Financial highlights

	PLN k		EUR k	
	2 Q 2005 01-01-2005 - 30-06-2005	**2 Q 2004 01-01-2004 - 30-06-2004**	**2 Q 2005 01-01-2005 - 30-06-2005**	**2 Q 2004 01-01-2004 - 30-06-2004**
Consolidated financial statement				
Interest income	841 061	696 009	206 117	147 114
Commission income	395 915	361 001	97 026	76 304
Operating profit	352 482	298 602	86 382	63 115
Gross profit (loss)	351 308	298 386	86 094	63 069
Net profit (loss)	280 602	247 471	68 767	52 307
Total net cash flow	(170 367)	(137 799)	(41 752)	(29 126)
Total assets	29 301 067	26 058 623	7 252 560	5 737 005
Deposits from banks	1 722 996	2 159 412	426 474	475 411
Deposits from customers	20 048 133	18 183 743	4 962 286	4 003 290
Total liabilities	26 061 690	23 297 559	6 450 754	5 129 135
Equity	3 203 362	2 743 000	792 892	603 892
Number of shares	72 960 284	72 960 284		
Net book value per share in PLN/EURO	43,91	37,60	10,87	8,28
Solvency ratio	17,01%	11,82%		
Profit (loss) per share in PLN/ EURO	3,85	3,39	0,94	0,72
Declared or paid dividend per share in PLN/EURO	2,43	0,32	0,60	0,07

	PLN k		EUR k	
	2 Q 2005 01-01-2005 - 30-06-2005	2 Q 2004 01-01-2004 - 30-06-2004	2 Q 2005 01-01-2005 - 30-06-2005	2 Q 2004 01-01-2004 - 30-06-2004
Stand alone financial statement				
Interest income	777 108	646 163	190 444	136 578
Commission income	309 927	303 736	75 953	64 200
Operating profit	311 548	270 460	76 350	57 166
Gross profit (loss)	311 548	270 460	76 350	57 166
Net profit (loss)	264 216	232 292	64 751	49 099
Total net cash flow	(172 089)	(482 635)	(42 174)	(102 013)
Total assets	28 048 570	24 799 857	6 942 544	5 459 878
Deposits from banks	1 422 480	1 728 225	352 090	380 482
Deposits from customers	20 124 657	18 232 331	4 981 227	4 013 987
Total liabilities	24 982 506	22 086 537	6 183 636	4 862 520
Equity	3 066 064	2 713 320	758 908	597 358
Number of shares	72 960 284	72 960 284		
Net book value per share in PLN/EURO	42,02	37,19	10,40	8,19
Solvency ratio	16,56%	11,77%		
Profit (loss) per share in PLN/ EURO	3,62	3,18	0,89	0,67
Declared or paid dividend per share in PLN/EURO	2,43	0,32	0,60	0,07

Consolidated financial statement of Bank Zachodni WBK S.A.

Consolidated profit and loss account

	01-04-2005 30-06-2005	01-01-2005 30-06-2005	01-04-2004 30-06-2004	01-01-2004 30-06-2004
Interest and similar income	418 841	841 061	349 036	696 009
Interest expense and similar charges	(204 086)	(407 922)	(138 539)	(265 079)
Net interest income	**214 755**	**433 139**	**210 497**	**430 930**
Fee and commission income	200 978	395 915	183 970	361 001
Fee and commission expense	(42 606)	(83 645)	(32 098)	(59 227)
Net fee and commission income	**158 372**	**312 270**	**151 872**	**301 774**
Dividend income	47 397	47 397	7	54 298
Foreign exchange profit	59 678	117 592	55 027	94 700
Gains less losses on hedge accounting transactions	(5)	175	(360)	(3 202)
Net trading income	2 251	6 136	14 638	23 617
Gains less losses from investment in securities	1 595	3 863	(536)	2 721
Gains less losses on sale of subordinated undertakings	-	-	55 135	55 135
Other operating income	14 911	28 960	12 390	24 978
Impairment losses on loans and advances	(12 422)	(16 742)	(60 233)	(94 537)
Operating expenses	(292 175)	(580 308)	(290 593)	(591 812)
Bank's staff, operating expenses and management costs	(238 140)	(473 712)	(236 626)	(474 662)
Depreciation/amortisation	(46 809)	(94 316)	(49 978)	(102 730)
other	(7 226)	(12 280)	(3 989)	(14 420)
Operating profit	**194 357**	**352 482**	**147 844**	**298 602**
Share in net profits (losses) of subordinated entities accounted for by the equity method	252	(1 174)	(501)	(216)
Gross profit	**194 609**	**351 308**	**147 343**	**298 386**
Corporate income tax	(25 939)	(60 039)	(22 164)	(45 957)
Minority (profits) losses	(7 060)	(10 667)	(2 602)	(4 958)
Net profit	**161 610**	**280 602**	**122 577**	**247 471**

Net earnings (loss) per ordinary share (PLN/share)				
- basic	**2,22**	**3,85**	**1,68**	**3,39**
- diluted				

Consolidated balance sheet

Assets	30-06-2005	31-03-2005	31-12-2004	30-06-2004
Cash and balances with central bank	1 031 427	738 167	1 200 154	838 140
Treasury bills and other bills eligible for rediscounting in central bank	-	-	-	-
Loans and advances to banks	2 055 316	2 626 591	2 800 318	3 115 521
Securities at fair value through profit or loss	2 882 443	1 878 750	1 369 937	702 516
Derivative financial instruments	742 920	775 936	869 435	294 342
Loans and advances to customers	13 789 721	13 861 664	14 063 761	14 397 007
Reverse repo transactions	26 102	25 910	25 697	23 680
Investment securities:	7 199 099	6 757 303	5 607 851	5 093 997
- available-for-sale	7 199 099	6 757 303	2 923 003	2 332 013
- held-to maturity	-	-	2 684 848	2 761 984
Investment in associates	73 789	75 517	76 943	69 078
Intangible asset	203 096	220 451	237 004	262 123
Property, plant & equipment	533 049	551 990	593 043	623 686
Deferred tax assets	510 478	504 224	472 903	377 561
Other assets	253 627	381 738	262 104	260 972
incl: assets held for sale	18 485	22 431	317	376
Total assets	29 301 067	28 398 241	27 579 150	26 058 623
Liabilities				
Deposits from banks	1 722 996	1 773 662	1 301 638	2 159 412
Derivative financial instruments	814 098	897 263	804 501	279 179
Deposits from customers	20 048 133	19 628 447	19 316 900	18 183 743
Repo transactions	1 027 278	412 278	732 690	-
Debt securities in issue	1 307 583	1 253 890	1 200 326	907 354
Other liabilities relating to financial instruments	-	-	-	-
Subordinated loans	-	-	-	-
Deferred tax liabilities	321 641	309 955	301 773	162 433
Other liabilities	819 961	1 124 316	868 994	1 605 438
Total Liabilities	26 061 690	25 399 811	24 526 822	23 297 559
Equity				
Capital and reserves attributable to the Company's equity holders	3 203 362	2 967 519	3 021 521	2 743 000
Share capital	729 603	729 603	729 603	729 603
Other reserve funds	1 948 117	1 666 744	1 642 185	1 640 735
Revaluation reserve	365 843	289 946	215 459	128 549
Retained earnings	(120 803)	162 234	(4 702)	(3 358)
Profit of the current period	280 602	118 992	438 976	247 471
Minority interest	36 015	30 911	30 807	18 064
Total equity	3 239 377	2 998 430	3 052 328	2 761 064
Total equity and liabilities	29 301 067	28 398 241	27 579 150	26 058 623

	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Total
I **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)
I **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	-	-	121 437	-	121 437
Net change in revaluation of fixed assets	-	250	(250)	-	-
Net gains not recognised in income statement	-	250	121 187	-	121 437
Net profit	-	-	-	280 602	280 602
Total recognised income in 1st half 2005	**-**	**250**	**121 187**	**280 602**	**402 039**
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)	-
At 30.06.2005	**729 603**	**1 948 117**	**365 843**	**159 799**	**3 203 362**

	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	-		(29 123)	-	(29 123)
Net change in revaluation of fixed assets	-	2 325	(2 325)	-	-
Net gains not recognised in income statement	-	2 325	(31 448)	-	(29 123)
Net profit	-	-	-	247 471	247 471
Total recognised income in 1st half 2004	**-**	**2 325**	**(31 448)**	**247 471**	**218 348**
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	-	2 735	-	(2 735)	-
Other	-	-	-	238	238
At 30.06.2004	**729 603**	**1 640 735**	**128 549**	**244 113**	**2 743 000**

	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Total
I **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
I **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 income 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
At 31.12.2004	**729 603**	**1 642 185**	**215 459**	**434 274**	**3 021 521**

Consolidated cash flow statement

	01-04-2005 30-06-2005	01-01-2005 30-06-2005	01-04-2004 30-06-2004	01-01-2004 30-06-2004
A. Net cash flow from operating activities - indirect method				
I. Net profit (loss)	161 610	280 602	122 577	247 471
II. Total adjustments:	689 586	1 175 998	(781 188)	(1 415 836)
1. Profits (losses) of minorities	7 060	10 667	2 602	4 958
2. Share in net profits (losses) of subordinated entities accounted for by the equity method	(252)	1 174	501	216
3. Amortisation	46 809	94 316	49 991	102 730
4. Impairment losses	346	346	-	2 651
5. Gains (losses) on exchange differences	1 361	2 078	14 968	12 918
6. Interests and similar charges	76 567	66 828	156 164	162 983
7. Dividend income	(47 263)	(47 263)	(54 298)	(54 298)
8. (Profit) loss from investing activities	(1 031)	(1 590)	(56 961)	(61 582)
9. Change in provisions	(14 183)	(14 576)	(1 400)	(1 917)
10. Change in financial instruments at fair value through profit and loss	(1 055 975)	(1 390 782)	(524 092)	(349 085)
11. Change in financial investments	(219)	(219)	-	-
12. Change in loans and advances from banks	573 784	744 132	(1 740 431)	(2 081 790)
13. Change in loans and advances from clients	(26 124)	(136 743)	49 806	28 599
14 . Change in receivables arising from securities purchased under reverse repo agreements	(192)	(405)	(10 997)	(17 874)
15. Change in deposits from banks	13 717	541 518	817 818	790 684
16. Change in deposits from clients	405 208	1 026 191	222 050	(407 391)
17. Change in liabilities arising from securities sold under repurchase agreements	614 918	294 506	(15 261)	-
18. Change in liabilities arising from debt securities in issue	19 908	37 428	(28 498)	(25 238)
19. Change in assets and liabilities arising from deferred taxation	43 131	(36 176)	(49 035)	(61 185)
20. Change in other assets and liabilities	32 408	(15 153)	385 523	537 509
21. Other adjustments	(392)	(279)	362	1 276
III. Net cash flow from operating activities (I +/- II) - indirect method	**851 196**	**1 456 600**	**(658 611)**	**(1 168 365)**

B. Cash flow from investing activities				
I. Inflows	**274 724**	**455 175**	**1 277 286**	**1 291 999**
1. Sale of shares or interests in subordinated undertakings	-	-	68 000	68 000
2. Sale of shares or interests at fair value through profit and loss	-	-	-	-
3. Sale of investment shares or interests	214 342	393 086	1 138 413	1 143 889
4. Sale of intangible and tangible fixed assets	4 408	5 346	16 575	25 750
5. Dividends received	47 263	47 263	54 298	54 298
6. Proceeds from other investments	8 711	9 480	-	62
II. Outflows	**(641 107)**	**(1 858 526)**	**(460 182)**	**(474 662)**
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	(620 454)	(1 824 848)	(445 285)	(448 416)
4. Purchase of intangible and tangible fixed assets	(11 896)	(24 571)	(14 836)	(25 117)
5. Other investments	(8 757)	(9 107)	(61)	(1 129)
III Net cash flow from investing activities (I - II)	**(366 383)**	**(1 403 351)**	**817 104**	**817 337**
C. Cash flow from financing activities				
I. Inflows	**59 424**	**99 748**	**152 428**	**278 230**
1. Drawing of long-term loans	30 562	30 796	114 671	177 635
2. Issue of debt securities	28 862	68 952	36 066	98 704
3. Drawing of subordinated loans	-	-	-	-
4. Net inflows from issue of own shares and capital contributions	-	-	-	-
5. Other financial proceeds	-	-	1 691	1 891
II. Outflows	**(248 176)**	**(323 364)**	**(43 089)**	**(65 001)**
1. Repayment of long-term loans	(68 261)	(124 937)	(12 278)	(20 948)
2. Redemption of debt securities	-	-	-	-
3. Repayment of subordinated liabilities	-	-	-	-
4. Dividends and other payments to shareholders	(177 263)	(177 263)	(23 347)	(23 347)
5. Purchase of own shares	-	-	-	-
6. Other financing outflows	(2 652)	(21 164)	(7 464)	(20 706)
III. Net cash flow from financing activities (I - II)	**(188 752)**	**(223 616)**	**109 339**	**213 229**
D. Total net cash flow (A.III +/- B.III +/- C.III)	**296 061**	**(170 367)**	**267 832**	**(137 799)**
E. Change in the cash balance, of which:	**296 061**	**(170 367)**	**267 832**	**(137 799)**
F. Cash at the beginning of the accounting period	**766 314**	**1 232 742**	**977 882**	**1 383 513**
G. Cash at the end of the accounting period (F+/- D)	**1 062 375**	**1 062 375**	**1 245 714**	**1 245 714**

Financial statement of Bank Zachodni WBK S.A.

Profit and loss account

	01-04-2005 30-06-2005	01-01-2005 30-06-2005	01-04-2004 30-06-2004	01-01-2004 30-06-2004
Interest and similar income	387 077	777 108	319 391	646 163
Interest expense and similar charges	(191 552)	(383 918)	(127 611)	(249 748)
Net interest income	**195 525**	**393 190**	**191 780**	**396 415**
Fee and commission income	161 017	309 927	155 558	303 736
Fee and commission expense	(32 065)	(59 008)	(23 645)	(43 302)
Net fee and commission income	**128 952**	**250 919**	**131 913**	**260 434**
Dividend income	70 158	73 658	177	62 887
Foreign exchange profit	58 542	115 489	54 174	93 111
Gains less losses on hedge accounting transactions	(636)	(308)	(334)	(3 172)
Net trading income	2 145	6 206	14 603	22 685
Gains less losses from investment in securities	1 654	3 922	(598)	2 659
Gains less losses on sale of subordinated undertakings	-	-	54 923	54 923
Other operating income	9 563	20 897	9 522	21 088
Impairment losses on loans and advances	(13 486)	(17 219)	(57 626)	(89 787)
Operating expenses	(267 929)	(535 206)	(269 390)	(550 783)
Bank's staff, operating expenses and management costs	(215 854)	(433 520)	(216 818)	(439 811)
Depreciation/amortisation	(45 439)	(91 429)	(47 927)	(98 396)
other	(6 636)	(10 257)	(4 645)	(12 576)
Operating profit	**184 488**	**311 548**	**129 144**	**270 460**
Share in net profits (losses) of subordinated entities accounted for by the equity method	-	-	-	-
Gross profit	**184 488**	**311 548**	**129 144**	**270 460**
Corporate income tax	(23 250)	(47 332)	(17 483)	(38 168)
Minority (profits) losses	-	-	-	
Net profit	**161 238**	**264 216**	**111 661**	**232 292**

Net earnings (loss) per ordinary share
(PLN/share)

- basic
- diluted

Balance sheet

Assets	**30-06-2005**	**31-03-2005**	**31-12-2004**	**30-06-2004**
Cash and balances with central bank	1 031 412	737 009	1 200 143	838 128
Treasury bills and other bills eligible for rediscounting in central bank	-	-	-	-
Loans and advances to banks	2 040 134	2 604 938	2 787 304	2 755 086
Securities at fair value through profit or loss	2 881 318	1 877 788	1 354 938	695 540
Derivative financial instruments	740 128	775 936	869 435	298 208
Loans and advances to customers	12 593 981	12 666 803	12 887 698	13 406 481
Reverse repo transactions	26 102	25 910	25 697	23 680
Investment securities:	7 139 888	6 710 845	5 568 006	5 067 146
- available-for-sale	7 139 888	6 710 845	2 883 158	2 305 162
- held-to maturity	-	-	2 684 848	2 761 984
Investment in associates	222 657	229 494	268 463	274 640
Intangible asset	197 263	214 545	230 665	255 704
Property, plant & equipment	526 089	544 942	585 734	617 181
Deferred tax assets	474 815	472 494	442 311	348 307
Other assets	174 783	201 014	194 489	219 756
incl: assets held for sale	18 485	22 431	317	376
Total assets	28 048 570	27 061 718	26 414 883	24 799 857
Liabilities				
Deposits from banks	1 422 480	1 409 436	906 751	1 728 225
Derivative financial instruments	851 681	922 598	821 342	293 357
Deposits from customers	20 124 657	19 737 891	19 416 722	18 232 331
Repo transactions	1 027 278	412 278	732 690	-
Debt securities in issue	580 617	569 745	560 695	538 947
Other liabilities relating to financial instruments	-	-	-	-
Subordinated loans	-	-	-	-
Deferred tax liabilities	310 030	300 976	290 386	151 831
Other liabilities	665 763	878 821	745 766	1 141 846
Total liabilities	24 982 506	24 231 745	23 474 352	22 086 537
Equity				
Capital and reserves attributable to the	3 066 064	2 829 973	2 940 531	2 713 320
Share capital	729 603	729 603	729 603	729 603
Other reserve funds	1 891 186	1 624 996	1 624 903	1 624 613
Revaluation reserve	357 846	281 543	213 993	126 969
Retained earnings	(176 787)	90 853	(157)	(157)
Profit of the current period	264 216	102 978	372 189	232 292
Minority interest				
Total equity	3 066 064	2 829 973	2 940 531	2 713 320
Total equity and liabilities	28 048 570	27 061 718	26 414 883	24 799 857
		-	-	-

I	**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)
I	**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	-	-	123 482	-	123 482
	Net change in revaluation of fixed assets	-	250	(250)	-	-
	Net gains not recognised in income statement	-	250	123 232	-	123 482
	Net profit	-	-	-	264 216	264 216
	Total recognised income in 1st half 2005	**-**	**250**	**123 232**	**264 216**	**387 698**
	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)	-
	At 30.06.2005	**729 603**	**1 891 186**	**357 846**	**87 429**	**3 066 064**

Movements on equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Total
I **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)
I **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 income 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)	-
Other	-	-	-	-	-
At 31.12.2004	**729 603**	**1 624 903**	**213 993**	**372 032**	**2 940 531**

Movements on equity	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	-	-	(29 167)	-	(29 167)
Net change in revaluation of fixed assets	-	2 325	(2 325)	-	-
Net gains not recognised in income statement	-	2 325	(31 492)	-	(29 167)
Net profit	-	-	-	232 292	232 292
Total recognised income in 1st half 2004	**-**	**2 325**	**(31 492)**	**232 292**	**203 125**
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)	-
At 30.06.2004	**729 603**	**1 624 613**	**126 969**	**232 135**	**2 713 320**

Cash flow statement

	01-04-2005 30-06-2005	01-01-2005 30-06-2005	01-04-2004 30-06-2004	01-01-2004 30-06-2004
A. Net cash flow from operating activities - indirect method				
I. Net profit (loss)	161 238	264 216	111 661	232 292
II. Total adjustments:	654 604	1 138 399	(634 950)	(1 463 016)
1. Amortisation	45 439	91 429	47 927	98 396
2. Impairment losses	346	346	-	2 651
3. Gains (losses) on exchange differences	-	-	-	-
4. Interests and similar charges	59 085	32 358	173 604	141 464
5. Dividend income	(65 776)	(65 776)	(58 449)	(58 449)
6. (Profit) loss from investing activities	(771)	(1 268)	(57 205)	(61 792)
7. Change in provisions	(14 434)	(14 963)	(1 602)	(2 016)
8. Change in financial instruments at fair value through profit and loss	(1 038 684)	(1 366 779)	(215 169)	(364 084)
9. Change in financial investments	-	-	-	-
10. Change in loans and advances from monetary institutions	573 831	744 132	(1 558 216)	(2 081 790)
11. Change in loans and advances from clients	(2 984)	217 907	(222 127)	(130 261)
12 . Change in receivables arising from securities purchased under reverse repo agreements	(192)	(405)	(10 997)	(17 874)
13. Change in deposits from monetary institutions	13 717	541 518	817 884	790 750
14. Change in deposits from clients	387 016	708 185	464 718	94 662
15. Change in liabilities arising from securities sold under repurchase agreements	615 000	294 588	(15 261)	-
16. Change in liabilities arising from debt securities in issue	12 439	23 048	1 502	4 762
17. Change in assets and liabilities arising from deferred taxation	2 511	(32 949)	(46 273)	(58 423)
18. Change in other assets and liabilities	68 259	(32 993)	43 948	178 655
19. Other adjustments	(198)	21	766	333
III. Net cash flow from operating activities (I +/- II) - indirect method	815 842	1 402 615	(523 289)	(1 230 724)

B. Cash flow from investing activities				
I. Inflows	284 487	454 324	926 783	1 295 515
1. Sale of shares or interests in subordinated undertakings	-	6 837	68 000	68 000
2. Sale of shares or interests at fair value through profit and loss	-	-	-	-
3. Sale of investment shares or interests	214 018	375 554	783 748	1 143 321
4. Sale of intangible and tangible fixed assets	4 394	5 253	16 586	25 683
5. Dividends received	65 776	65 776	58 449	58 449
6. Proceeds from other investments	299	904	-	62
II. Outflows	(618 176)	(1 824 021)	(460 952)	(513 516)
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	(606 823)	(1 800 364)	(448 165)	(448 416)
4. Purchase of intangible and tangible fixed assets	(10 978)	(22 957)	(12 462)	(21 971)
5. Other investments	(375)	(700)	(325)	(1 129)
III Net cash flow from investing activities (I - II)	(333 689)	(1 369 697)	465 831	781 999
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	(179 039)	(205 007)	(24 673)	(33 910)
1. Repayment of long-term loans	(923)	(26 039)	-	(7 913)
2. Redemption of debt securities	-		-	-
3. Repayment of subordinated liabilities	-		-	-
4. Dividends and other payments to shareholders	(177 263)	(177 263)	(23 347)	(23 347)
5. Purchase of own shares	-		-	-
6. Other financing outflows	(853)	(1 705)	(1 326)	(2 650)
III. Net cash flow from financing activities (I - II)	(179 039)	(205 007)	(24 673)	(33 910)
D. Total net cash flow (A.III +/- B.III +/- C.III)	303 114	(172 089)	(82 131)	(482 635)
E. Change in the cash balance, of which:	303 114	(172 089)	(82 131)	(482 635)
F. Cash at the beginning of the accounting period	744 063	1 219 266	966 130	1 366 634
G. Cash at the end of the accounting period (F+/- D)	1 047 177	1 047 177	883 999	883 999

ADDITIONAL INFORMATION TO EXTENDED CONSOLIDATED QUARTERLY REPORT OF BANK ZACHODNI WBK SA

FOR II Q 2005 – SAB-QSr II/2005

1. INFORMATION ABOUT OPERATIONS OF BANK ZACHODNI WBK GROUP

Financial performance

The table below presents major developments in key categories of the Bank Zachodni WBK Group profit & loss account in 1H 2005 as compared to the corresponding period last year.

PLN m

Key Profit & Loss items	***1H 2005***	***1H 2004***	***Change***
Total underlying income [1]	949.6	929.8	+2.1%
Total costs	(580.3)	(591.8)	-1.9%
Operating profit	352.5	298.6	+18.1%
Profit-before-tax [2]	351.3	298.4	+17.7%
Tax	(60.0)	(46.0)	+30.4%
Profit-after-tax	280.6	247.5	+13.4%

[1] *1H 2004 excludes profit of PLN 55.1m from the disposal of a subsidiary (Cardpoint S.A.)*
2 *profit before tax and profits attributable to minority shareholders*

In the first half of 2005, the Bank Zachodni WBK Group reported profit-after-tax of PLN 280.6m, an increase of 13.4% on the 1H 2004 figure. This performance was mainly due to:

- growth of business volumes, e.g. savings and deposit base (+10.3%), retail loan-book (+5.2%), leasing receivables (+11.9%), assets of investment funds (+75%);
- steady increase in fee and commission income (+3.5%), including very fast growth rate of cross-border payment commissions, fees from external institutions, asset management and brokerage fees;
- high foreign exchange profit (+24.2%) due to higher FX trading volumes;
- sharp decrease in administrative expenses (-13.3%);
- lower loans impairment charge (-82.3%) due to the high and constantly improving quality of the Group's loan-book.

Income

In 1H 2005, the Bank Zachodni WBK Group produced a total income of PLN 949.6m. Excluding the one-off profit of PLN 55.1m earned in 1H 2004 from the disposal of a subsidiary (CardPoint S.A.), this shows an underlying year-on-year increase of 2.1%. The main components of total income are as follows:

- ***Net interest income***

Net interest income was PLN 433.1m and higher by PLN 2.2m on the same period last year. This performance was impacted by dynamic expansion of the Group's deposit base and considerable interest rates cuts.

- ***Net fee and commission income***

Net fee and commission income increased by 3.5% y-o-y to PLN 312.3m. Fees and commissions of PLN 17.4m were received but suspended and will be recognized in interest income in accordance with effective interest rate method (IAS 39).

The fastest growth in banking fees and commissions was generated by services to external institutions who use the bank's infrastructure and expertise to issue and/or service payment cards. The bank has extended cooperation with partners of long standing and also established new business relations. Superior increase in fees and commissions was also recorded in the area of cross-border payments, reflecting a rising number of transactions routed through the bank (+58% y-o-y). Asset management fees payable to subsidiaries, i.e. BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. and BZ WBK AIB Asset Management S.A. continued on an upward trend driven by strong sales of investment funds (75% growth in total assets). The Group fee and commission income was also positively affected by the robust brokerage fees generated by the BZ WBK Brokerage House due to record high trading volumes in the shares market (66% growth y-o-y).

- ***Dividend income***

Dividend income totalled PLN 47.4m and was down by 12.7%. In 2005 the members of the Commercial Union Group, included in the bank's equity investment portfolio (minority interest), paid out lower dividend to the bank. It was PLN 44.1m as compared to PLN 52.8m last year.

- ***FX profit***

Foreign exchange profit was PLN 117.6m and 24.2% up on 1H 2004 due to higher FX trading activity.

- ***Net trading income on assets at fair value through profit and loss account***

Net trading income on assets at fair value through profit and loss account decreased by 74.2% to PLN 6.1m under the impact of a significant decline in interbank market interest rates in 1H 2005 and changed classification of securities under IFRS1/IAS 39.

- ***Other operating income***

Other operating income increased by 16% to PLN 29m as a result of higher fees from capital market-related services to third parties, e.g. organization and issue of securities.

Costs

Total costs amounted to PLN 580.3m and were lower by 1.9% y-o-y.

- ***Operating costs***

Operating costs decreased by 0.2% to PLN 473.7m. Included in this figure are staff expenses which went up by 11.7% to PLN 278m on account of salary increase and larger bonus accrual. This increase was offset by the savings in non-staff expenses. They declined by 13.3 % to PLN 195.7m thanks to group-wide observance of purchase policy rules, improved cost-effectiveness of operating processes and renegotiation of contracts with suppliers. Compared to 1H 2004, the most noteworthy reductions were achieved in IT usage, building maintenance and rent, security, telecommunication and data transmission.

- ***Depreciation***

Depreciation totalled PLN 94.3m and was 8.2% lower than in 1H 2004 due to an ongoing process of fixed assets base optimisation.

- ***Other operating costs***

Other operating costs decreased by 14.6% to PLN 12.3m mainly as a result of goodwill write-off posted for 1H 2004.

Loan impairment charge

In 1H 2005, the loan impairment charge to the profit and loss account amounted to PLN 16.7 m, a 82.3% decrease against 1H 2004. This decline is attributable to the improved quality of the Group's loan book. It was achieved following an ongoing commitment to quality and credit risk management.

Key balance sheet items

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

PLN m

Key balance sheet items	***30-06-2005***	***30-06-2004***	***Change***
Total assets	29,301.1	26,058.6	+12.4%
Amounts due from customers (gross)	14,532.1	15,106.7	-3.8%
Customer-based financial resources [1]	21,355.7	19,091.1	+11.9%

[1] *customer deposits and bonds issued by the bank and its leasing subsidiaries*

As at 30 June 2005, the consolidated total assets of the Bank Zachodni WBK Group amounted to PLN 29,301.1m and were up by 12.4% y-o-y. The strong growth of customer deposits was accompanied by expansion of debt securities portfolios.

Deposit base

Customer deposits 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-June 2005 they increased by 10.3% to PLN 20,048.1m, accounting for 68.4% of the balance sheet total. Included in this figure are deposits from non-banking financial institutions in the amount of PLN 1,002.2m. Balances in current accounts held by individuals, companies and public sector customers totalled PLN 6,360.6m and exceeded the last year's figure by 8.5%. Term deposits went up by 10.6% to PLN 12,545.9m.

The Group's liability arising from debt securities in issue was PLN 1,307.6 m and 44.1% up on the last year's level due to further issues of 3Y own bonds by BZ WBK Leasing S.A. and BZ WBK Finanse & Leasing S.A. Of the total amount, PLN 727m relates to the leasing companies' own bonds and PLN 580.6m represents the bank's obligation in relation to the bonds issued and sold before the end of 2003. No issues have been arranged by the bank since then.

The Group's total savings and deposits base, including the customer deposits and bonds in issue, amounted to PLN 21,355.7m at the end of June 2005 and was 11.9% up y-o-y.

Loan portfolio

At the end of June 2005, total customer lending (before provisions) amounted to PLN 14,532.1m and was lower by 3.8% on end-June 2004. Although the corporate business was rather stagnant, the retail lending was on the rise. The Group's total personal lending increased by 5.2% y-o-y to PLN 2,982.6m, the highest growth being recorded in the area of cash loans (+40.3%) and credit card receivables (+9.3%). In 1H 2005, there was also a continued demand for lease rentals offered by subsidiaries, i.e. BZ WBK Finanse & Leasing S.A. and BZ WBK Leasing S.A. The total leasing receivables increased by 11.9% y-o-y to PLN 1,508.1m.

Business loans accounted for the biggest portion of the Group's loan-book - approximately 70% of the gross portfolio value. 20% is attributable to retail loans.

The Group's loan portfolio was well diversified. There was no single dominant sector and the biggest share of 9.9% was for the real estate activities.

The quality of the loan-book is systematically improving. At the end of June 2005, the impaired receivables (excluding interest) accounted for 7.9% of the gross customer portfolio whereas 12 months ago it was 10.7%.

Business Development

Information on business developments and achievements of Bank Zachodni WBK Group after two quarters of 2005 has been put forth in detail in the Management Board Report on the Bank Zachodni WBK Group Performance in 1H 2005 (released as part of the semi-annual report on the same date as this quarterly consolidated financial report).

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).

These are the Group's first interim consolidated financial statements and provisions of IFRS 1 have been applied.

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

The consolidated financial statements of the BZ WBK Group for the 2Q 2005 were prepared in line with the International Financial Reporting Standards. As indicated in Note 2, the Group financial statements are the first time adoption of IFRS. The accounting policies specified in Note 2 were used in preparation of the financial statements for the first 2Q ended 30 June 2005 and for presentation of comparable data for the financial year ended 31 December 2004 and 30 June 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.

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 3.4.

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.

3.1 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

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)
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)
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

3.2 Consolidated balance sheet as at 30 June 2004

		PAS	Adjustment	IFRS
Assets				
Cash and balances with central bank		838 140		838 140
Loans and advances to banks	(e)	3 115 514	7	3 115 521
Securities at fair value through profit & loss account		702 516		702 516
Derivative financial instruments		294 342		294 342
Loans and advances to customers	(a)(b)(e)	14 400 578	(3 571)	14 397 007
Reverse repo transactions		23 680		23 680
Investment securities	(e)	5 093 420	577	5 093 997
Investments in subordinated undertakings	(e)	69 882	(804)	69 078
Intangible assets	(f)	264 052	(1 929)	262 123
Property, plant & equipment	(a)(e)	628 341	(4 655)	623 686
Deferred income tax assets	(a)(b)(d)(e)	375 634	1 927	377 561
Other assets	(e)	260 581	391	260 972
Total assets		**26 066 680**	**(8 057)**	**26 058 623**
Liabilities				
Deposits from banks	(e)	2 159 384	28	2 159 412
Derivative financial instruments		279 179		279 179
Deposits from clients	(e)	18 184 133	(390)	18 183 743
Repo transactions		-		-
Debt securities in issue		907 354		907 354
Negative goodwill from acquisition of subordinated undertakings	(c)	9 534	(9 534)	-

Deferred income tax liabilities	(a)(b)(e)	162 214	219	162 433
Other liabilities	(a)(d)(e)	1 604 903	535	1 605 438
Total liabilities		**23 306 701**	**(9 142)**	**23 297 559**
Share capital		729 603		729 603
Other reserve funds	(e)	1 640 234	501	1 640 735
Revaluation reserve	(e)	128 544	5	128 549
Retained earnings	(a)(b)(c) (d)(e)(f)	243 666	447	244 113
Minority interest	(e)	17 932	132	18 064
Total equity		**2 759 979**	**1 085**	**2 761 064**
Total liabilities		**26 066 680**	**(8 057)**	**26 058 623**

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	4 765
2)	Decrease in property, plant and equipment	(4 809)
3)	Increase in deferred tax assets	109
4)	Increase in deferred tax liabilities	132
5)	Decrease in other liabilities	(169)
6)	Decrease in retained earnings	102

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	(8 424)
2)	Increase in deferred tax assets	1 682
3)	Increase in deferred tax liabilities	82
4)	Decrease in retained earnings	(6 824)

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	(9 534)
2)	Increase in retained profits	9 534

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)	Increase in loans and advances to banks	7
2)	Increase in loans and advances to customers	88
3)	Increase in investment securities	577
4)	Decrease in investments in subordinated entities	(804)
5)	Increase in property, plant and equipment	154
6)	Increase in deferred tax assets	13
7)	Increase in other assets	391
8)	Increase in amounts due to banks	28
9)	Decrease in amounts due to customers	(390)

10)	Increase in deferred tax liabilities	5
11)	Increase in other liabilities	423
12)	Increase in other funds	501
13)	Increase in revaluation reserve	5
14)	Decrease in retained earnings	(278)
15)	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	(1 929)
2)	Decrease in retained earnings	(1 929)

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

Deferred tax assets

1)	Impact of converting rent and operating lease agreements into finance lease agreements.	109
2)	Impact of adopting an effective interest rate method in measuring lease receivables.	1 682
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	1 927

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	132
3)	Impact of converting rent and operating lease agreements into finance lease agreements	82
	Total impact	219

Retained earnings

1)	Impact of converting rent and operating lease agreements into finance lease agreements.	102
2)	Impact of adopting an effective interest rate method in measuring lease receivables.	(6 824)
3)	Reversal of negative goodwill from acquisition of subsidiary undertakings	9 534
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).	(278)
6)	Write-off of goodwill	(1 929)
	Total impact	447

3.3 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
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

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:

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)

3.4 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
Other reserve funds		1 642 185		1 642 185
Revaluation reserve	(g)	215 459	29 197	244 656
Retained earnings	(h)(i)(l)	434 274	(71 844)	362 430

	(m)			
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)

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

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

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

j) Separation of assets for sale

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

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

k) Separation of intangible fixed assets

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

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

l) Effective interest rate on fees paid

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

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

m) Hedge accounting

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

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

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

Deferred tax assets

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

Deferred tax liabilities

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

Retained earnings

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

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

		PAS	Adjustment	IFRS
Interest and similar income		692 979	3 030	696 009
Interest expense and similar charges		(265 082)	3	(265 079)
Net interest income	(a)(b)(e)	427 897	3 033	430 930
Fee and commission income		363 076	(2 075)	361 001
Fee and commission expense		(57 944)	(1 283)	(59 227)
Net fee and commission income	(b)(e)	305 132	(3 358)	301 774
Dividend income		54 298		54 298
Foreign exchange profit		94 700		94 700
Gains less losses on hedge accounting transactions		(3 202)		(3 202)
Net trading income		23 617		23 617
Gains less losses from investment in securities		2 721		2 721
Gains less losses on sale of subordinated undertakings		55 135		55 135
Other operating income	(a)(e)	25 344	(366)	24 978
Impairment losses on loans and advances		(94 537)		(94 537)
Operating expenses				
Bank's staff operating expenses and management costs	(e)	(474 020)	(642)	(474 662)
Depreciation/amortization	(a)(d)(e)	(104 117)	1 387	(102 730)
Other	(d)	(11 769)	(2 651)	(14 420)
Operating profit		**301 199**	**(2 597)**	**298 602**
Share in net profits (losses) of subordinated entities accounted for by the equity method	(c)(e)	1 451	(1 667)	(216)
Gross profit		**302 650**	**(4 264)**	**298 386**
Corporate income tax	(a)(b)(e)	(46 086)	129	(45 957)
Minority (profits) losses		(4 958)		(4 958)
Net profit		**251 606**	**(4 135)**	**247 471**

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	185
2)	Decrease in other operating income	(619)
3)	Decrease in depreciation	697
4)	Increase in deferred tax charge	(49)

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	2 831
2)	Decrease in net commission income	(3 836)
3)	Decrease in deferred tax charge	191

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	(1 662)

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	722
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	17
2)	Increase net commission income	478
3)	Increase in other operating income	253
4)	Increase in staff and operating costs	(642)
5)	Increase in depreciation	(32)
6)	Decrease in share in net profits (losses) of subordinated entities accounted for using the equity method	(5)
7)	Increase in deferred tax charge	(13)

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 1,273 k). Other adjustments to the cash flow statement arise directly from adjustments to the relevant balance sheet and profit and loss account items.

3.6 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)
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**	**(2 544)**	**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**	**(5 476)**	**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:

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 Related party disclosures

Group of Bank Zachodni WBK consists of following subordinated entities:

	Subsidiaries	Registered office	% of votes on AGM 30.06.2005	% of votes on AGM 30.06.2004
1.	BZ WBK Faktor Sp. z o.o.	Warszawa	100,00	100,00
2.	BZ WBK Inwestycje Sp. z o.o.	Poznań	100,00	100,00
3.	Dom Maklerski BZ WBK S.A.	Poznań	99,99	99,99
4.	BZ WBK Finanse & Leasing S.A.	Poznań	99,99	99,99
5.	BZ WBK Leasing S.A.	Poznań	99,99	99,99
6.	BZ WBK Nieruchomości S.A. i Wspólnicy Spółka Komandytowa	Poznań	99,99	99,99
7.	BZ WBK Nieruchomości S.A.	Poznań	99,96	99,96

8.	Brytyjsko-Polskie Towarzystwo Finansowe WBK-CU Sp. z o.o.	Poznań	60,00	60,00
9.	AIB WBK Fund Management Sp. z o.o.	Warszawa	54,00	54,00
10.	BZ WBK AIB Asset Management S.A.	Poznań	50,00	50,00
11.	BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A.	Poznań	100% of votes is held by BZ WBK and AIB Asset Management S.A.	100% of votes is held by BZ WBK and AIB Asset Management S.A.

	Associates	**Registered office**	**% of votes on AGM 30.06.2005**	**% of votes on AGM 30.06.2004**
1.	POLFUND - Fundusz Poręczeń Kredytowych S.A.	Szczecin	50,00	50,00
2.	Lubelskie Zakłady Przemysłu Skórzanego Protektor S.A.	Lublin	36,07	36,07
3.	NFI Magna Polonia S.A.	Warszawa	21,57*	21,57**

* Direct holding of Bank Zachodni WBK S.A. Total shareholding BZWBK Group is 30,09%.

** As at 30.06.2004 total shareholding of BZWBK Group was 28,1%.

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.

The Group companies enter into intercompany transactions. The transactions are effected between subsidiaries, associates, staff and management.
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.
The table below contains information about transactions effected by the bank and its subsidiaries with related entities at the end of the reporting period:

Receivables	of which, from subsidiaries	of which, from associates	of which, from the parent company (AIB Group)	Total 30.06.2005
Loans and advances to banks	436 775		275 980	712 755
Securities at fair value through profit or loss	5 346			5 346
Derivative financial instruments	37 583			37 583
Loans and advances to customers	332 322			332 322
Other assets	9 692		31 546	41 238
Total assets	821 718		307 526	1 129 244

Receivables	of which, from subsidiaries	of which, from associates	of which, from the parent company(AIB Group)	Total 30.06.2004
Loans and advances to banks	249 275		374 535	623 810
Securities at fair value through profit or loss	30 491			30 491
Derivative financial instruments	15 264			15 264
Loans and advances from customers	344 521			344 521
Other assets	35 517		24 730	60 247
Total assets	675 068		399 265	1 074 333

Liabilities	of which, from subsidiaries	of which, from associates	of which, from the parent company(AIB Group)	Total 30.06.2005
Deposits from banks	330 700		138	330 838
Derivative financial instruments	37 583			37 583
Deposits from clients	423 619	63 853		487 472
Debt securities in issue	6 233			6 233
Other liabilities	24 936		28 383	53 319
Retained earnings	(1 353)			(1 353)
Total	821 718	63 853	28 521	914 092

Liabilities	Of which, from subsidiaries	of which, from associates	of which, from the parent company(AIB Group)	Total 30.06.2004
Deposits from banks	342 119		1 995	344 114
Derivative financial instruments	15 264			15 264
Deposits from clients	239 831	58 753		298 584
Debt securities in issue	30 491			30 491
Other liabilities	45 321		47 776	93 097
Retained earnings	2 042			2 042
Total	675 068	58 753	49 771	783 592

Income	of which, from subsidiaries	of which, from associates	of which, from the parent company(AIB Group)	Total 01.01-30.06.2005
Interest and similar income	18 707		10 692	29 399
Fee and commission income	14 685	35	2 099	16 819
Other operating income	2 779			2 779
Net trading income			13 150	13 150
Total	36 171	35	25 941	62 147

Income	of which, from subsidiaries	of which, from associates	of which, from the parent company(AIB Group)	Total 01.01-30.06.2004
Interest and similar income	27 672	402	15 735	43 809
Fee and commission income	23 942		2 692	26 634
Other operating income	4 906			4 906
Net trading income				
Total	56 520	402	18 427	75 349

Expenses	of which, from subsidiaries	of which, from associates	of which, from the parent company(AIB Group)	Total 01.01-30.06.2005
Interest expense and similar charges	20 060	797	4	20 861
Fee and commission expense	14 648			14 648
Operating expenses, of which:	2 816		18 100	20 916
Bank's staff, operating expenses and management costs	2 783			2 783
other	33		18 100	18 133
Total	37 524	797	18 104	56 425

Expenses	of which, from subsidiaries	of which, from associates	of which, from the parent company(AIB Group)	Total 01.01-30.06.2004
Interest expense and similar charges	28 141		34	28 175
Fee and commission expense	22 951	3		22 954
FX losses			6 359	6 359
Disposal of subsidiaries			1 811	1 811
Operating expenses, of	3 386		14 349	17 735

which:				
Bank’s staff, operating expenses and management costs	3 294		14 349	17 643
other	92			92
Total	54 478	3	22 553	77 034

Intercompany transactions – off-balance sheet liabilities

	30.06.2005		Total
	Subsidiaries	Associates	
1. Contingent liabilities granted/received:	2 453 876	6 000	2 459 876
-financial	2 319 798		2 319 798
-guarantees	134 078	6 000	140 078

Intercompany transactions – off-balance sheet liabilities	Subsidiaries	Associates	Total 30 06.2005
2. Derivatives’ nominal values:	2 973 834		2 973 834
-F/x operations	68 557	-	68 557
- single currency swaps	1 418 360		1 418 360
-single currency swaps - hedging	1 486 917		1 486 917
TOTAL	5 427 710		5 433 710

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 end of 2004.

5. 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.

6. 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.

7. 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.

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

In Q2 2005, Bank Zachodni did not issue bonds or other own debt securities, however bonds were issued twice in BZWBK Leasing S.A. subsidiary undertaking :

a) 3-year bonds – 3S0508 of PLN 22 055k (nominal value) with the final redemption date of 04.05.2008.
b) 3–year bonds – 3S0608 of PLN 6 779k (nominal value) with the final redemption date of 30.06.2008.

As at the end of Q2 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 1 133 438 k (nominal value).

In Q2 2004, no bonds or other own debt securities were issued in Bank Zachodni WBK S.A., but bonds were issued in a subsidiary undertaking of BZWBK S.A. – Leasing S.A. in the nominal value of PLN 36 084 k.

As at the end of Q2 2004, the total debt with respect to the issue of own bonds by Bank Zachodni WBK S.A., BZWBK Leasing and BZWBK Finanse & Leasing (subsidiary undertakings of BZWBK S.A.) amounted to PLN 823 899 k (nominal value).

9. 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.

Profit and loss account by business segments **30-06-2005**

	Branch operations	Treasury operations	Investment banking	Leasing operations	Eliminations	Total
1. Total segments income	**1 432 275**	**328 489**	**119 968**	**73 256**	**(560 286)**	**1 393 702**
Segments income (external)	1 142 559	78 244	100 942	71 957		**1 393 702**
Segments income (internal)	289 716	250 245	19 026	1 299	(560 286)	**-**
2. Total segments costs	**(1 180 760)**	**(298 661)**	**(62 636)**	**(53 440)**	**560 286**	**(1 035 211)**
Segments costs (external)	(913 060)	(19 977)	(53 419)	(48 755)		**(1 035 211)**
Segments costs (internal)	(267 700)	(278 684)	(9 217)	(4 685)	560 286	**-**
3. Dividend income			**47 397**			**47 397**
4. Movements in provisions	**(17 359)**	**-**	**-**	**617**	**-**	**(16 742)**
Increase	(73 458)	-	-	(7 293)		**(80 751)**
Release	56 099	-	-	7 910		**64 009**
5. Segments income on investment in associates	**-**	**-**	**(1 174)**	**-**	**-**	**(1 174)**
6. Segments gross profit	**234 156**	**29 828**	**103 555**	**20 433**	**-**	**387 972**
7. Unallocated income						-
8. Unallocated costs						(36 664)
9. EBT						**351 308**
10. Income tax						(60 039)
11. Minority interest						(10 667)
12. Net profit						**280 602**

Profit and loss account by business segments **30-06-2004**

	Branch operations	Treasury operations	Investment banking	Leasing operations	Eliminations	Total
1. Total segments income	**1 208 710**	**276 667**	**133 980**	**68 629**	**(441 905)**	**1 246 081**
Segments income (external)*	976 042	85 865	122 131	62 043		**1 246 081**
Segments income (internal)	232 668	190 802	11 849	6 586	(441 905)	**-**
2. Total segments costs	**(989 640)**	**(232 477)**	**(45 926)**	**(49 271)**	**441 905**	**(875 409)**
Segments costs (external)	(784 750)	(17 226)	(40 435)	(32 998)		**(875 409)**
Segments costs (internal)	(204 890)	(215 251)	(5 491)	(16 273)	441 905	**-**
3. Dividend income			**54 293**			**54 293**
4. Movements in provisions	**(90 022)**	**-**	**-**	**(4 495)**	**-**	**(94 517)**
Increase	(270 107)	-	-	(17 560)		**(287 667)**
Release	180 085	-	-	13 065		**193 150**
5. Segments income on investment in associates	**-**	**-**	**(216)**	**-**	**-**	**(216)**
6. Segments gross profit	**129 048**	**44 190**	**142 131**	**14 863**	**-**	**330 232**
7. Unallocated income						-
8. Unallocated costs						(31 846)
9. EBT						**298 386**
10. Income tax						(45 957)
11. Minority interest						(4 958)
12. Net profit						**247 471**

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

10. 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 first half-year of 2005.

On 22 April 2004, the Bank sold 850,000 registered shares of CardPoint S.A. from Poznań. The shares represented 100% of the CardPoint's share capital. The entire shareholding was purchased by NOVA EUROCONEX HOLDINGS B.V. from Holland.

CardPoint business is authorisation of transactions made with debit and credit cards. At the time of the sale, the company's activity was fully separated from the operations of the BZ WBK Group. In this context, in line with IFRS 5, CardPoint is treated as a discontinued operation.

CardPoint – financial highlights as at 31 March 2004.

Balance sheet total	8 233
Income	17 329
Costs	(18 914)
Operating profit/loss	(1 585)
Tax charges	238
Net profit/loss	(1 347)
Cash flows from operating activities	(581)
Cash flows from investment activities	(273)
Cash flows from financing activities	41
Profit on the sales transaction executed by BZ WBK Group (before taxation)	55 135

11 Changes to the contingent liabilities or assets

Contingent liabilities, sanctioned and received

	30.06.2005r.	31.03.2005r.	Zmiana stanu
Liabilities sanctioned:	**4 303 384**	**5 003 496**	**-700 112**
- financing-related	**3 578 859**	**4 330 591**	**-751 732**
including: import letters of credit	54 472	52 747	1 725
including: credit lines	3 172 282	3 094 229	78 053
including: credit card debits	352 192	328 530	23 662
- guarantees	**724 525**	**672 905**	**51 620**
including: confirmed export letters of credit	343	594	-251
Received liabilities:	**727 571**	**509 420**	**218 151**
Total	**5 030 955**	**5 512 916**	**-481 961**

As at 30.06.2005 , the Bank issued guarantees of PLN 791 564 k, and as at 30.06.2005 PLN 734 443k. The guarantees issued to subsidiary undertakings BZ WBK S.A. Finanse & Leasing, BZ WBK Leasing, Dom Maklerski TFI S.A. and Nieruchomości SA were excluded as intragroup transactions..

Derivatives' nominal values

		30.06.2005r.	31.03.2005r.	Zmiana stanu
1.	**Derivatives (hedging)**	**2 706 792**	**2 710 770**	**(3 978)**
a)	Single-currency interest rate swaps – purchased amounts	1 353 396	1 355 385	(1 989)
b)	Single-currency interest rate swaps – sold amounts	1 353 396	1 355 385	(1 989)
2.	**Term (speculative) derivatives**	**89 664 841**	**96 800 311**	**(7 135 470)**
a)	Interest rate operations	64 034 211	72 149 563	(8 115 352)
-	Single-currency interest rate swaps – purchased amounts	14 591 474	17 664 368	(3 072 894)
-	Single-currency interest rate swaps – sold amounts	14 591 910	17 664 368	(3 072 458)
-	FRA-purchased amounts	19 150 827	19 770 827	(620 000)
-	FRA-sold amounts	15 700 000	17 050 000	(1 350 000)

b)	FX operations	25 630 630	24 650 748	979 882
-	FX swap – purchased amounts	11 995 948	11 506 865	489 083
-	FX swap – sold amounts	12 115 409	11 581 062	534 347
-	Double-currency interest rate swaps – purchased amounts	760 514	796 502	(35 988)
-	Double-currency interest rate swaps – sold amounts	758 759	766 319	(7 560)
3.	**Derivatives – non-stock market options**	**311 598**	**359 655**	**-48 057**
-	Options purchased	302 676	335 287	-32 611
-	Options sold	8 922	24 368	-15 446
	Total	**92 683 231**	**99 870 736**	**- 7 187 505**

12. Assets taken-over for sale

Assets taken-over for sale			
	30.06.2005	**31.03.2005r.**	**Zmiana stanu**
Assets taken for sale inc:			
- land	1 125	1 125	-
- buildings, premises and objects of civil and water engineering	15 207	19 007	(3 800)
- technical devices and machines	2 153	2 299	(146)
Total	**18 485**	**22 431**	**- 3 946**

13. Principles of PLN conversion into EURO

Selected financial figures for 1H 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 – 4,0401.
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 – 4,0805 (January – 4,0503, February – 3,9119, March – 4,0837, April – 4,2756, May – 4,1212, June – 4,0401).

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 – 4,5422.
Selected items of profit and loss account and cash flow for 1H 2004 - according to the exchange rate calculated as an arithmetic mean on the last day of each month in a quarter – 4,7311 (January – 4,7614, February– 4,8746, March – 4,7455 , April – 4,8122, May – 4,6509, June – 4,5422).

14. 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 extended quarterly consolidated report for 1H 2005 /3.08.2005r./ 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 3.08.2005r.				
AIB European Investments Limited	51 413 790	70,5 %	51 413 790	70,5 %
As at 22.02.2005r.				
AIB European Investments Limited	51 413 790	70,5 %	51 413 790	70,5 %

15. Changes in shareholding of members of the Management and Supervisory Boards

No. Of Bank Zachodni WBK shares held			
	3.08.2005	9.05.2005.	Change
Members of the Management Board	3 582	450	3 132*
Members of the Supervisory Board	278	278	-

* the change due to increase in shareholding of Mr. Jacek Kseń, and due to Mr. Aleksander Kompf's assignment the position of member of Bank Zachodni WBK S.A. management board. Mr. Kompf owns 3 107 shares of BZWBK S.A.

16. Information about the commenced court proceedings

As at 30 June 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 303 731 k, which is ca. 9.48% of Group's equity. This amount includes PLN 69 584 k claimed by the Bank, PLN 30 310 k in claims against the Bank and PLN 203 837 k are Bank's receivables due to bankruptcy or arrangement cases.

Parties to litigation	Subject of litigation	Value of litigation (PLN k)	Date proceedings started
AGROFIRMA Spółdzielcza versus BZ WBK S.A.	compensation for alleged damage resulting from an FX transaction	3 760	10.05.2002
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
BZ WBK S.A. versus Wicona Sp. z o.o.	bankruptcy case	30 148	27.01.2005
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 and Iwona Hetman versus: a) Bank Zachodni WBK S.A., b) State Treasury c) Bailiff of the Local Court	claim for damages	5 500	19.01.2005
Passage 222 versus Bank Zachodni WBK SA	cancelling the enforceability of a banking writ of execution	4 873	25.11.2004

In 1H 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 Bank's equity. The total value of all litigations does not exceed 10% of Bank's equity.

17. 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 June 2005 and 30 June 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.

18. Events which occurred after the balance sheet date

There was no events which occurred after the balance sheet date

SIGNATURES OF PERSONS REPRESENTING THE ENTITY

DATE	NAME	POSITION	SIGNATURE
28-07-2005	James Murphy	Member of the Management Board	
28-07-2005	Wanda Rogowska	Head of Financial Accounting	