

INTRODUCTION TO THE FINANCIAL STATEMENTS OF
BANK ZACHODNI WBK S.A.
FOR THE PERIOD FROM 1 JANUARY 2004 TO 31 DECEMBER 2004

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

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

1. Basic information and core business of Bank Zachodni WBK S.A.

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

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

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

1) the following banking activities:

- accepting money deposits payable on demand or at a due date as well as operating accounts for these deposits, including accepting and depositing cash in domestic and foreign banks,
- operating other bank accounts,
- granting loans,
- granting and confirming bank guarantees as well as opening letters of credit,
- issuing banking securities,
- performance of financial settlements,
- issue of electronic money instrument,
- granting cash advances and consumer loans and advances as defined by a separate act,
- performing check and B/E operations,
- issuing payment cards and processing card operations,
- performing term financial transactions,
- trading in receivables,
- safekeeping of objects and securities as well as providing access to safe deposit boxes,
- agency in making money transfers by residents abroad and settlements with non-residents in Poland,
- granting and confirming guarantees,
- performing operations related to the issue of securities,
- acting as the representative of bond holders,
- purchase and sale of fx values.

2) other operations consisting in:

- taking up or acquiring stocks and shares and rights thereto, including shares in another corporate entity and contributions to limited partnerships or limited joint stock partnerships or participation units and investment certificates in investment funds and making contributions to limited liability companies within the limits specified by the Banking Law,
- incurring liabilities related to the issue of securities,
- trading in securities,
- performing swaps of debts,
- acquiring and disposing of real estates and debts secured with mortgage,
- providing consultancy and advisory services in relation to financial matters,
- providing certification services in line with regulations on an electronic signature, excluding qualified certificates,
- providing other financial services, including:
 - operating securities accounts,
 - providing agency and co-operation in obtaining loans and advances,

- performing collection activities on the basis of documents certifying the existence of cash receivables,
 - concluding and effecting agreements with businesses, including foreign entities, on agency in lodgements to bank accounts,
 - financial and operational participation in international projects and undertakings,
 - performing custodian activities,
 - providing leasing, factoring, forfeiting, franchising services as well as stand-by and firm commitment underwriting,
 - trading in transferable property rights from securities and in transferable property rights, the price of which directly or indirectly depends on the price of securities (derivatives) – either on its own account or for a third party.
 - performing activities, as requested by the Minister of Treasury and set forth in the Act on commercialization and privatization of state owned enterprises dated 30.08.1996,
 - accepting the management of shares held by the State Treasury,
 - providing sales-related services for pension funds,
 - performing the function of a custodian as specified in regulations on organization and functioning of pension funds,
 - performing the function of a custodian as specified in regulations on investment funds,
 - agency in selling insurance, lease, factoring, forfeiting, franchising products, units in funds and investment certificates of investment funds.
- 3) The Bank can also perform, upon the request of other banks, the operations referred to in Sections 1 and 2, when these operations fall within the scope of the mandating bank's activities.
- 4) In the course of its operations, the Bank co-operates with domestic, foreign and international banks and financial institutions.
- 5) The Bank provides services in the area of cash transport.

2. Duration of Bank Zachodni WBK S.A.

Bank Zachodni WBK S.A. was established for undefined period of time.

3. Periods covered by the statements and comparative financial data

Bank Zachodni WBK S.A. presents the financial statements for the accounting period beginning on 1 January 2004 and ending on 31 December 2004. The comparative data relate to the corresponding period of 2003.

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

Supervisory Board

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

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

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

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

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

Management Board

As at 31 December 2004 the Bank Zachodni WBK Management Board consisted of the following persons:

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

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

- On 14 January 2004, Mr Maciej Węgrzyński submitted his resignation.
- On 30 June 2004, Mr Michael Keegan resigned from the Management Board following his appointment to a new role in the AIB Group. He was succeeded by Mr James Murphy, whom the Supervisory Board appointed to the position on 1 July 2004.

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

There are no internal organizational units in the Bank's structures which produce stand alone financial statements. All accounting activities are centralized in the Finance Division in the Bank's Business Support Centre.

6. Financial reporting of Bank Zachodni WBK S.A. as the parent company and a significant investor

Subsidiaries

Bank Zachodni WBK S.A. controls the following subsidiaries within its capital group:

- 1) AIB WBK Fund Management Sp. z o.o.
- 2) BZ WBK AIB Asset Management S.A.¹
- 3) BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. – a subsidiary of BZ WBK AIB Asset Management S.A.
- 4) BZ WBK Inwestycje Sp. z o.o.
- 5) BZ WBK Faktor Sp. z o.o.

¹ Bank Zachodni WBK S.A. and AIB Capital Markets plc. co-own BZ WBK AIB Asset Management S.A. Both owners are subsidiaries of the Allied Irish Banks Group and have a 50% interest (each) in the share capital of the controlled entity. In fact, Bank Zachodni WBK S.A. controls BZ WBK AIB Asset Management S.A. and its subsidiary company BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A., because the ultimate parent (Allied Irish Banks) operates in Poland through Bank Zachodni WBK S.A. Therefore, under the Accounting Act, this entity is treated as a subsidiary.

- 6) BZ WBK Finanse & Leasing S.A.
- 7) BZ WBK Leasing S.A.
- 8) BZ WBK Nieruchomości S.A.
- 9) BZ WBK Nieruchomości S.A. i Wspólnicy Spółka Komandytowa
- 10) Brytyjsko-Polskie Towarzystwo Finansowe WBK-CU Sp. z o.o.
- 11) Dom Maklerski BZ WBK S.A.

Associated entities

Bank Zachodni WBK S.A. operates as a significant investor in the below-listed associated entities:

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

Presentation of subsidiaries in financial statements of Bank Zachodni WBK S.A. for the year ended 31 December 2004

The above-mentioned subordinated entities are accounted for using the equity method, in accordance with the Accounting Act of 29 September 1994 (Journal of Laws, No. 76, item 694 as amended, art.28 par.1 point 4) and the Ordinance of the Minister of Finance, dated 10 December 2001, on detailed accounting principles for banks (Journal of Laws No.149, item 1673 as amended, §32a point 5). Compared with 2003, the scope of companies accounted for using the equity method did not cover CardPoint S.A. (a subsidiary sold by the Bank to the third party) and International Westfund Holdings Ltd., Ireland (deregistered associated business).

Presentation of subordinate entities in the consolidated financial statements of the Bank Zachodni WBK S.A. Group for the year ended 31 December 2004

Pursuant to the Accounting Act (art.55 par.1), Bank Zachodni WBK S.A. prepares consolidated financial statements.

The full consolidation method was applied to all of the above-listed subsidiaries, except for:

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

These entities have been excluded in accordance with art. 57 par. 2 and art. 58 par. 1 of the Accounting Act. Under these provisions, companies i) with a different business profile, or ii) whose financial results are insignificant in the context of ensuring true and fair view of the Group performance are excluded from the consolidation requirement. Pursuant to art. 59 par. 2 of the Accounting Act, the foregoing two entities have been accounted for using the equity method.

As required under art. 59 par. 3 of the Accounting Act, in the consolidated financial statements of the Bank Zachodni WBK Group for the financial year ended 31 December 2004 associated companies are accounted for using the equity method.

7. Mergers

Bank Zachodni WBK S.A. did not merge with any entity in either 2004 or 2003.

8. Continuation of operations (going concern)

The financial statements of Bank Zachodni WBK S.A. as at 31 December 2004 were produced based on the assumption that the Bank continue business operations in the foreseeable future. There are no circumstances that might indicate that the ability of the Bank to continue as a going concern is threatened in any way.

9. Modifications in the financial statements ensuring comparability of data

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

Information on the changes in the composition of units accounted for using the equity method in the periods covered by financial statements and comparative financial data are presented in point 6. The changes in the presentation of data which were made to ensure comparability of the financials are specified in point 32 of Additional Notes.

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

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

11. Accounting principles applied in Bank Zachodni WBK S.A.

1) Legal bases

Financial statements as at 30 June 2004 were produced in line with the following legal acts:

- Accounting Act, dated 29 September 1994 (Journal of Laws No. 76, item 694 as amended),
- Banking Law Act, dated 29 August 1997 (Journal of Laws No. 72, item 665 as amended),
- Corporate Income Tax Act, dated 15 February 1992 (Journal of Laws No. 54, item 654 as amended),
- Act on Public Trading in Securities, dated 21 August 1997 (Journal of Laws dated 2002, No. 49, item 447 as amended),
- Ordinance of the Council of Ministers, dated 16 October 2001, on current and periodic reports submitted by issuers of quoted securities (Journal of Laws No. 139, item 1569 as amended),
- Ordinance of the Council of Ministers, dated 11 August 2004 on detailed conditions the issue of prospectus and the mini-prospectus should meet (Journal of Laws No. 139, item 1568 as amended),
- Ordinance of the Minister of Finance, dated 10 December 2001 on detailed accounting principles for banks (Journal of Laws No. 149, item 1673 as amended),
- Ordinance of the Minister of Finance, dated 10 December 2003, on principles of raising provisions for the risk related to banking operations (Journal of Laws No. 218, item 2147),
- Ordinance of the Minister of Finance, dated 12 December 2001, on special principles of recognition, valuation methods, disclosure scope and presentation of financial instruments (Journal of Laws No. 149, item 1674 as amended).

2) Principles of asset and liability valuation and financial result calculation in Bank Zachodni WBK S.A.

Bank Zachodni WBK S.A. applies the following principles for asset and liability valuation, income and expenses, calculation of the financial results and presentation of data in the financial statements:

Credit receivables

Credit receivables are originally presented at the amount due, which is the nominal debt along with any interest payable at the day of measurement.

In line with the prudence principle, the receivables are restated taking account of the likelihood of repayment of those receivables as reflected in specific provisions.

The Bank raises specific provisions in line with the principles outlined in the Ordinance of the Ministry of Finance dated 10 December 2003 on specific accounting principles for banks.

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

The write-offs or write-downs apply when:

- the principal debt intended for the write-off or write-down was fully provided for,
- the forced recovery process was ineffective.

The write-off consists in derecognition of the debt against its provision following the debtor's discharge of the obligation.

The write-down signifies derecognition of the debt against its provision immediately followed by posting the receivable in an off-balance sheet account. The debtor is not discharged of the obligation.

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

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

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

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

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

Other receivables

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

Securities

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

Debt securities

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

- *securities held for trading* – securities purchased with a view to obtaining economic benefits arising from short term movements in prices and fluctuations in other market components. They are stated at their market value, and securities for which there is no active market, at their fair value established in some other way. The difference in the market or fair value is taken to the cost of financial operations.
- *securities held to maturity* – securities with specified or possible to specify payments or with a set maturity which the Bank intends to hold to their maturity. They are stated at the purchase price adjusted by accrued interest, discount and premium (calculated using effective interest rate) and taking account of impairment charges. Interest and premium/discount are recognised as interest income while impairment charges are recognised in the cost of financial operations.
- *securities available for sale* – other securities which do not fall under any of the 2 above categories. They are stated at their fair value, while the results of the change in the fair value have an impact on the revaluation reserve. Any impairment charges are recognised in the cost of financial operations.
- *commercial bills, commercial bonds and other debt securities* issued pursuant to the Civil Code are registered and disclosed as *other receivables*. They are stated at the amount due which also includes the interest on the receivables taken to interest income and any accrued discounts or premiums. Any impairment charges are taken to the cost of financial operations.

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

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

Equity shares

Shares in subordinated entities are accounted for using the equity method and the resulting changes in their value are taken to the profit and loss account.

In line with the equity method, interests in a subordinated unit's net assets are valued while taking account of the company's goodwill or negative goodwill, as at the day of assuming control, joint control or significant

influence over the entity. The initial value of the interest is updated on the balance sheet day for which a financial statement is produced by way of taking into account the changes in the value of a subordinated unit's net assets which took place in the reporting period, resulting from the financial result adjusted for goodwill charges or negative goodwill charges falling on a given accounting period as well as any other changes.

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

Minority shareholdings can be classified as follows, depending on the purchase intention:

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

Repo/reverse repo transactions

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

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

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

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

Derivatives

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

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

- *FX transactions (FX SWAP, FX Forward)*

Currency inflows and outflows arising from FX transactions, calculated based on an average NBP exchange rate as at the balance sheet day, are presented off-balance sheet as "liabilities related to sell/buy transactions."

FX transactions are marked to market based on discounted future cash flows and the results of this measurement are posted in the balance sheet under "other assets/other liabilities arising from financial instruments" and in the profit and loss account under "FX gains / losses"

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

- *Interest rate transactions*

Interest rate derivatives include SWAP transactions – also multi-currency SWAPs – (IRSs) and Forward Rate Agreements (FRAs). IRSs and FRAs are marked to market based on future discounted cash flows (NPV). Fair value adjustments are recognised in the balance sheet as "other financial assets/other liabilities arising from financial instruments" in correspondence with the "profit/loss on financial operations" and "FX gains/losses".

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

- *Options*

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

Hedge accounting

The Bank applies hedge accounting to hedge the fair value of own bonds, third party bonds from available-for-sale portfolio and certain loans.

For the purpose of fair value hedging there are IRS transactions used.

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

Tangible fixed assets

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

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

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

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

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

Land and fixed assets under construction are not depreciated.

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

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

Intangible fixed assets

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

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

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

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

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

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

Outlays on intangible fixed assets are stated at the overall costs directly connected with the acquisition or origination of the asset less impairment.

Tangible and intangible fixed assets subject to finance lease contracts

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

- the contract stipulates the transfer of the ownership of the leased asset onto the user after the end of the contractual period,

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

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

Assets taken over for debts

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

Liabilities

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

Negative goodwill

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

Equity

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

Share capital is stated at its nominal value in accordance with the Statutes and the entry in the commercial register.

Supplementary capital is created from profit allocations and share premium.

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

Revaluation reserve comprises:

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

Revaluation reserve is not distributable.

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

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

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

F/X assets and liabilities

F/X assets and liabilities are accounted for at the average exchange rate for each currency set by the President of the National Bank of Poland, applicable on the balance sheet day. Transactions in foreign currencies are posted at Bank Zachodni WBK rate applicable on the transaction day. The F/X revaluation differences impact F/X profit.

Net interest income

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

Interest income includes:

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

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

Commission income

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

FX profit and profit on financial operations

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

Result on and valuation of FX Swap and Forward transactions is disclosed in “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 financial operations includes the fair valuation of securities held for trading and the valuation of derivative transactions. It also comprises profit on securities and derivatives trading.

Dividends and income from shares

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

Other operating income and costs

Other operating income and costs include expenses and revenues which are not related directly to the banking activity of the Bank. These are mainly: gains and losses on retirement or disposal of an item of plant,

property and equipment, sales income on other services as well as paid and received damages, penalties and fines.

Provisions

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

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

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

The Bank also creates provisions for unused staff holiday leave and recognises them as accruals.

Income Tax

Corporate income tax consists of current and deferred tax.

Current tax is calculated based on the gross accounting income/loss adjusted for 1) revenues which in line with tax regulations are not taken to taxable income and for 2) costs which tax regulations do not recognize as tax deductible costs. Moreover, for tax purposes, the gross accounting income/loss is adjusted for income and costs from previous years realized for tax purposes in a given accounting period, and for 3) deductions from income, e.g. donations.

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

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

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

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

<i>Month</i>	<i>EUR/PLN</i>	
	<i>2004</i>	<i>2003</i>
January	4,7614	4,1286
February	4,8746	4,2083
March	4,7455	4,4052
April	4,8122	4,2755
May	4,6509	4,3915
June	4,5422	4,4570
July	4,3759	4,3879
August	4,4465	4,3588
September	4,3832	4,6435
October	4,3316	4,6826
November	4,2150	4,7127
December	4,0790	4,7170

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

<i>Period</i>	<i>EUR/PLN</i>
2004	4.5182
2003	4.4474

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

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

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

13. Key items of 2004 financial statements expressed in EUR

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

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

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

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

Selected items of the financial statements of Bank Zachodni WBK S.A. for the year ended 31 December 2004:

Financial Highlights		PLN k		EUR k*	
		2004	2003	2004	2003
I.	Interest income	1 387 715	1 357 778	307 139	305 297
II.	Commission income	636 382	596 955	140 849	134 226
III.	Profit on banking operations	1 638 668	1 547 956	362 682	348 059
IV.	Profit on operations	455 624	208 781	100 842	46 945
V.	Pre-tax profit	455 624	209 287	100 842	47 058
VI.	After-tax profit	443 326	116 951	98 120	26 296
VII.	Net cash flows from operations	(178 973)	(234 248)	(39 612)	(52 671)
VIII.	Net cash flows from investments	97 431	(158 241)	21 564	(35 581)
IX.	Net cash flows from financial operations	(65 826)	(63 302)	(14 569)	(14 233)
X.	Total net cash flows	(147 368)	(455 791)	(32 617)	(102 485)
XI.	Total assets	26 485 532	23 521 630	6 493 143	4 986 566
XII.	Deposits of the Central Bank	-	-	-	-
XIII.	Deposits of the financial sector	1 584 498	1 540 718	388 453	326 631
XIV.	Deposits of non-financial and public sector	18 738 974	17 546 315	4 594 012	3 719 804
XV.	Equity	3 011 825	2 533 699	738 373	537 142
XVI.	Share capital	729 603	729 603	178 868	154 675
XVII.	Number of shares (items)	72 960 284	72 960 284		
XVIII.	Book value per share (in PLN and EUR)	41.28	34.73	10.12	7.36
XIX.	Solvency ratio (in %)	12.46	11.77		
XX.	Earnings per ordinary share (in PLN and EUR)	6.08	1.60	1.35	0.36
XXI.	Declared or paid out dividend per share (in PLN and EUR)	2.43	0.32	0.54	0.07

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

14. Differences in the value of financial data disclosed and significant differences between accounting policies adopted and International Financial Reporting Standards (IFRS)

Pursuant to §18 section 2 point 1 of the Council of Ministers' ordinance dated 11 August 2004 referring to specific conditions to which a share prospectus and its summarised version should conform (Journal of Laws, no. 186, section 1921), Bank Zachodni WBK S.A. shall meet its obligations to indicate and explain the differences between the Polish Accounting Standards and the International Financial Reporting Standards with regard to the disclosed data and the adopted accounting principles in the consolidated financial statements of the BZWBK Group for the year ended 31 December 2004 and published on 11 March 2005.

Pursuant to Article 1, section 7 and Article 5 of the Act dated 27 August 2004 providing for amendments to the Accounting Act and amendments to the Auditors Act (Journal of Laws no. 213, point 2155), the AGM of Bank Zachodni WBK S.A. adopted a resolution whereby Bank Zachodni WBK S.A. will prepare its financial statements in line with the International Financial Reporting Standards commencing on 1 January 2005.

Bank Zachodni WBK Management Board

<i>Date</i>	<i>Name</i>	<i>Function</i>	<i>Signature</i>
16-02-2005	Jacek Kseń	President of the Management Board	
16-02-2005	Cornelius O'Sullivan	First Vice-President of the Management Board	
16-02-2005	Declan Flynn	Member of the Management Board	
16-02-2005	Michał Gajewski	Member of the Management Board	
16-02-2005	Justyn Konieczny	Member of the Management Board	
16-02-2005	Janusz Krawczyk	Member of the Management Board	
16-02-2005	Jacek Marcinowski	Member of the Management Board	
16-02-2005	Mateusz Morawiecki	Member of the Management Board	
16-02-2005	James Murphy	Member of the Management Board	
16-02-2005	Feliks Szyszkowiak	Member of the Management Board	