01.2005 - 30.09.2005

Income	of which, from subsidiaries	of which, from associates	of which, from the parent company(AIB Group)	Total 1.01-30.09.2005
Interest and similar income	28 815	-	16 473	45 288
Fee and commission income	25 013	4	2 859	27 876
Other operating income	4 170	-	-	4 170
Net trading income		-	3 658	3 658
Total	57 998	4	22 990	80 992

Expenses	of which, from subsidiaries	of which, from associates	of which, from the parent company(AIB Group)	Total 1.01-30.09.2005
Interest expense and similar charges	30 012	1 320	1 544	32 876
Fee and commission expense	24 643	-	-	24 643
Operating expenses, of which:	5 049	15	24 980	30 044
Bank's staff, operating expenses and management costs	5 049	15	24 980	30 044
Total	59 704	1 335	26 524	87 563

Consolidated Financial Statements of BZ WBK Group PLN k

1.01.2004 - 30.09.2004

Income	of which, from subsidiaries	of which, from associates	of which, from the parent company(AIB Group)	Total 1.01-30.09.2004
Interest and similar income	22 915	-	23 930	46 845
Fee and commission income	32 608	-	3 980	36 588
Other operating income	4 735	-	-	4 735
Net trading income		-	(10 686)	(10 686)
Total	60 258	-	17 224	77 482

Expenses	of which, from subsidiaries	of which, from associates	of which, from the parent company(AIB Group)	Total 01.01-30.09.2004
Interest expense and similar charges	23 617	597	1 358	25 572
Fee and commission expense	29 747	3	-	29 750
F/X profit	-	-	-	-
Profit on sale of subsidiaries		-	-	-
Operating expenses, of which:	6 392	-	21 951	28 343
Bank's staff, operating expenses and management costs	6 374	-	20 189	26 563
other	18	-	1 762	1 780
Total	59 756	600	23 309	83 665

Intercompany transactions – off-balance sheet liabilities

	Subsidiaries	Associates	Total 30.09.2005
1. Contingent liabilities granted/received:	2 368 828	6 000	2 374 828
-financial	2 241 274	-	2 241 274
-guarantees	127 554	6 000	133 554

Intercompany transactions – off-balance sheet liabilities	Subsidiaries	Associates	Total 30.09.2005
2. Derivatives' nominal values:	2 777 896	-	2 777 896
-F/x operations	30 408	-	30 408
- single currency swaps	1 358 540	-	1 358 540
-single currency swaps - hedging	1 388 948	-	1 388 948

BZ WBK Group recognises liability due to share based payments accounted in line with IFRS 2.
The liability is brought to fair value through profit and loss account. Value of mark to marked adjustment is calculated basing on share option valuation model.

The level of mutual transactions with the key management as at the end of the first quarter does not differ significantly from the level presented as at the 1st half of 2005.

6 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.

7 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.

8 Accounting estimates and judgements

Loan loss impairment

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. It is not necessary to identify a single, discrete event that caused the impairment. Rather the combined effect of several events may have caused the impairment. The Group makes judgements whether there is indications of objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset.

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). The calculation of the present value of the estimated future cash flows requires judgement by management. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly and updated where appropriate. In addition back testing is performed to compare actual and estimates of loan losses.

Impairment of available-for-sale investments

Where there is any objective evidence that available-for-sale investments may be impaired, the Bank creates appropriate impairment charges – this applies to three Group companies.

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 repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss. 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.

Provisions for employee benefits arising from the Bank's Collective Labour Agreement and terms of individual employee contracts were estimated on the basis of an actuarial valuation. The actuarial valuation of those accruals is updated on an annual basis.

9 Issues, redemption or repayment of debt or equity instruments

In Q3 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 – 3S0608 of PLN 3 069 k (nominal value) with the final redemption date of 30.06.2008 and in BZWBK Finanse&Leasing S.A. - 3-year bonds – 3S0608X of PLN 516 k with the final redemption date of 30.06.2008.

As at the end of Q3 2005, the total value of obligations with respect to the issue of own bonds by Bank Zachodni WBK S.A., BZWBK Leasing and BZWBK Finanse & Leasing amounted to PLN 1 137 023 k (nominal value).

In Q3 2004 BZ WBK Leasing S.A. and BZWBK Finanse & Leasing SA continued public issue of own bonds. The issue totalled PLN 140 444k and PLN49 858 k respectively. Total value of issue amounted to PLN190 302 k.

As at the end of Q3 2004, the total value of obligations with respect to the issue of own bonds by Bank Zachodni WBK S.A., BZWBK Leasing and BZWBK Finanse & Leasing amounted to PLN 1 04 201 k (nominal value).

10 Dividend information

At 17 May 2005 Bank Zachodni WBK S.A. paid out a dividend of PLN 2,43 per share. Total paid out dividend amount was PLN177 293 k.

11 Income and profits by business segments

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

- Activity of the Treasury Operations Segment comprises foreign exchange and interbank transactions as well as transaction in derivative instruments and debt securities
- Activity of the Investment Banking Segment includes equity investments of Bank Zachodni WBK S.A. and brokerage operations
- Activity of the Branch Operations Segment comprises branch network operations and the related internet distribution of services and products.
- Leasing Operations Segment centralises the Group's leasing activity.

Income and costs of the individual segment mean income and costs earned/incurred on sales to external clients or on transactions with other segments of the Group. They are disclosed in the P&L account and can be, based on rational premises, allocated to a particular business segment.

The segment's assets and liabilities are operational assets and liabilities used by that segment in its operating activities. They can be, based on rational premises, allocated to a particular business segment.

The segment's profits and assets were determined prior to inter-segment exclusions. Sale prices between the segments are close to market prices. Operating costs and income are appropriately allocated to a relevant segment. Costs and income which cannot be rationally assigned are stated in "unallocated costs" and "unallocated income".

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

Consolidated Financial Statements of BZ WBK Group PLN k

For the period 01.01.-30.09.2005	Branch operations	Treasury operations	Investment banking	Leasing operations	Eliminations	Total
1. Total segments income	**2 161 323**	**503 738**	**200 111**	**109 749**	**(857 881)**	**2 117 040**
Segments income (external)	1 717 992	121 107	169 827	108 114	-	**2 117 040**
Segments income (internal)	443 331	382 631	30 284	1 635	(857 881)	**-**
2. Total segments costs	**(1 770 288)**	**(455 379)**	**(105 487)**	**(78 517)**	**857 881**	**(1 551 790)**
Segments costs (external)	(1 360 445)	(29 884)	(89 691)	(71 770)	-	**(1 551 790)**
Segments costs (internal)	(409 843)	(425 495)	(15 796)	(6 747)	857 881	**-**
3. Dividend income	**-**	**-**	**47 407**	**-**	**-**	**47 407**
4. Movements in provisions	**(24 341)**	**-**	**-**	**(3 539)**	**-**	**(27 880)**
5. Segments income on investment in associates	**-**	**-**	**(466)**	**-**	**-**	**(466)**
6. Segments gross profit	**366 694**	**48 359**	**141 565**	**27 693**	**-**	**584 311**
7. Unallocated income						-
8. Unallocated costs						**(52 658)**
9. EBT						**531 653**
10. Income tax						**(98 633)**
11. Minority interest						**(20 482)**
12. Net profit						**412 538**

Consolidated Financial Statements of BZ WBK Group PLN k

For the period 01.01.-30.09.2004	Branch operations	Treasury operations	Investment banking	Leasing operations	Eliminations	Total
1. Total segments income	**1 852 275**	**411 805**	**176 878**	**99 167**	**(652 362)**	**1 887 763**
Segments income (external)	1 508 712	122 053	158 885	98 113	-	**1 887 763**
Segments income (internal)	343 563	289 752	17 993	1 054	(652 362)	**-**
2. Total segments costs	**(1 505 221)**	**(352 932)**	**(60 690)**	**(69 812)**	**652 362**	**(1 336 293)**
Segments costs (external)	(1 201 489)	(24 999)	(53 699)	(56 106)	-	**(1 336 293)**
Segments costs (internal)	(303 732)	(327 933)	(6 991)	(13 706)	652 362	**-**
3. Dividend income	**-**	**-**	**54 293**	**-**	**-**	**54 293**
4. Movements in provisions	**(128 198)**	**-**	**-**	**(4 357)**	**-**	**(132 555)**
5. Segments income on investment in associates	**-**	**-**	**2 901**	**-**	**-**	**2 901**
6. Segments gross profit	**218 856**	**58 873**	**173 382**	**24 998**	**-**	**476 109**
7. Unallocated income						-
8. Unallocated costs						**(48 106)**
9. EBT						**428 003**
10. Income tax						**(74 339)**
11. Minority interest						**(10 208)**
12. Net profit						**343 456**

Consolidated Financial Statements of BZ WBK Group PLN k

As regards comparable period 30 September 2004, segmental consolidated profit and loss account includes all relevant adjustments resulting from retrospective application of IFRS.

12 Acquisitions and disposals of investments

No significant changes in the group structure (mergers, acquisitions and disposals of investments) occurred in the BZ WBK Group during the 3rd Q 2005.

13 Changes to the contingent liabilities or assets

Contingent liabilities, sanctioned and received

	30.09.2005	30.06.2005	Change
Liabilities sanctioned:	**5 041 809**	**4 303 384**	**738 425**
- financing-related	**4 276 847**	**3 578 859**	**697 988**
including: import letters of credit	51 124	54 472	(3 348)
including: credit lines	3 635 950	3 172 282	463 668
including: credit card debits	364 131	352 192	11 939
- guarantees	**764 962**	**724 525**	**40 437**
including: confirmed export letters of credit	1 248	343	905
Received liabilities:	**588 392**	**727 571**	**(139 179)**
Total	**5 630 201**	**5 030 955**	**599 246**

As at 30.09.2005 , the Bank issued guarantees of PLN 828 739 k, and as at 30.09.2004 PLN 791 564 k. The guarantees issued to subsidiary undertakings BZ WBK S.A. Finanse & Leasing, BZ WBK Leasing, Dom Maklerski, BZWBK TFI S.A. and Nieruchomości SA were excluded as intragroup transactions.

Derivatives' nominal values

	30.09.2005	30.06.2005	Change
1. Derivatives (hedging)	**2 799 362**	**2 706 792**	**92 570**
a) Single-currency interest rate swaps – purchased amounts	1 399 681	1 353 396	46 285
b) Single-currency interest rate swaps – sold amounts	1 399 681	1 353 396	46 285

Consolidated Financial Statements of BZ WBK Group PLN k

2.	**Term (speculative) derivatives**	**92 480 085**	**89 664 841**	**2 815 244**
a)	Interest rate operations	68 908 572	64 034 211	4 874 361
-	Single-currency interest rate swaps – purchased amounts	12 319 281	14 591 474	(2 272 193)
-	Single-currency interest rate swaps – sold amounts	12 319 291	14 591 910	(2 272 619)
-	FRA-purchased amounts	25 720 000	19 150 827	6 569 173
-	FRA-sold amounts	18 550 000	15 700 000	2 850 000
b)	FX operations	23 571 513	25 630 630	(2 059 117)
-	FX swap – purchased amounts	10 719 151	11 995 948	(1 276 797)
-	FX swap – sold amounts	10 729 358	12 115 409	(1 386 051)
-	Cross-currency interest rate swaps – purchased amounts	1 075 349	760 514	314 835
-	Cross -currency interest rate swaps – sold amounts	1 047 655	758 759	288 896
3.	**Derivatives – non-stock market options**	**377 671**	**311 598**	**66 073**
-	Options purchased	335 713	302 676	33 037
-	Options sold	41 958	8 922	33 036
	Total	**95 657 118**	**92 683 231**	**2 973 887**

14 Principles of PLN conversion into EURO

Selected financial figures for Q3 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 – 3,9166.
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 – 4,0583 (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).

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 – 4,3832.

Consolidated Financial Statements of BZ WBK Group PLN k

Selected items of profit and loss account and cash flow for Q3 2004 - according to the exchange rate calculated as an arithmetic mean on the last day of each month in a quarter – 4,6214 (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).

15 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 Q3 2005 /8.11.2005r./ 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 8.11.2005r.				
AIB European Investments Limited	51 413 790	70,5 %	51 413 790	70,5 %
As at 3.08.2005r.				
AIB European Investments Limited	51 413 790	70,5 %	51 413 790	70,5 %

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

No. Of Bank Zachodni WBK shares held			
	3.08.2005	8.11.2005	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 8 October 2005

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.

17 Information about the commenced court proceedings

As at 30 September 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 310 899 k, which is ca. 9,36% of Group's equity. This amount includes PLN 75 640 k claimed by the Bank, PLN 38 898 k in claims against the Bank and PLN 196 361 are Bank's receivables due to bankruptcy or arrangement cases.

Significant court proceedings

Parties to litigation	Subject of litigation	Value of litigation (PLN k)	Date proceedings started
PPHU PREFBUD Sp z o.o. versus BZ WBK S.A.	verification of an entry in the Land And Mortgage register	5 250	12.01.2004
BZ WBK S.A. versus Władysława Rychlik, Eryk Rychlik, Henryk Rychlik, Anna Biskupska, Andrzej Buszkiewicz	five individual bankruptcy cases	136 250	03.06.2004
METRON-TERM Sp. z o.o. versus BZ WBK S.A.	Rectification of an entry in the Land And Mortgage register	3 000	27.04.2004
Zbigniew i Iwona Hetman versus: a) Bank Zachodni WBK S.A., b) State Treasury c) Debt collector	claim for damages	5 500	19.01.2005
Passage 222 versus Bankowi Zachodniemu WBK SA	cancelling the enforceability of a banking writ of execution	4 873	25.11.2004
Multisoft	claim for damages	7 971	29.09.2005

18 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 30 September 2005 and 30 September 2004, 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.

19 Events which occurred after the balance sheet date

BZ WBK bond purchase

On 7 October 2006, Bank Zachodni WBK S.A. received from BZ WBK Inwestycje Sp. z o.o. - a subsidiary – information that on 6 and 7 October 2005, BZ WBK Inwestycje Sp. z o.o. purchased on the MTS-CeTO market 353 589 (say three hundred fifty three thousand five hundred eighty nine) ordinary bearer bonds of 2S1005 (BZS1005) series, issued by Bank Zachodni WBK S.A. under the 2nd Investments Bonds Issue Programme.

The nominal value per bond is PLN 100. The average purchase price per bond was PLN 99.52. (say: ninety nine zloty 52/100).

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.

The purchase value of one redeemed bond totalled PLN 100 (one hundred zlotys) and was equal to its nominal value.

Consolidated Financial Statements of BZ WBK Group PLN k

BZ WBK bond purchase

On 21 October 2005, Bank Zachodni WBK S.A. received from BZ WBK Inwestycje Sp. z o.o., based in Poznań, Plac Wolności 15 – a subsidiary – information about buying, by BZ WBK Inwestycje Sp. z o.o. on 20 and 21 October 2005, on the public regulated market MTS-CeTO 2 853 385 (say two million eight hundred fifty three thousand three hundred eighty five) ordinary bearer bonds of 2S1105 series (BZS1105), issued by Bank Zachodni WBK S.A. as part of the 2nd Investment Bonds Issue Programme, which give right to money benefits only and mature on 10 November 2005. The nominal value of one bond is PLN 100 (one hundred zlotys). The average purchase price per bond was PLN 99.48 (ninety nine zlotys and 48/100).

Bank Zachodni WBK S.A. has a 100% of the shareholding in BZ WBK Inwestycje Sp. z o.o. The president of the Management Board of BZ WBK Inwestycje Sp. z o.o. and its Supervisory Board members are individuals connected with Bank Zachodni WBK S.A. by way of employment contracts.

The purchase of the above bonds was compliant with the Articles of Association of BZ WBK Inwestycje Sp. z o.o., i.e. it was preceded by the approval of its Supervisory Board, and represented the execution of the agreement concluded on 1 June 2005 by and between Bank Zachodni WBK S.A. and BZ WBK Inwestycje Sp. z o.o., about the conclusion of which Bank Zachodni WBK S.A. informed in current report no. 12/2005, dated 2 June 2005. The intention of BZ WBK Inwestycje Sp. z o.o. is keeping the purchased bonds until their redemption.

The funds earmarked by BZWBK Inwestycje Sp. z o.o. for paying for the bonds came from a loan sanctioned to the subsidiary by Bank Zachodni WBK S.A. BZ WBK S.A. informed about this loan in a current report no. 30/2004, dated 30 December 2004.

The price for the bonds purchased by BZ WBK Inwestycje Sp. z o.o., understood as a product of the number of bonds and the total price and due interest on the bonds was PLN 313 729 680,75 (say three hundred thirteen million seven hundred twenty nine thousand six hundred eighty 75/100) which accounts for 10% of the shareholders funds of Bank Zachodni WBK S.A., which warrants their recognition as assets of significant value.

SIGNATURES OF PERSONS REPRESENTING THE ENTITY

Date	Name	Position	Signature
8-11-2005	James Murphy	Member of the Management Board	
8-11-2005	Wanda Rogowska	Financial Accounting Director	