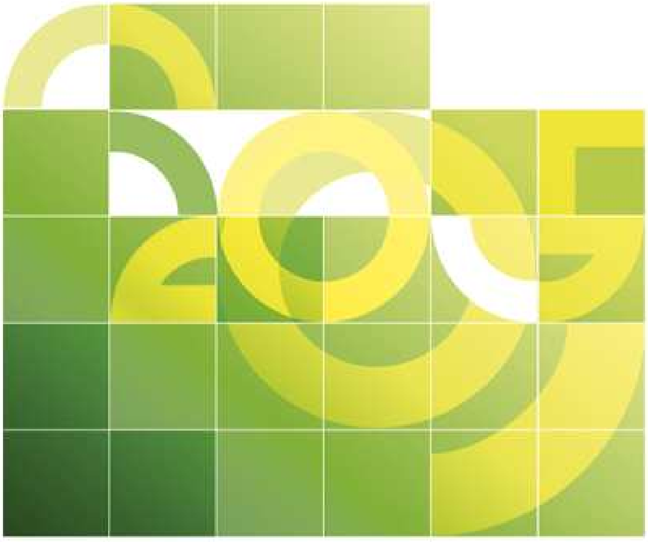
Annual Report 2005



Bank Zachodni WBK S.A.

Ladies and Gentlemen,

Another excellent year – the best one in the history of Bank Zachodni WBK - belongs to the past now. In 2005, we generated the profit before tax of PLN 559.8m which represents a 20.5% growth on 2004.
Our after tax profit was nearly as impressive reaching PLN 446.2m, i.e. growing by 19.9%

BZ WBK performance in 2005 was mostly triggered by an 8% growth in the deposit and savings base, higher income and lower costs as well as a 13.1% increase in the personal loan portfolio and a regular improvement in the quality of assets reflected in the reduction of non-performing loans from 9.2% to 7.2%, which was one of the best ratios in the Polish banking sector.

As regards the net commission income, it was flat on the previous year. The most dynamic growth in income was recorded under the following lines: distribution of Arka BZ WBK investment funds (+208.4%) and insurance products (+116.7%), issuance and service of other institutions' cards (+83.2%), international payments (+17.7%) and credit cards (+9.2%). The growth in FX profit up to PLN 215.3m, i.e. by 10.9% should be highlighted. Such a substantial improvement stems from higher activity of BZWBK in the area of FX transactions executed on the Bank's and customers' behalf.

Total operating costs of Bank Zachodni WBK slightly exceeded PLN 1.0bn and shrank by 1.6% in 2005. The costs of the Bank's operations were flat on 2004, whereas a 6.2% growth in staff costs stems from pay rises, bonus payments to staff and increase in staff numbers by 112 FTEs. This increase was offset by savings generated in the costs of operations, which were reduced by 7.1% down to PLN 364.8m. We owe this success to adherence to the purchasing policy rules and enhancement of effectiveness in our operational processes. The Bank's success was to reduce the cost/income ratio from 67.4% in 2004 to 63.9% in 2005.

It should be highlighted that the return on equity (ROE) was 14.0% in 2005 and earnings per share (EPS) went up from PLN 5.10 in 2004 to PLN 6.12 in 2005. As regards the share price of BZWBK, only during 2005, it soared from PLN 97.00 to PLN 141.50, i.e. by 45.9%.

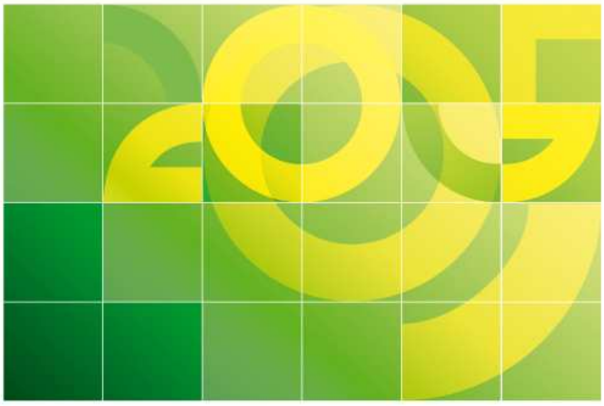
The success recorded in 2005 was possible primarily thanks to the excellent performance of Bank Zachodni WBK Group's employees. Last year proved, clearly as never before, that we have very well educated, committed and creative people in the Bank who know how to leverage both their own strengths and market opportunities. This is our most valuable asset which allows us to look with optimism at the BZWBK Group's position going forward.

I wish to thank all those who contributed to achieving in 2005 the best results in the history of Bank Zachodni WBK. Moreover, I would like to thank the Supervisory Board for their inspiration, harmonious collaboration and friendly attitude.

	FINANCIAL HIGHLIGHTS	PLN '000		EUR '000	
		31.12.2005	31.12.2004	31.12.2005	31.12.2004
I.	Interest and similar income	1 543 464	1 387 715	383 635	307 141
II.	Fee and commission income	641 723	636 382	159 503	140 850
III.	Operating profit	559 803	464 603	139 142	102 830
IV.	Gross profit (loss)	559 803	464 603	139 142	102 830
V.	Net profit (loss)	446 223	372 189	110 911	82 376
VI.	Total net cash flow	(627 882)	(147 368)	(156 063)	(32 617)
VII.	Total assets	28 182 947	26 336 835	7 301 660	6 456 689
VIII.	Deposits from banks	1 319 491	906 751	341 855	222 297
IX.	Deposits from customers	20 969 867	19 416 722	5 432 890	4 760 167
X.	Total liabilities	24 994 017	23 442 109	6 475 470	5 747 024
XI.	Equity	3 188 930	2 894 726	826 190	709 666
XII.	Number of shares	72 960 284	72 960 284		
XIII.	Net book value per share in PLN/EURO	43,71	39,68	11,32	9,73
XIV.	Solvency ratio	15,06	12,46		
XV.	Profit (loss) per share in PLN/ EURO	6,12	5,10	1,52	1,13
XVI.	Declared or paid dividend per share in PLN/EURO	6,00	2,43	1,55	0,60

Financial statements of Bank Zachodni WBK S.A.

for year 2005



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

For reporting periods ending on:		01.01.2005-31.12.2005	01.01.2004-31.12.2004
Interest and similar income		1 543 464	1 387 715
Interest expense and similar charges		(714 273)	(588 043)
Net interest income	Note 7	829 191	799 672
Fee and commission income		641 723	636 382
Fee and commission expense		(112 704)	(104 882)
Net fee and commission income	Note 8	529 019	531 500
Dividend income	Note 9	73 658	64 972
Foreign exchange profit	Note 10	215 311	194 236
Gains less losses on hedge accounting transactions	Note 11	(49)	(5 500)
Gains less losses from financial instruments measured at fair value through profit and loss	Note 12	12 647	28 520
Gains less losses from investment in securities	Note 13	7 203	(18 632)
Gains less losses on sale of subsidiaries and associates	Note 14	-	54 925
Other operating income	Note 15	41 424	49 784
Impairment losses on loans and advances	Note 16	(57 471)	(126 096)
Operating expenses		(1 091 130)	(1 108 778)
Bank's staff, operating expenses and management costs	Notes 17, 18	(886 089)	(883 467)
Depreciation/amortisation		(180 937)	(191 959)
Other operating expenses	Note 19	(24 104)	(33 352)
Operating profit		559 803	464 603
Gross profit		559 803	464 603
Corporate income tax	Note 20	(113 580)	(92 414)
Net profit		446 223	372 189
Net earnings (loss) per ordinary share (PLN/share)	Note 21	6,12	5,10

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

			31.12.2005	31.12.2004
ASSETS				
	Cash and balances with central bank	Note 22	572 329	1 200 143
	Loans and advances to banks	Note 23	3 606 067	2 787 304
	Securities at fair value through profit or loss	Note 24	1 925 612	1 354 938
	Derivative financial instruments	Note 25	735 214	869 435
	Loans and advances to customers	Note 26	12 897 389	12 875 698
	Reverse repo transactions	Note 27	15 199	25 697
	Investment securities:	Note 28	6 917 015	5 568 006
	- available-for-sale		6 917 015	2 883 158
	- held-to maturity		-	2 684 848
	Investment in subsidiaries and associates	Note 29	240 069	222 658
	Intangible asset	Note 30	166 728	230 665
	Property, plant & equipment	Note 31	510 976	585 734
	Deferred income tax assets	Note 32	402 407	442 311
	Other assets incl.:	Note 33	193 942	174 246
	- assets taken-over for sale		17 420	317
	Total assets		28 182 947	26 336 835
LIABILITIES				
	Deposits from banks	Note 34	1 319 491	906 751
	Derivative financial instruments	Note 25	604 755	821 342
	Deposits from customers	Note 35	20 969 867	19 416 722
	Repo transactions	Note 36	999 541	732 690
	Debt securities in issue	Note 37	93 035	560 695
	Deferred income tax liabilities	Note 38	303 428	290 386
	Other liabilities	Note 39	703 900	713 523
	Total liabilities		24 994 017	23 442 109
Equity				
	Capital and reserves attributable to the Company's equity holders		3 188 930	2 894 726
	Share capital	Note 40	729 603	729 603
	Other reserve funds	Note 41	1 950 396	1 684 362
	Revaluation reserve	Note 42	239 495	154 534
	Retained earnings		(176 787)	(45 962)
	Profit of the current period		446 223	372 189
	Total equity		3 188 930	2 894 726
	Total equity and liabilities		28 182 947	26 336 835

3. Movements in equity of Bank Zachodni WBK S.A.

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

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

4. Cash flow statement

	01.01.2005 - 31.12.2005	01.01.2004 - 31.12.2004
Net profit (loss)	446 223	372 189
Total adjustments:	**374 891**	**(869 988)**
Amortisation	180 937	191 959
Impairment losses	(5 140)	4 588
Interests and similar charges	(74 140)	(23 743)
Dividend income	(73 658)	(64 972)
(Profit) loss from investing activities	(2 058)	(63 558)
Change in provisions	9 680	(21 944)
Change in financial instruments at fair value through profit and loss	(653 040)	(959 991)
Change in loans and advances from banks	(818 831)	(2 140 756)
Change in loans and advances from customers	(97 181)	388 522
Change in receivables arising from securities purchased under reverse repo agreements	10 498	(19 891)
Change in deposits from banks	522 116	(30 724)
Change in deposits from customers	1 553 145	1 308 317
Change in liabilities arising from securities sold under repurchase agreements	266 851	732 690
Change in liabilities arising from debt securities in issue	(466 093)	27 894
Change in assets and liabilities arising from deferred taxation	46 716	(13 958)
Change in other assets and liabilities	(24 451)	(185 073)
Other adjustments	(460)	652
Net cash flow from operating activities - indirect method	**821 114**	**(497 799)**
Cash flow from investing activities		
Inflows	**1 649 220**	**2 399 528**
Sale of shares or interests in subsidiaries and associates	6 837	69 320
Sale of investment securities	1 558 382	2 233 309
Sale of intangible and tangible fixed assets	8 912	30 882
Dividends received	73 658	64 972
Proceeds from other investments	1 431	1 045
Outflows	**(2 808 168)**	**(1 983 271)**
Purchase of shares or interests in subsidiaries and associates	(16 360)	(44 000)
Purchase of investment securities	(2 720 370)	(1 868 004)
Purchase of intangible and tangible fixed assets	(69 833)	(69 488)
Other investments	(1 605)	(1 779)
Net cash flow from investing activities	**(1 158 948)**	**416 257**
Cash flow from financing activities		
Inflows	**-**	**-**
Outflows	**(290 048)**	**(65 826)**
Repayment of long-term loans	(109 376)	(37 177)
Dividends and other payments to shareholders	(177 263)	(23 347)
Other financing outflows	(3 409)	(5 302)
Net cash flow from financing activities	**(290 048)**	**(65 826)**
Total net cash flow	**(627 882)**	**(147 368)**
Cash at the beginning of the accounting period	**1 219 266**	**1 366 634**
Cash at the end of the accounting period	**591 384**	**1 219 266**

Additional notes to financial statements of Bank Zachodni WBK S.A.

5. General information about the issuer

Bank Zachodni WBK S.A. is a bank seated in Poland, registered in the District Court for Wrocław-Fabryczna, VI Economic Unit of the National Court Registry. The bank's parent company is Allied Irish Bank plc.
Bank Zachodni WBK S.A. is a universal commercial bank that offers a wide range of banking services for individual and business customers and operates in domestic and foreign markets. Additionally, through its subsidiaries, BZ WBK offers the following services:

- trading in securities,
- leasing,
- asset / fund management,
- insurance services,
- trading in stocks and shares of commercial companies.

6. Significant accounting policies

Statement of compliance

The annual unconsolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) with respect to the preparation of a parent's separate financial statements as adopted by the European Union and in respect to matters that are not regulated by the above standards, in accordance with the requirements of the Accounting Act dated 29 September 1994 (Official Journal from 2002, No. 76, item 694 with amendments) and respective bylaws and regulations, and the requirements for issuers of securities admitted or sought to be admitted to trading on an official stock-exchange listing market. These are the first IFRS annual unconsolidated financial statements and IFRS 1 *First-time adoption of International Financial Reporting Standards* has been applied. The preparation of these unconsolidated financial statements is a requirement for issuers of securities admitted or sought to be admitted to trading on an official stock-exchange listing market
An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Bank is provided in note 60.
In addition, consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and in respect to matters that are not regulated by the above standards, in accordance with the requirements of the Accounting Act dated 29 September 1994 (Official Journal from 2002, No. 76, item 694 with amendments) and respective bylaws and regulations, and the requirements for issuers of securities admitted or sought to be admitted to trading on an official stock-exchange listing market.
The consolidated financial statements were also authorised for issue on 17 February 2006.

Standards that are issued and not yet effective

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

endorsement are either not relevant to the Bank or would not have a material impact on the current year financial statements.
Their recommended earlier adoption was rejected as the impact of the changes resulting from first-time adoption of the standard or interpretation on the separate financial statements could not be reasonably determined (interpretations IFRIC 4 and IFRIC 5 apply to the annual periods commencing 1 January 2006 or later).

Basis of preparation

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

Investments in subsidiaries and associates

Subsidiaries
Subsidiaries are enterprises which are controlled by Bank Zachodni WBK 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.

Associates

Associates are those entities on which Bank Zachodni WBK S.A. has significant influence, but not control, over the financial and operating policies.
Interests in subsidiaries and associates are carried at cost. The carrying amount of the investment is annually tested for impairment as per IAS 36. Impairment is recognised in the profit and loss account under "Impairment

charges". Dividend payment is not reflected in the carrying amount of the shares – it is only taken to profit and loss and is included under "Dividend income".

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

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

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

(1) Classified as held for trading. A financial asset or financial liability is classified as held for trading, if:

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

(2) Upon initial recognition it is designated by the Bank 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 Bank's management has the positive intention and ability to hold to maturity. If the Bank 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 Bank would not utilise the held to maturity classification.

Loans and receivables

Loans and receivables arise when the Bank 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.

Financial liabilities measured at amortised cost

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

Recognition

A regular way purchase or sale of a financial asset classified at fair value through profit or loss, held to maturity and available for sale are recognised using settlement date accounting. The method is applied consistently for all purchases and sales of financial assets. Loans are recognised when cash is advanced to the borrowers.
Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the Bank 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 Bank measures financial assets, including derivatives that are assets, at their fair values, without any deduction for transaction costs it may incur on sale or other disposal, except for (a) loans and receivables which shall be measured at amortised cost using the effective interest method (b) held-to-maturity investments which shall be measured at amortised cost using the effective interest method; and (c) investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost.

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

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

Gains and losses on subsequent measurement

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

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

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

Where a fair value cannot be reliably estimated, unquoted instruments that do not have a quoted market price in an active market are measured at cost and periodically tested for impairment. This relates to the equity instruments from the minority interests portfolio, including interests in: the so-called infrastructural companies, non-profit organisations and the companies in which the BZ WBK's interest can be considered as insignificant (in terms of value and share), which limited access to the financial information, projections, etc.

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 Bank also generates funds by selling financial instruments under repurchase agreements whereby the instruments must be repurchased at the same price plus initially agreed interest.
Securities sold subject to repurchase agreements ("repos") are not derecognised at the balance sheet date. Where the transferee has the right by contract or custom to sell or repledge the collateral, the liability is disclosed as a liability arising from repo transactions. . Securities purchased under agreements to resell ("reverse repos") are recorded as 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 Bank assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. It may not be possible to identify a single, discrete event that caused the impairment. Rather the combined effect of several events may have caused the impairment Losses expected as a result of future events, no matter how likely, are not recognised. Objective evidence that a financial asset or group of assets is impaired includes observable data about the following loss events:

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

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

(c) the Bank, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Bank 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, or

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

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

As a practical expedient, the Bank 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 Bank 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 Bank 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 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 Bank's credit risk evaluation or the Bank'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 Bank reviews regularly the methodology and assumptions used for estimating future cash flows in order to reduce any differences between loss estimates and actual loss experience.

In the case of credit exposures for which no indications of impairment were identified, the impairment analysis is carried out based on the concept of losses already incurred but not yet reported and connected with loan impairment (IBNR), which is estimated on the basis of the historical loss experience for loans with a similar risk profile.

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

Available-for-sale financial assets

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

Financial assets carried at cost

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

Off balance sheet liabilities

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

Property, plant and equipment

Owned assets

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

Leased assets

Leases in terms of which the Bank 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 Bank 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 Bank and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Amortisation

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

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

Intangible assets

Goodwill

Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint ventures. In respect of business acquisitions that have occurred since 1 January 2003, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.
Goodwill is stated at cost less any accumulated impairment losses. Goodwill is no longer amortised but is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.
Negative goodwill arising on an acquisition is recognised directly in profit or loss.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.
Costs that are directly associated with the production of identifiable and unique software products controlled by the Bank, 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 Bank 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 unless such lives are indefinite. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- software development costs 3 – 5 years
- Computer software 3 – 5 years

Other items

Other trade and other receivables

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

Borrowings

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

Impairment of assets other than financial assets.

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

Equity

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

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

Revaluation reserve is not distributable.
On the day of derecognition of all or part of financial assets available for sale the total effects of periodical change in the fair value reflected in the revaluation reserve are reversed. Total or part of the previous revaluation charge increases or decreases the value of the given financial asset available for sale.
Net financial result for the accounting year is the profit disclosed in the profit and loss account of the current year adjusted by the corporate income tax charge.

Repurchase of share capital

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

Dividends

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

Employee benefits

Short term service benefits

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

Long-term service benefits

The Bank'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 Bank's Collective Labour Agreement and terms of individual employee contracts as well as the accrual for disability pension bonus were estimated on the basis of an actuarial valuation. The actuarial valuation of those accruals is updated on an annual basis.

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

Provisions

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

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

Restructuring

A provision for restructuring is recognised when the Bank 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 Bank shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees (e.g. arrangement, drawdown, renewal, restructure fees and fees for annexes which modify payments) and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Net commission income

Fees and commissions settled under effective interest rate are listed above. Fees on overdrafts, revolving loans, credit cards and off balance sheet liabilities are brought in a straight-line method to the profit and loss account.
Other fees and charges, which are not settled according to effective interest rate, are taken to profit and loss account on an on-going basis.

Dividend income

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

FX profit

Result on SPOT transactions taken to the FX profit is calculated by way of comparing the transaction exchange rate with the average NBP rate as at the balance sheet date.
Result on and valuation of FX Swap and FX Forward transactions is disclosed in "FX gains/losses".
The effects of valuation of the FX off balance sheet (FX swaps, forwards and spot contracts) items are recognized in the balance sheet and the profit and loss account at the transaction date.

Profit on disposal of subsidiaries and associates

Profit on the sale of interests in 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 subsidiaries and associates.

Other operating income and costs

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

Operating lease payments

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

Finance lease payments

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

Corporate income tax

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

Directly before initial classification of an asset (or a group of assets for sale) as an asset for sale, the Bank 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.

7. Net interest income

Interest and similar income		01.01-31.12.2005	01.01-31.12.2004
Loans and advances to enterprises		572 932	588 642
Debt securities		510 248	406 705
Loans and advances to individuals of which:		291 420	244 607
	Mortgage loans	*127 222*	*118 148*
Loans and advances to banks		118 075	88 345
Reverse repo transactions		1 705	2 124
Other		49 084	57 292
Total		**1 543 464**	**1 387 715**

Due to available reliefs there was no restatement of comparable period.
Loans and advances to banks exclude income on repo transactions.

Interest expense and similar charges	01.01-31.12.2005	01.01-31.12.2004
Deposits from individuals	(322 059)	(285 840)
Deposits from enterprises	(214 177)	(175 546)
Deposits from banks	(59 587)	(57 340)
Repo transactions	(47 880)	(2 383)
Debt securities in issue	(26 372)	(26 788)
Other deposits	(44 198)	(40 146)
Total	**(714 273)**	**(588 043)**
Net interest income	**829 191**	**799 672**

As at 31 December 2005 net interest income includes interest accrued on impaired loans of PLN 26 661 k.

8. Net fee and commission income

Fee and commission income	01.01-31.12.2005	01.01-31.12.2004
Current accounts	248 705	261 425
Credit and payment cards an ATM commissions	219 906	198 872
F/X commissions	56 523	46 490
Loans and advances	44 226	89 097
Distribution fees	33 042	10 702
Off-balance sheet guaranties commissions	14 424	12 280
F/X services commissions	10 949	7 978
Insurance commissions	6 502	3 018
Other	7 446	6 520
Total	**641 723**	**636 382**

Fee and commission expenses	01.01-31.12.2005	01.01-31.12.2004
Credit and payment cards and ATM commissions	(91 318)	(86 673)
Commission pay for other banks	(5 882)	(4 639)
F/X commissions paid	(4 802)	(6 271)
Brokerage commissions	(2 377)	(1 923)
Loans and advances commissions	(1 161)	(1 228)
Other	(7 164)	(4 148)
Total	**(112 704)**	**(104 882)**
Net commission income	**529 019**	**531 500**

9. Dividend income

Dividend income	01.01-31.12.2005	01.01-31.12.2004
Dividends from investment portfolio entities	47 325	54 292
Dividends from subsidiaries and associates	26 263	10 636
Dividends from entities measured at fair value through profit and loss	70	44
Total	**73 658**	**64 972**

10. Foreign exchange profit

F/X income	01.01-31.12.2005	01.01-31.12.2004
Corporate negotiated transactions	93 965	82 094
Branch operations	50 529	52 422
Not-negotiated transactions	18 608	21 866
Trading activities	10 569	5 350
Other	41 640	32 504
Total	**215 311**	**194 236**

Foreign exchange income includes gains and losses from spot contracts, fx derivatives and translated foreign currency assets and liabilities.

11. Gains less losses on hedge accounting activities

Gains less losses on hedge accounting activities	01.01-31.12.2005	01.01-31.12.2004
Change in fair value of underlying hedged positions	2 172	14 603
Change in fair value of hedging instruments	(2 221)	(20 103)
Total	**(49)**	**(5 500)**

12. Gains less losses from financial instruments measured at fair value through profit and loss

Gains less losses from financial instruments measured at fair value through profit and loss	01.01-31.12.2005	01.01-31.12.2004
Profit/(loss) on debt instruments	9 234	11 577
Profit/(loss) on derivative instruments	3 680	14 418
Profit/(loss) on equity instruments	(267)	2 525
Total	**12 647**	**28 520**

13. Gains less losses from investment in securities

Gains less losses from investment in securities	01.01-31.12.2005	01.01-31.12.2004
Sales of available-for-sale financial instruments	6 006	4 743
Impairment losses on investment securities	5 363	389
Costs of sales of available-for-sale financial instruments	(4 166)	(23 764)
Total	**7 203**	**(18 632)**

14. Gains less losses on sale of subsidiaries and associates

Gains less losses on sale of subsidiaries and associates	01.01-31.12.2005	01.01-31.12.2004
Sale of subsidiaries	-	54 923
Sale of associates	-	2
Total	**-**	**54 925**

15. Other operating income

Other operating income	01.01-31.12.2005	01.01-31.12.2004
Release of provision for future commitments and other assets	11 246	13 897
Sundry income	11 124	12 525
From management of third party assets	6 070	5 950
Sales or liquidation of fixed assets, intangible assets and assets for disposal	3 017	5 042
Recovery of prescribed, written-off and irrecoverable debts	1 582	1 395
Donations received	1 431	1 043
Received compensations, penalties and fines	14	226
Other	6 940	9 706
Total	**41 424**	**49 784**

16. Impairment losses on loans and advances

01.01-31.12.2005 Impairment losses on loans and advances	Loans and advances to customers
Impairment charge	(52 677)
Credit related off balance sheet items	(3 982)
Incurred but not reported losses charge	(812)
Total	**(57 471)**

Amount PLN (52 677) k "impairment charge" includes profit from recoveries of PLN 3 379 k.

01.01-31.12.2004 Impairment losses on loans and advances	
Provision for loans and advances to customers	(148 057)
General risk provision charge	20 000
Credit related off balance sheet items	1 961
Total	**(126 096)**

According to available relieves resulting from IFRS 1, Bank Zachodni WBK S.A. did not restate comparable information.

17. Employee costs

Employee costs	01.01-31.12.2005	01.01-31.12.2004
Salaries	(422 410)	(395 098)
Salary related costs and provisions	(72 634)	(66 421)
Social benefits costs	(12 632)	(11 894)
Professional trainings	(11 305)	(8 606)
Retirement fund provision and holiday provisions	(2 318)	(8 824)
Total	**(521 299)**	**(490 843)**

18. General and administrative expenses

General and administrative expenses	01.01-31.12.2005	01.01-31.12.2004
Maintenance and rentals of premises	(100 227)	(115 918)
IT systems costs	(51 225)	(61 281)
Postal and telecommunication costs	(38 975)	(42 033)
Consulting fees	(25 129)	(14 711)
External services	(15 194)	(12 832)
Taxes	(13 989)	(15 839)
Security costs	(11 219)	(13 307)
Costs of repairs	(4 827)	(5 303)
BFG costs	(3 409)	(5 302)
Other	(100 596)	(106 098)
Total	**(364 790)**	**(392 624)**

19. Other operating expenses

Other operating costs	01.01-31.12.2005	01.01-31.12.2004
Write-off to provisions for future commitments and other assets	(13 868)	(19 653)
Debt recovery costs	(2 607)	(3 004)
Donations paid	(1 605)	(1 300)
Write-off to provisions for disputable items	(1 329)	(2 110)
Paid compensations, penalties and fines	(482)	(852)
Sundry costs	(393)	(506)
Other	(3 820)	(5 927)
Total	**(24 104)**	**(33 352)**

20. Income tax charge

Income tax charge	01.01-31.12.2005	01.01-31.12.2004
Current tax charge	66 987	120 198
Deferred tax charge	46 593	(27 784)
Total	**113 580**	**92 414**

Corporate total tax charge information	01.01-31.12.2005	01.01-31.12.2004
Profit/loss before tax	559 803	464 603
Tax rate	19%	19%
Tax calculated at the tax rate	106 363	88 275
Permanent differences		
Non taxable expenses	10 795	8 554
Non taxable incomes	(13 995)	(12 114)
Reclassifications		7 498
Other:		
- valuation	-	5 719
- amount relating to article 38a Income tax Act	(486)	(14 807)
- write off's	9 520	8 260
- other	1 383	1 029
Total income tax expense	**113 580**	**92 414**

Deferred tax recognised directly in equity		

As at 31 December 2005 the amount of deferred tax recognised directly in equity includes:

Relating to equity securities available-for-sale	31 634	31 604
Relating to debt securities available-for-sale	24 557	4 645
Total	**56 191**	**36 249**

21. Earning per share

	01.01-31.12.2005	01.01-31.12.2004
Earning per share	6,12	5,10

The calculation of basic earnings per share at 31 December 2005 was based on the profit attributable to ordinary shareholders of PLN 446 223 k (2004: PLN 372 189 k) and a weighted average number of ordinary shares outstanding during 2005 of 72 960 284 (2004: 72 960 284). BZ WBK did not issue any instruments which may be potentially converted into ordinary shares. As at 31.12.2005 diluted earning per share amount to PLN 6,12 and as at 31.12.2004 diluted earning per share amount to PLN 5,10.

22. Cash and balances with central bank

Cash and balances with central bank	31.12.2005	31.12.2004
Cash	503 339	410 702
Current account in central bank	67 783	788 182
Other cash equivalents	1 207	1 259
Total	**572 329**	**1 200 143**

The amount of current account in the central bank refers to the monies held in the National Bank of Poland account as the obligatory reserve.

23. Loans and advances to banks

Loans and advances to banks	31.12.2005	31.12.2004
Loans and advances	3 333 363	2 327 113
Current accounts	280 270	467 757
Gross receivables	**3 613 633**	**2 794 870**
Impairment write down	(7 566)	(7 566)
Total	**3 606 067**	**2 787 304**

Movements on impairment losses on receivables from banks	31.12.2005	31.12.2004
Balance at 31 December	**(7 566)**	**(7 629)**
Recoveries		63
Balance at the end of the period	**(7 566)**	**(7 566)**

24. Securities at fair value through profit & loss account

Securities at fair value through profit & loss account	31.12.2005	31.12.2004
Debt securities	1 925 330	1 354 388
Government securities:	1 925 330	1 354 388
- bills	1 792 789	1 084 124
- bonds	132 541	270 264

Equity securities:	282	550
- listed	282	550
Total	**1 925 612**	**1 354 938**

Interest income from debt instruments and other fixed rate instruments is disclosed under "interest income".

Profit and loss from fair value changes of instruments measured at fair value through profit and loss are disclosed in net trading income.

All financial assets measured at fair value through profit and loss are assigned to this category due to trading character of transactions. Financial assets were not designated to this category at 31 December 2005 and in comparable periods.

25. Derivative financial instruments

Derivative financial instruments

Fair value of derivative financial instruments is determined using the market quotations, discounted cash flow models and the options valuation models, as appropriate.

FX transactions (FX SWAP,FX Forward, CIRS, Spot contracts)
FX transactions are measured on the basis of discounting future cash flows with a market rate, the sites of Reuters and the fixing site of NBPQ are the source of rates.

Interest rate contracts
Interest rate contracts include SWAP transactions (hereinafter referred to as IRS) and FRAs. IRSs and FRAs are marked to market based on future discounted cash flows (NPV). The rates applied to generate the zero-coupon yield curve are taken from Reuters' web site.

Options
Option contracts are stated at fair value using the market quotations and the option valuation models, as appropriate.

Trading derivatives	31.12.2005 Fair value		31.12.2004 Fair value	
	Assets	Liabilities	Assets	Liabilities
Interest rate transactions	166 371	134 350	163 701	212 931
IRS	153 640	121 714	157 314	204 051
FRA	12 731	12 636	6 387	8 880
Equity derivatives	24 042	-	12 944	-
Options long	24 042	-	12 944	-
Currency derivatives	542 315	446 743	692 790	589 455
FX Swap	137 155	71 769	608 570	571 773
CIRS	370 224	329 821	70 653	445
Forward	23 589	15 929	11 951	16 762
Spot	580	2 031	796	475
Options	10 767	27 193	820	-
Total trading derivatives	**732 728**	**581 093**	**869 435**	**802 386**

Hedging derivatives	Fair value		Fair value	
	Assets	Liabilities	Assets	Liabilities
Fair value hedge	2 486	23 662	-	18 956
IRS	2 486	23 662	-	18 956
Total hedging derivatives	**2 486**	**23 662**	**-**	**18 956**
Total derivatives	**735 214**	**604 755**	**869 435**	**821 342**

26. Loans and advances to customers

Loans and advances to customers	31.12.2005	31.12.2004
Loans and advances to enterprises	9 908 959	10 057 938
Loans and advances to individuals, of which:	3 306 295	2 923 500
- real estate financing	2 028 770	1 883 626
Loans and advances to public sector	342 450	466 937
Other	34 008	25 193
Gross receivables	**13 591 712**	**13 473 568**
Impairment losses in loans and advances to customers	(694 323)	(597 870)
Total	**12 897 389**	**12 875 698**

According to IFRS application Bank Zachodni WBK no longer recognises suspended interest.
Due to available relief's there was no restatement of comparable period.
As at 31.12.2005 fair value adjustment due to hedged risk of corporate loans totalled PLN 18 283 k (year 2004 - PLN 13 157k).

Movements on impairment recognised on loans and advances to customers	31.12.2005	31.12.2004
Balance at 31st December	**(597 870)**	**(693 319)**
IFRS impact	(95 343)	
Balance at 1st January	**(693 213)**	**(693 319)**
Charge of current period	(145 363)	(405 106)
Write back of current period	91 874	257 049
Write downs and write off's	50 408	258 677
Currency movements	1 971	(15 171)
Balance at the end of the period	**(694 323)**	**(597 870)**

As at 31 December 2005 closing balance of impairment recognised on loans and advances to clients consisted of:

Impairment charge	620 529
Incurred but not reported losses	73 794

In comparable periods Bank Zachodni WBK S.A. calculated loan loss provisions basing on Ordinance of the Minister of Finance, dated 10 December 2003, on creating provisions for risk related to banking operations.

27. Reverse repo transactions

Reverse repo transactions	31.12.2005	31.12.2004
Other entities	15 199	25 697
Total	**15 199**	**25 697**

28. Investment securities

Investment securities	31.12.2005	31.12.2004
Available for sale securities - measured at fair value	6 669 058	2 616 926
Debt securities:	6 669 058	2 616 926
Government securities:	5 965 725	2 492 739
- bills	497 560	963 912
- bonds	5 468 165	1 528 827
Central Bank securities:	604 113	-
- bonds	604 113	-
Other securities:	99 220	124 187
- bonds	68 049	92 411
- other securities	31 171	31 776
Equity securities - measured at fair value:	232 092	250 844
- listed	6 663	10 961
- unlisted	225 429	239 883
Other	15 865	15 388
Total	**6 917 015**	**2 883 158**
Held to maturity investments (measured at amortised cost)		
Debt securities:	**-**	2 684 848
Other securities:	-	2 684 848
- bonds	-	2 684 848
Total	**6 917 015**	**5 568 006**

As at 31.12.2005 fixed interest rate debt securities measured at fair value amount to PLN 5 793 560 k, variable interest rate securities amount to PLN 844 327 k.

As at 31.12.2004 in available for sale portfolio fixed interest rate debt securities amount to PLN 2 492 740 k, variable interest rate securities amount to PLN 92 410 k. In held to maturity portfolio fixed interest rate debt securities amount to PLN 1 894 408 k, variable interest rate securities amount to PLN 790 440 k.

As at 31.12.2005 fair value adjustment due to hedged risk totalled PLN 3 665 k (year 2004 - PLN (1 074)k).

Reclassification of debt securities, presented as held till maturity in comparable periods, to the available for sale portfolio was made at the time of full IRFS adoption, i.e. as at 1 January 2005. Bank Zachodni WBK S.A. did not reclassiffy financial assets measured using the amortized cost method to another portfolio in 2005.

When fair value cannot be reliable determined, Bank Zachodni WBK S.A. carries certain groups of debt and capital instruments at cost, periodically testing for impairment. As at 31.12.2005 group of debt securities amount to PLN 31 171 k (2004 PLN 31 776k) and capital instruments amount to PLN 26 352 k (2004 PLN 26 335k).

Movement on investment securities	Available for sale	Held to maturity	Total
As at 31 December 2004	**2 616 927**	**2 684 848**	**5 301 775**
IFRS impact	2 684 848	(2 684 848)	0
Fair value adjustment (AFS)	20 621		20 621
As at 1 January 2005	**5 322 396**	**-**	**5 322 396**
Additions	2 720 370		2 720 370
Disposals (sale and redemption)	(1 536 216)		(1 536 216)
Fair value adjustment (AFS)	162 397		162 397
Provision for impairment	111		111
As at 31 December 2005	**6 669 058**	**-**	**6 669 058**

Movement on investment securities	Available for sale	Held to maturity	Total
As at 31 December 2003	**2 896 684**	**2 752 188**	**5 648 872**
Additions	1 710 224	401 149	2 111 373
Disposals (sale and redemption)	(2 123 731)	(468 489)	(2 592 220)
Fair value adjustment (AFS)	133 860		133 860
Provision for impairment	(111)		(111)
As at 31 December 2004	**2 616 926**	**2 684 848**	**5 301 774**

29. Investments in subsidiaries and associates

Investments in subsidiaries and associates	31.12.2005	31.12.2004
Subsidiaries	170 697	169 645
Associates	69 372	53 013
Total	**240 069**	**222 658**

	a	b	c	d	e	f						g			h	i
						own funds of entity, of which:						liabilities of entity, of which:				
									other own funds, of which:							
No.	name of entity (and its legal status)	business	registered office	balance sheet value of shares/ interests	total assets	Equity	share capital	due contributions to share capital (negative value)		from previous years	net profit (loss)		short-term	long-term	Revenues	% of holding
1	BZ WBK Inwestycje Sp. z o.o.	trading in shares of commercial companies as well as other securities; seeking investors for companies	Poznań	4 850	20 145	17 710	50	-	17 660	(598)	2 029	-	-	-	3 868	100,00
2	BZ WBK Faktor Sp. z o.o.	financial services, granting credit, market research and public opinion survey, business consulting, holding management	Warszawa	3 088	74 699	3 363	50	-	3 313	(4 183)	1 346	70 790	70 790	-	11 717	100,00
3	BZ WBK Finanse & Leasing S.A.	leasing and renting of fixed assets	Poznań	37 012	603 974	63 811	37 000	-	26 811	(4 647)	7 404	294 272	31 167	263 105	47 222	99,99
4	BZ WBK Leasing S.A.	whole- and retail sales of vehicles, sales of spare parts and accessories for vehicles, financial leasing, renting cars, other means of transportation, machines and equipment	Poznań	47 757	937 551	96 348	108 192	-	(11 844)	(34 680)	20 609	246 009	33 236	212 773	86 900	99,99
5	Dom Maklerski BZ WBK S.A.	offering securities on the primary market, buying and selling securities on customers' account, buying and selling securities on one's own account in order to perform duties related to organization of the regulated market	Poznań	45 925	663 233	84 269	44 973	-	39 296	-	31 560	453 653	453 653	-	112 582	99,99
6	BZ WBK Nieruchomości i Wspólnicy Sp. komandytowa	leasing of fixed assets	Poznań	21 849	149 487	29 287	21 799	-	7 488	6 235	1 253	120 173	7 480	112 693	15 391	99,99
7	BZ WBK Nieruchomości S.A.	organisation of various events, catering and hotel services, agency services	Poznań	253	649	184	250	-	(66)	-	(77)	-	-	-	608	99,96

8	Brytyjsko-Polskie Towarzystwo Finansowe WBK-CU Sp.z o.o.	distribution of insurance products	Poznań	218	1 350	775	350	-	425	-	(71)	-	-	-	5 728	60,00
9	AIB WBK Fund Management Sp. z o.o.	business and management consulting, holding companies' management, accounting activities	Warszawa	2 989	29 388	27 365	2 469	-	24 896	-	10 913	-	-	-	21 022	54,00
10	BZ WBK AIB Asset Management S.A.	brokerage activities: managing customer's share portfolios (listed and not listed)	Poznań	6 755	54 459	49 813	13 500	-	36 313	(21 069)	32 285	-	-	-	44 197	50,00
11	POLFUND - Fundusz Poręczeń Kredytowych S.A.	providing lending guarantees, investing and managing funds invested in companies, management	Szczecin	8 000	67 991	17 192	16 000	-	1 192	-	761	43	43	-	626	50,00
12	LZPS PROTEKTOR S.A. - as at September 2005	production of protective, military and ordinary footwear	Lublin	2 939	27 614	14 253	4 744	-	9 509	-	(1 153)	11 619	11 619	-	14 693	36,07
13	NFI Magna Polonia S.A. - as at September 2005	buying securities issued by State Treasury, buying or taking up interests or shares in entities registered and operating in Poland, buying other securities issued by these entities	Warszawa	58 433	202 317	200 510	3 006	-	197 504	9 669	1 561	1 343	1 343	-	6 215	29,67
	Total			240 069	2 832 857	604 880	252 383	-	352 497	(49 273)	108 420	1 197 902	609 331	588 571	370 769	

No.	a	b	c	d	e	f	g						h			i	j
	name of entity (and its legal status)	business	registered office	balance sheet value of shares/ interests	IFRS impact	total assets	own funds of entity, of which:						liabilities of entity, of which:			Revenues	% of holding
							Equity	share capital	due contributions to share capital (negative value)	other own funds, of which:	from previous years	net profit (loss)		short-term	long-term		
1	BZ WBK Inwestycje Sp. z o.o.	trading in shares of commercial companies as well as other securities; seeking investors for companies	Poznań	14 589	(9 738)	16 116	13 889	50	-	13 839	-	7 879	117	117	-	10 487	100,00
2	BZ WBK Faktor Sp. z o.o.	financial services, granting credit, market research and public opinion survey, business consulting, holding management	Warszawa	2 036	-	45 833	2 166	50	-	2 116	(2 444)	(1 590)	42 139	42 139	-	5 102	100,00
3	BZ WBK Finanse & Leasing SA	leasing and renting of fixed assets	Poznań	59 691	(22 678)	519 493	61 012	37 000	-	24 012	-	10 334	220 755	65 802	154 953	49 086	99,99
4	BZ WBK Leasing S.A.	whole- and retail sales of vehicles, sales of spare parts and accessories for vehicles, financial leasing, renting cars, other means of transportation, machines and equipment	Poznań	75 395	(27 638)	821 907	82 280	108 192	-	(25 912)	(44 121)	17 371	247 899	35 156	212 743	74 716	99,99
5	Dom Maklerski BZ WBK SA	offering securities on the primary market, buying and selling securities on customers' account, buying and selling securities on one's own account in order to perform duties related to organization of the regulated market	Poznań	69 829	(23 905)	433 700	71 361	44 973	-	26 388	-	20 256	306 560	306 560	-	85 616	99,99
6	BZ WBK Nieruchomości i Wspólnicy Sp. komandytowa	leasing of fixed assets	Poznań	27 887	(6 038)	155 057	34 869	28 634	-	6 235	4 597	1 638	120 176	4 103	116 073	15 821	99,99
7	BZ WBK Nieruchomości SA	organisation of various events, catering and hotel services, agency services	Poznań	271	(18)	490	276	250	-	26	(3)	19	190	187	3	1 017	99,96
8	Brytyjsko-Polskie Towarzystwo Finansowe WBK-CU Sp.z o.o.	distribution of insurance products	Poznań	567	(349)	1 463	909	350	-	559	-	63	-	-	-	5 711	60,00

9	AIB WBK Fund Management Sp. z o.o.	business and management consulting, holding companies' management, accounting activities	Warszawa	10 703	(7 714)	26 729	22 211	2 469	-	19 742	-	7 595	3	3	-	365	54,00
10	BZ WBK AIB Asset Management SA	brokerage activities: managing customer's share portfolios (listed and not listed)	Poznań	19 340	(12 585)	46 821	45 572	13 500	-	32 072	-	28 208	-	-	-	447	50,00
11	POLFUND - Fundusz Poręczeń Kredytowych S.A.	providing lending guarantees, investing and managing funds invested in companies, management	Szczecin	8 527	(527)	18 057	17 054	16 000	-	1 054	-	772	28	28	-	617	50,00
12	LZPS PROTEKTOR S.A. As at September 2004.	production of protective, military and ordinary footwear	Lublin	5 877	(2 937)	26 838	19 487	4 744	-	14 743	-	4 914	5 305	5 305	-	31 758	36,08
13	NFI Magna Polonia S.A. As at September 2004.	buying securities issued by State Treasury, buying or taking up interests or shares in entities registered and operating in Poland, buying other securities issued by these entities	Warszawa	43 316	(1 243)	205 620	203 989	3 006	-	200 983	6 787	8 445	1 125	1 125	-	5 393	21,57
	Total			338 028	(115 370)	2 318 124	575 075	259 218	-	315 857	(35 184)	105 904	944 297	460 525	483 772	286 136	

30. Intangible assets

Intangible assets	31.12.2005	31.12.2004
As at 1 January	-	2 651
Impairment write down	-	(2 651)
As at the and of the period	**-**	**-**

Intangible assets	Computer software	Other intangible assets (brand names and copy rights)	Capital expenditures	Total
Gross value at the beginning of the period	**452 504**	**5 371**	**22 343**	**480 218**
Additions (from purchase)	-	-	22 196	22 196
Disposals (from liquidation)	(12 823)	-	-	(12 823)
Intangible assets taken for use	23 833	604	(24 437)	-
Transfers	-	-	676	676
Gross value at the end of the period	**463 514**	**5 975**	**20 778**	**490 267**
Accumulated depreciation at the beginning of the period	(244 182)	(5 371)	-	(249 553)
Current year depreciation	(83 276)	(82)	-	(83 358)
Liquidation	11 256	-	-	11 256
Transfers	(1 884)	-	-	(1 884)
Gross value at the beginning of the period	**(318 086)**	**(5 453)**	**-**	**(323 539)**
Book Value				
Purchase value	463 514	5 975	20 778	490 267
Accumulated depreciation	(318 086)	(5 453)	-	(323 539)
As at 31 December 2005	**145 428**	**522**	**20 778**	**166 728**

Transfer of value concerns: 1/ separating capital expenditures connected with tangible and intangible assets (transfer of gross value) 2/ separating impairment losses connected with tangible and intangible assets release of provision (transfer of impairment losses). The value of intangible assets is mostly relates to Integrated Centralised Banking System presented. It is a core system for BZWBK branches since 2002. As at beginning of the period its value according to purchase price amounted to PLN 315 795 k and its book value at the end of the period amounted to PLN 103 951 k (excluding modifications).

Intangible assets	Computer software	Other intangible assets (brand names and copy rights)	Capital expenditures	Total
Gross value at the beginning of the period	**438 755**	**5 371**	**10 160**	**454 286**
Additions (from purchase and donation)	131	-	26 045	26 176
Disposals (from liquidation)	(244)	-		(244)
Intangible assets taken for use	13 862	-	(13 862)	-
Gross value at the end of the period	**452 504**	**5 371**	**22 343**	**480 218**
Accumulated depreciation at the beginning of the period	(158 972)	(5 371)	-	(164 343)
Current year depreciation	(85 452)	-	-	(85 452)
Liquidation	244	-	-	244
Transfers	(2)	-	-	(2)
Accumulated depreciation at the end of the period	**(244 182)**	**(5 371)**	**-**	**(249 553)**
Book Value				
Purchase value	452 504	5 371	22 343	480 218
Accumulated depreciation	(244 182)	(5 371)	-	(249 553)
As at 31 December 2005	**208 322**	**-**	**22 343**	**230 665**

31. Property plant & equipment

Property, plant & equipment	Land and Buildings	Transportation means	Equipment	Other fixed assets	Capital expenditures	Total
Gross value at the beginning of the period	**546 323**	**26 990**	**554 300**	**7 540**	**15 491**	**1 150 644**
Additions (from purchase and lease)	-	5 082	10	-	42 545	47 637
Disposals (from sale, liquidation and donation)	(4 100)	(6 566)	(40 721)	(11)		(51 398)
Fixed assets taken for use	1 738	-	47 688	74	(49 500)	-
Transfers	4 408	-	294	165	(1 139)	3 728
Gross value at the end of the period	**548 369**	**25 506**	**561 571**	**7 768**	**7 397**	**1 150 611**
Accumulated depreciation at the beginning of the period	**(161 650)**	**(12 472)**	**(409 203)**	**(4 441)**	**-**	(587 766)
Current year depreciation	(21 824)	(4 868)	(70 163)	(724)	-	(97 579)
Sale, liquidation or donation of assets	1 200	5 649	34 552	11	-	41 412
Transfers	(1 355)	-	5 217	(101)	-	3 761
Impairment write down	-	-	(951)	-	-	(951)
Reversal of impairment write down	-	-	1 488	-	-	1 488
Accumulated depreciation at the end of the period	**(183 629)**	**(11 691)**	**(439 060)**	**(5 255)**	**-**	**(639 635)**
Book Value						
Purchase value	548 369	25 506	561 571	7 768	7 397	1 150 611
Depreciation	(183 629)	(11 691)	(439 060)	(5 255)	-	(639 635)
As at 31 December 2005	**364 740**	**13 815**	**122 511**	**2 513**	**7 397**	**510 976**

Fixed assets
The opening balance was adjusted by perpetual usufruct value, which has been qualified to operating lease and assets held for sale. Transfers of value concerns: 1/ reclassification one of properties from assets held for sale to fixed assets (transfer of gross value and impairment losses), 2/ separating capital expenditures connected with tangible and intangible assets (transfer of gross value) 3/ reclassification one of properties to assets held for sale (transfer of gross value) 4/ separating impairment losses connected with tangible and intangible assets, release of provision (transfer of impairment losses)

Property, plant & equipment	Land and Buildings	Transportation means	Equipment	Other fixed assets	Capital expenditures	Total
Gross value at the beginning of the period	**623 105**	**24 376**	**566 728**	**8 366**	**1 628**	**1 224 203**
Additions (from purchase, lease and donation)	-	7 392	1 650	185	34 564	43 791
Disposals (from sale, liquidation and donation)	(38 767)	(4 778)	(24 674)	(646)	-	(68 865)
Fixed assets taken for use	4 724	-	15 027	46	(19 797)	-
Transfers	-	-	-		(904)	(904)
Gross value at the end of the period	**589 062**	**26 990**	**558 731**	**7 951**	**15 491**	**1 198 225**
Accumulated depreciation at the beginning of the period	(174 861)	(11 698)	(352 729)	(4 244)	-	(543 532)
Current year depreciation	(22 072)	(4 570)	(79 116)	(749)	-	(106 507)
Sale, liquidation or donation of assets	9 003	3 841	19 229	258	-	32 331
Transfers	6 267	(45)	3 615	40	-	9 877
Impairment write down	(1 937)	-	(3 078)	-	-	(5 015)
Reversal of impairment write down	-	-	355	-	-	355
Accumulated depreciation at the end of the period	**(183 600)**	**(12 472)**	**(411 724)**	**(4 695)**	**-**	**(612 491)**
Book value						
Purchase value	589 062	26 990	558 731	7 951	15 491	1 198 225
Depreciation and impairment losses	(183 600)	(12 472)	(411 724)	(4 695)	-	(612 491)
As at 31 December 2004	**405 462**	**14 518**	**147 007**	**3 256**	**15 491**	**585 734**

Transfer of value concerns: 1/ separating capital expenditures connected with tangible and intangible assets (transfer of gross value) 2/ adjustment of lease assets' impairment losses, release of provision release and amortization PFC (transfer of impairment losses)

32. Deferred tax asset

Deferred tax asset	31.12.2004	Increase	Decrease	31.12.2005
Unrealized deposit interest	22 967	-	(4 852)	18 115
Unrealized securities interest	13 188	13 776	-	26 964
Unrealized liabilities due to derivatives	163 168	-	(24 960)	138 208
Specific provisions which are not yet taxable costs	165 656	-	(31 048)	134 608
Other provisions which are not yet taxable costs	47 430	-	(7 183)	40 247
Additional deferred tax assets resulting from art. 38 a of Corporate Tax Act	14 808	485	-	15 293
Other	15 094	13 878	-	28 972
Total	**442 311**	**28 139**	**(68 043)**	**402 407**

As at 31 December 2005 calculation of deferred tax asset did not taken into account bought receivables of (tax amount) PLN 3 060 k

Deferred tax asset	31.12.2003	Increase	Decrease	31.12.2004
Unrealized deposit interest	21 430	1 537	-	22 967
Unrealized securities interest	-	13 188	-	13 188
Unrealized liabilities due to derivatives	45 595	117 573	-	163 168
Specific provisions which are not yet taxable costs	149 252	16 404	-	165 656
Other provisions which are not yet taxable costs	45 235	2 195	-	47 430
Additional deferred tax assets resulting from art. 38 a of Corporate Tax Act	-	14 808	-	14 808
Other	5 317	9 777	-	15 094
Total	**266 829**	**175 482**	**-**	**442 311**

As at 31 December 2004 calculation of deferred tax asset did not taken into account bought receivables of (tax amount) PLN 4 438 k

33. Other assets

Other assets	31.12.2005	31.12.2004
Sundry debtors	97 063	95 831
Settlements	61 779	60 439
Prepayments	17 623	17 603
Assets held for sale	17 420	317
Other	56	56
Total	**193 942**	**174 246**

Assets held for sale

31 December 2005	Gross value	Impairment loss	Nominal value
Land and buildings	22 376	(7 078)	15 298
Equipment	2 149	(27)	2 122
Total	**24 525**	**(7 105)**	**17 420**

31 December 2004	Gross value	Impairment loss	Nominal value
Land and buildings	86	-	86
Equipment	231	-	231
Total	**317**	**-**	**317**

The opening balance was increased by assets held for sale. In 2005 four items were sold, one of properties has been qualified to assets held for sale and another one was removed from this position to fixed assets.

34. Deposits from banks

Deposits from banks	31.12.2005	31.12.2004
Current accounts	667 632	374 009
Deposits	651 601	532 742
Other	258	
Credits	-	-
Total	**1 319 491**	**906 751**

As at 31.12.2005 fair value adjustment for hedged deposit totalled PLN 85 k.

35. Deposits from customers

Deposits from customers	31.12.2005	31.12.2004
Deposits from individuals	**10 886 972**	**11 259 940**
- term deposits	8 120 242	9 026 618
- current accounts	2 731 847	2 201 973
- other	34 883	31 349
Deposits from enterprises	**8 618 483**	**7 010 551**
- current accounts	5 112 402	3 623 667
- term deposits	3 107 462	3 025 667
- other	329 385	200 508
- credits	69 234	160 709
Deposits from public sector	**1 464 412**	**1 146 231**
- current accounts	1 172 527	875 656
- term deposits	291 243	270 213
- other	642	362
Total	**20 969 867**	**19 416 722**

As at 31.12.2005 deposits held as collateral totalled PLN 167 869 k.
As at 31.12.2004 deposits held as collateral totalled PLN 131 180 k.

36. Repo transactions

Repo transactions	31.12.2005	31.12.2004
Banks	978 673	417 685
Other entities	20 868	315 005
Total	**999 541**	**732 690**

The transaction relates to State Treasury securities (bond and bills).

37. Debt security in issue

Debt security in issue	Average coupon		Nominal value	
	31.12.2005	31.12.2004	31.12.2005	31.12.2004
Bond 2-Y 2S1005	-	fixed; 4,75%	-	36 627
Bond 2-Y 2S1105	-	fixed; 5,25%	-	298 569
Bond 2-Y 2S1205	-	fixed; 5,25%	-	112 850
Bond 5-Y 5S1008	fixed; 5,25%	fixed; 5,25%	7 091	7 091
Bond 5-Y 5S1108	fixed; 5,75%	fixed; 5,75%	9 953	9 953
Bond 5-Y 5S1208	fixed; 6,00%	fixed; 6,00%	61 875	61 875
Total nominal value			**78 919**	**526 965**
Total carrying value			**93 035**	**560 695**

As at 31.12.2005 the nominal value was increased by interest of PLN 10 366 k and bond valuation of PLN 3 750 k related to hedging activities. As at 31.12.2004 the nominal value was increased by interest of PLN 33 229k and bond valuation of PLN 501 k related to hedging activities.

38. Deferred tax liabilities

Deferred tax liability	31.12.2004	Increase	Decrease	31.12.2005
Unrealised interests from securities and interbank deposits	59 703	-	(12 659)	47 044
Unrealised loans interests	8 379	4 541	-	12 920
Unrealised receivables on derivatives	149 700	-	(8 829)	140 871
Provision due to application of investment relief	6 467	-	(1 444)	5 023
Valuation of assets available for sale	36 249	19 942	-	56 191
Other	29 888	11 491	-	41 379
Total	**290 386**	**35 974**	**(22 932)**	**303 428**

Deferred tax liability	31.12.2003	Increase	Decrease	31.12.2004
Unrealised interests from securities and interbank deposits	42 352	17 351	-	59 703
Unrealised interests income on restructuring bonds	10 178		(10 178)	-
Unrealised loans interests	5 737	2 642	-	8 379
Unrealised receivables on derivatives	24 819	124 881	-	149 700
Provision due to application of investment relief	7 571		(1 104)	6 467
Valuation of assets available for sale	16 703	19 546	-	36 249
Other	21 503	8 385	-	29 888
Total	**128 863**	**172 805**	**(11 282)**	**290 386**

39. Other liabilities

Other liabilities	31.12.2005	31.12.2004
Settlements	408 439	185 411
Employee provisions and accruals	77 174	74 114
Sundry creditors	68 641	58 186
Other deferred and suspended income	64 709	246 197
Prepayments	63 078	61 829
Provisions for off balance sheet credit facilities	11 818	7 539
Provisions for legal claims	10 041	7 710
General risk provision	-	72 537
Total	**703 900**	**713 523**

On the day of full adoption of IFRS on 01.01.2005 Bank Zachodni WBK S.A. seized recognizing a provision for banking general risk.

Movements on provisions	31.12.2005	31.12.2004
As at 31 December	**161 900**	**184 130**
Provisions for off balance sheet credit facilities	7 539	9 581
General risk provision	72 537	92 537
Employee provisions and accruals	74 114	74 400
Provisions for legal claims	7 710	7 612
IFRS impact	**(72 247)**	**-**
Provisions for off balance sheet credit facilities	290	-
General risk provision	(72 537)	-
As at 1 January	**89 653**	**184 130**
Provisions for off balance sheet credit facilities	7 829	9 581
General risk provision	-	92 537
Employee provisions and accruals	74 114	74 400
Provisions for legal claims	7 710	7 612
Provision charge	**102 568**	**87 381**
Provisions for off balance sheet credit facilities	14 551	11 228
General risk provision		-
Employee provisions and accruals	79 023	73 850
Provisions for legal claims	8 994	2 303
Utilisation	**(76 098)**	**(64 082)**
Provisions for off balance sheet credit facilities	7	
Employee provisions and accruals	(75 962)	(64 056)
Provisions for legal claims	(143)	(26)
Write back	**(17 089)**	**(45 529)**
Provisions for off balance sheet credit facilities	(10 569)	(13 270)
General risk provision	-	(20 000)
Employee provisions and accruals	-	(10 080)
Provisions for legal claims	(6 520)	(2 179)
As at the end of the period	**99 033**	**161 900**
Provisions for off balance sheet credit facilities	11 818	7 539
General risk provision	-	72 537
Employee provisions and accruals	77 174	74 114
Provisions for legal claims	10 041	7 710

The Bank raises provisions for disputable or expected, certain or highly probable, future liabilities that can be reliably estimated. The liabilities result from past events and fund outflow is probable to satisfy them.

Employee related provisions and accruals consists of:
- provisions due to employment termination payments
- PFRON provision
- staff bonus provisions

In the opening balance according to IFRS application the off-balance sheet liabilities provision was increased by PLN 290 k.

40. Share capital

Series / issue	Type of share	Type of preference	Limitation of rights to shares	Number of shares	Nominal value of series / issue
A	bearer	none	none	5 120 000	51 200
B	bearer	none	none	724 073	7 241
C	bearer	none	none	22 155 927	221 559
D	bearer	none	none	1 470 589	14 706
E	bearer	none	none	980 393	9 804
F	bearer	none	none	2 500 000	25 000
G	bearer	none	none	40 009 302	400 093
				72 960 284	**729 603**

Nominal value of one share is 10 PLN.
All shares in issue are fully paid. There was no movements on share capital during reported periods.

There are no share options on BZ WBK shares.

According to the information available to the Bank's Management Board, as at 31.12.2005 the only shareholder who had at least 5% votes at the General Meeting of BZ WBK Shareholders was AIB European Investments Ltd seated in Dublin

From the date of registration of issued capital in 1991 to December 1996 the Bank operated in an economy of hyperinflation. IAS 29 (Financial Reporting in Hyperinflationary Economies) requires the restatement of each component of shareholder's equity (except retained earnings and any revaluations surplus) by the general price index for the period of hyperinflation. This retrospective application would have resulted in an increase in share capital PLN 336 091 k and Other reserve funds by PLN 380 983 k and a reduction in retained earning over that period of equivalent amounts.

41. Other reserve funds

Other reserve funds	31.12.2005	31.12.2004
General banking risk fund	529 810	499 810
Share premium	261 699	261 699
Other reserve capitals	1 158 887	922 853
Total	**1 950 396**	**1 684 362**

Other funds
Statutory reserve (supplementary) capital is created from profit allocations in line with the prevailing banking legislation and the Bank's statute. The capital is not subject to split and is earmarked for covering balance sheet losses. Allocations from profit of the current year to reserve capital should amount to at least 8 % of profit after tax and are made until supplementary capital equals at least one third of the Bank's share capital. The amount of allocations is adopted by the General Meeting of Shareholders.
Share (issue) premium is created from surplus over the nominal value of shares sold less costs of share issuance and constitutes the Bank's supplementary capital.
Other reserve (supplementary) capital include a part of revaluation fund that refers to fixed assets disposed, sold or transferred that were subject to revaluation reserve by increasing revaluation fund.
Reserve capital is created from profit allocations in the amount adopted by the General Meeting of Shareholders. The decision on reserve capital use is taken by the General Meeting of Shareholders.

42. Revaluation reserve

Revaluation reserve	31.12.2005
As at 31 December 2004	154 534
Impact of IFRS	20 621
As at 01 January 2005	175 155
Net change in available for sale investments, of which:	95 040
- related to investments purchased before current reporting period	47 163
- related to investments purchased during the period	47 877
Net change in available for sale investments matured during the period	(8 179)
Decrease in revaluation reserve related to sale of investments	(1 839)
Decrease in revaluation reserve related to hedge accountant	(740)
Deferred tax adjustment	(19 942)
Total	**239 495**

Revaluation reserve

Revaluation reserve comprises equity from the valuation of financial assets available for sale and from the valuation of tangible fixed assets. Revaluation reserve is not distributable. On the day of derecognising 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.

43. Hedge accounting

Bank Zachodni WBK applies hedge accounting in line with the risk management assumptions described note 58 of annual financial statements. Hedging transactions are constructed using interest rate swaps. These are instruments whose fair value can be reliably determined and which do not act as options issued by the bank. Their purpose is to eliminate risk of fair value in hedged instruments stemming from changes in market interest rates. These transactions are not designed to hedge against the effects of fair value changes due to credit risk. Bank Zachodni WBK applies fair value hedge accounting in relation to the following classes of financial instruments:

- Own fixed-rate bonds denominated in PLN, which form a group of financial liabilities. Each element in this group carries a risk of changes in the interbank interest rates,
- A fixed rate loan denominated in PLN recognised as a financial asset,
- Fixed rate loans denominated in foreign currency, forming a portfolio of assets covered with an interest rate hedge
- Deposit
- Fixed rate debt securities, forming a group of assets covered with an interest rate hedge

The hedged and hedging items are measured at fair value using the discounted future cash flows method or measured at amortised cost including fair value adjustment.
The table below contains details about individual groups of hedge transactions:

	IRS hedging own bonds	IRS hedging corporate loans	IRS hedging deposit	IRS hedging Treasury bonds
Nominal value of hedged position	PLN 78 918 k	PLN 295 971 k	PLN 50 000 k	PLN 150 000 k
Fair value adjustment of hedging instrument asset/(liability)	PLN 2 407 k	PLN (20 792) k	PLN (79) k	PLN (2 869) k
Period over which the instruments have an impact on the bank's results	2005 – 2008	2005 – 2011	2005 – 2006	2005 – 2008

44. Sell-buy-back-transactions

The Bank raises funds by selling financial instruments under agreements to repay the funds by repurchasing the instruments at future dates at the same price plus interest at a predetermined rate. As at 31 December 2005, the balance sheet contains treasury bills and bonds traded under sell-buy-back transactions in the amount of PLN 964,730 k (PLN 733,253 k as at 31 December 2004). At the same time, on the liabilities side, in the item representing obligations in respect repo transactions there were deposits recognised, corresponding to the securities traded in the amount of PLN 999,541 k (PLN – 732,690 k as at 31 December 2004).

45. Fair Value

Fair value of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction other than a forced sale or liquidation and is best reflected by a quoted market price, if available.

The following is a summary of the carrying amounts and fair values of each class of assets and liabilities that are not presented on the Bank's balance sheet at their fair value. In accordance with clause 36A of IFRS 1 Bank Zachodni WBK S.A. elected to use the exemption from disclosure of comparable data at fair value. For financial assets and liabilities, it is assumed that their carrying amount is approximately equal to their fair value.

	2005	
In thousands of PLN	**Carrying amount**	**Fair value**
Assets		
Loans and advances to banks	3 606 067	3 610 925
Loans and advances to customers	12 897 389	12 943 812
Liabilities		
Deposits from banks	1 319 491	1 320 363
Deposits from customers	20 969 867	20 940 809

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table above.

Loans and advances to banks: The fair value of floating rate placements and overnight deposits is their carrying amount. Fixed interest-bearing deposits fair value is estimated based on discounted cash flows using current money market interest rates for debts with similar credit risk and remaining maturity.

Loans and advances to customers: These are net of any impairment provisions. Fair value is calculated based on the discounted expected future principal and interest cash flows. Loan repayments are assumed to occur at contractual repayment dates, where applicable. For loans that have floating rate interest cash flows or maturing within one year it's assumed that their fair value is not significantly different from carrying value. The estimated fair values of loans reflect changes in credit status since the loans were made and changes in interest rates in the case of fixed rate loans.

Available-for-sale investments: The fair value of financial assets available for sale is based on quoted market prices. For instruments without quoted prices it was impossible to reliably estimate a fair value. For balance sheet valuation purposes instruments are recognised at amortised cost (debt instruments) or at purchase value (equity instruments) adjusted for impairment write downs.

Investments in subsidiaries and associates: Financial assets representing interests in associated entities were accounted for using the equity method. For the purpose of consolidated financial statements investments in subsidiaries and associates are: consolidated on line-by-line basis or accounted for by equity method respectively.

In the opinion of the Management Board of the parent company, it was impossible to reliably estimate fair value of these instruments.

Bank and customer deposits: For demand deposits and deposits with no defined maturities, fair value is taken to be the amount payable on demand at the balance sheet date. The estimated fair value of fixed-maturity deposits, including certificates of deposit, is based on discounted cash flows using rates currently offered for deposits of similar remaining maturities. For deposits maturing within one year it's assumed that their fair value is not significantly different from carrying value. The value of long-term relationships with depositors is not taken into account in estimating fair values

46. Contingent liabilities

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

As at 31 December 2005, no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the Bank amounting to a minimum of 10% of the Bank's equity.

The value of all litigations totals PLN 290 300 k, which is ca. 9,10% of the Bank's equity. This amount includes PLN 70 148k claimed by the Bank, PLN 46 243 k in claims against the Bank and PLN 173 909 k are Bank's receivables due to bankruptcy or arrangement cases.

Off balance sheet liabilities

Bank Zachodni WBK S.A. has commitments to deliver loans. These commitments include loans sanctioned, credit card limits and overdrafts. Bank Zachodni WBK S.A. issue guarantees and letters of credit which collateralise customers' liabilities to third parties.

The break-down of contingent liabilities and off-balance transactions into categories are presented below. The values of guarantees and letters of credit as set out in the table below represent the maximum possible loss that would be disclosed as at the balance sheet day if the customers did not meet any of their obligations.

Contingent liabilities, sanctioned and received	31.12.2005	31.12.2004
Liabilities sanctioned:	5 750 856	6 060 051
- financing-related	4 937 310	5 293 789
including: import letters of credit	54 032	54 082
including: credit lines	4 524 908	4 546 520
including: credit card debits	358 406	332 527
- guarantees	813 546	766 262
including: confirmed export letters of credit	2 630	3 410
Received liabilities	**1 887 043**	**482 943**
Total	**7 637 899**	**6 542 994**

The most common forms of guarantee are: payment guarantee, performance bond, bid bond, advance payment guarantee, loan repayment guarantee, customs guarantee. In accordance with the "Non-consumer lending regulations", the bank issues civil law guarantees (mainly: loan or advance repayment guarantee, service or goods repayment guarantee, advance payment guarantee, performance bond, bid bonds and other) and B/E guarantees (mainly: loan or advance repayment guarantee, service or goods repayment guarantee and other). Guarantees and civil law guarantees are issued on the basis of the same information and in accordance with the same procedure as it is in the case of loans. Applicable regulations are set out in the Commercial Lending Manual and the Lending Manual of the Corporate Banking Centre.

These contingent liabilities carry an off-balance sheet credit risk as only the funding arrangement fees and loan loss provisions are disclosed in the balance sheet until repayment or expiry of the obligation. Many of the existing contingent liabilities will expire before any payment is made. For this reason, their values do not reflect the expected future cash flows.

Derivatives' nominal values			
		31.12.2005	**31.12.2004**
1.	**Derivatives (hedging)**	1 144 940	1 615 837
a)	Single-currency interest rate swaps – purchased amounts	572 470	807 918
b)	Single-currency interest rate swaps – sold amounts	572 470	807 919
2.	**Term (speculative) derivatives**	97 952 670	59 965 995
a)	Interest rate operations	78 931 768	41 605 651
-	Single-currency interest rate swaps – purchased amounts	16 915 884	15 339 266
-	Single-currency interest rate swaps – sold amounts	16 915 884	15 339 266
-	FRA-purchased amounts	24 600 000	6 027 119
-	FRA-sold amounts	20 500 000	4 900 000
b)	FX operations	19 020 902	18 360 344
-	FX swap – purchased amounts	8 493 174	8 394 232
-	FX swap – sold amounts	8 420 063	8 361 814
-	Cross-currency interest rate swaps – purchased amounts	1 072 912	836 614
-	Cross-currency interest rate swaps – sold amounts	1 034 753	767 684
3.	**Derivatives – non-stock market options**	1 451 276	408 120
-	Options purchased	872 515	408 120
-	Options sold	578 761	
	Total	**100 548 886**	**61 989 952**

47. Assets pledged as collateral

Bank is obliged to set up a guaranteed funds protection fund. For the purpose as at 31 December 2005 Bank Zachodni WBK S.A. pledged as collateral PLN 39 896k of debt securities (PLN 46 686k in year 2004).

48. Trust activities

Bank Zachodni WBK S.A. provides custodian services in accordance with Stock Exchange Commission license of 09 August 1999. The Bank's custodian services are addressed to residents - private individuals and legal enterprises (incl. investment funds) - and to foreign institutional investors present on the Polish capital market. They involve, inter alia, maintaining securities accounts, settling transactions, handling dividend and interest payments and representing clients at the General Annual Meetings of public companies. Bank Zachodni WBK S.A.

also acts as a depository for following investment funds: Fundusz Inwestycyjny ARKA BZ WBK Obligacji FIO, ARKA BZ WBK GLOBAL INDEX 2007 FIZ and LUKAS Fundusz Stabilnego Wzrostu FIO, managed by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A.

As at the end of 2005 assets held by clients at the Bank Zachodni WBK S.A. securities accounts increased by 71% and totalled PLN 5 420 114k (PLN 3 161 851k in 2004).

49. Financial and operating leases

Finance leases

Bank Zachodni WBK S.A. acts as a lessee in finance lease agreements where the lessor side is represented by BZWBK leasing subsidiaries: BZWBK Leasing SA and BZWBK Finanse & Leasing SA.

The leasing contracts finance purchase of cars and other equipment.

Finance leases gross liability maturity	31.12.2005	31.12.2004
less then 1 year	4 988	3 902
between 1 and 5 years	10 557	11 776
Total	**15 545**	**15 678**

present value of minimum lease payments maturity	31.12.2005	31.12.2004
less then 1 year	4 294	2 815
between 1 and 5 years	9 168	10 354
Total	**13 462**	**13 169**

Reconciliation between the gross liability and the present value of minimum lease payments	31.12.2005	31.12.2004
Finance lease gross liability	15 545	15 678
Unearned finance cost	(2 083)	(2 509)
Present value of minimum lease payments	**13 462**	**13 169**

Operating leases

Bank Zachodni WBK S.A. leases offices in compliance with operational leasing agreements. Most significant agreements relate to the buildings in Poznań and Warsaw. As a standard, agreements are concluded for 5-10 years. Leasing payments are indexed on an annual basis so that the price reflects market values. A small part of the offices is subleased outside the Bank. In 2005 and 2004 rentals related to mentioned real estates totaled PLN 16 031k and PLN 18 493 k respectively. These payments are presented in the profit and loss account under "administrative costs".

Total payments due to non cancelable operating leases (including land perpetual usufruct)

Payments (maturity)	31.12.2005	31.12.2004
over 1 year	21 985	19 747
1-5 years	77 903	83 867
over 5 years	72 121	79 493
Total	**172 009**	**183 107**

50. Cash Flow Statement – additional information

Table below specifies components of cash balances of Bank Zachodni WBK S.A..

Components of cash balances	31.12.2005	31.12.2004
Cash	503 339	410 702
Current account in a central bank	67 783	788 182
Other cash equivalents	1 207	1 259
Current accounts in other banks	19 055	19 123
Total	**591 384**	**1 219 266**

During the year 2005, amount of corporate income tax paid out by Bank Zachodni WBK S.A. totalled PLN 74 331k (PLN 111 764 k in the year 2004).

51. Related party disclosures

The Bank enters into intercompany transactions. The transactions are effected between subsidiaries, associates, staff and the key management personnel.
Most of the transactions are banking transactions made as part of ordinary business activities and mainly include loans, deposits and guarantees.

The table below contains information about transactions effected by the bank and its related entities:

Receivables and liabilities

31.12.2005

Receivables	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Loans and advances to banks	-	-	408 889	408 889
Securities at fair value through profit or loss	-	-	-	-
Derivative financial instruments	-	-	202 627	202 627
Loans and advances to customers	359 876	-	-	359 876
Other assets	6 067	-	-	6 067
Total	**365 943**	**-**	**611 516**	**977 459**

Liabilities	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Deposits from banks	-	-	2 732	2 732
Derivative financial instruments	27 669	-	187 213	214 882
Deposits from clients	580 583	118 132	-	698 715
Other liabilities	14 147	-	14 415	28 562
Total	**622 399**	**118 132**	**204 360**	**944 891**

Moreover on 22 of December 2005 AIB WBK Fund Management transferred 2 435 546 shares of NFI Magna Polonia to Bank Zachodni WBK S.A.. Total amount of the transaction was PLN16 360 k

31.12.2004

Receivables	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Loans and advances to banks	-	-	1 146 759	1 146 759
Securities at fair value through profit or loss	-	-	-	-
Derivative financial instruments	-	-	51 325	51 325
Loans and advances to customers	234 611	-	-	234 611
Other assets	743	-	-	743
Total	**235 354**	**-**	**1 198 084**	**1 433 438**

Liabilities	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Deposits from banks	-	-	2 600	2 600
Derivative financial instruments	-	-	22 806	22 806
Deposits from clients	467 981	59 313	-	527 294
Debt securities in issue	16 841	-	-	16 841
Other liabilities	13 829	-	4 366	18 195
Total	**498 651**	**59 313**	**29 772**	**587 736**

Revenues and Expenses

1.01.2005 - 31.12.2005

Income	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Interest and similar income	13 421	-	22 801	36 222
Fee and commission income	35 819	-	-	35 819
Other operating income	5 491	15	-	5 506
Gains less losses from investment in securities	-	-	9 066	9 066
Total	**54 731**	**15**	**31 867**	**86 613**

Expenses	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Interest expense and similar charges	27 781	2 128	90	29 999
Fee and commission expense	592	11	-	603
Gains less losses from investment in securities	-	-	3 462	3 462
Other operating expenses	1 194	-	34 692	35 886
Bank's operating expenses and management costs	1 194	-	34 692	35 886
Total	**29 567**	**2 139**	**38 244**	**69 950**

1.01.2004 - 31.12.2004

Income	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Interest and similar income	12 660	1	31 366	44 027
Fee and commission income	21 493	7	-	21 500
Other operating income	5 263	568	-	5 831
Gains less losses from investment in securities	-	-	22 814	22 814
Total	**39 416**	**576**	**54 180**	**94 172**

Expenses	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Interest expens and similar charges	20 120	975	34	21 129
Fee and commission expense	791	35	-	826
Gain less losses from investment in securities	-	-	26 635	26 635
Other operating expenses:	49	98	25 631	25 778
Bank's operating expenses and management costs	24	98	25 631	25 753
Total	**20 960**	**1 108**	**52 300**	**74 368**

Off balance sheet positions relating to transactions with connected entities

	of which from subsidiaries	of which from associates	Total
1. Received/Sanctioned contingent liabilities	**1 837 841**	**6 000**	**1 843 841**
- financing-related	1 718 164	-	1 718 164
- guarantees	119 677	6 000	125 677

Intragroup transactions - off-balance sheet liabilities	of which from subsidiaries	of which from associates	Total
2. Derivatives' nominal values, including:	**734 867**	**-**	**734 867**
-Financial instruments operations-double-currency interest rate swaps	30 192	-	30 192
-Financial instruments operations-single-currency interest rate hedging swaps	704 675	-	704 675

	of which from subsidiaries	of which from associates	Total
1. Received/Sanctioned contingent liabilities	**2 640 394**	**6 000**	**2 646 394**
- financing-related	2 517 504	-	2 517 504
- guarantees	122 890	6 000	128 890

Intragroup transactions - off-balance sheet liabilities	of which from subsidiaries	of which from associates	Total
2. Derivatives' nominal values, including:	**641 718**	**-**	**641 718**
-Financial instruments operations-double-currency interest rate swaps	68 428	-	68 428
-Financial instruments operations-single-currency interest rate hedging swaps	573 290	-	573 290

BZ WBK S.A. recognises liability due to share based payments accounted in line with IFRS 2.

The liability is brought to fair value through profit and loss account. Value of mark to marked adjustment is calculated basing on share option valuation model. Costs of this program in 2005 and 2004 was respectively PLN 1235k and PLN 450k

REMUNERATION OF BANK ZACHODNI WBK S.A. MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS

31.12.2005r.

Remuneration paid to the members of Bank Zachodni WBK Supervisory Board

First and last name	Position	amount (PLN'000)
Aleksander Szwarc	Chairman of the Supervisory Board since 14.04.2005	118,0
Marian Górski	Chairman of the Supervisory Board until 14.04.2005	57,8
John Power	Member of the Supervisory Board	126,8
Waldemar Frąckowiak	Member of the Supervisory Board	107,6
Don Godson*	Member of the Supervisory Board	60,2
Aleksander Galos	Member of the Supervisory Board	111,6
Jacek Ślotała	Member of the Supervisory Board	82,6
Kieran Crowley	Member of the Supervisory Board	43,9
Total		**708,5**

* Mr Don Godson donated his remuneration in full amount to BZ WBK charity fund.

Members of the Supervisory Board who decided not to be remunerated.

First and last name	Position	amount (PLN'000)
Gerry Byrne	Deputy Chairman of the Supervisory Board	-
Declan Mc Sweeney	Member of the Supervisory Board	-

Remuneration paid to the members of Bank Zachodni WBK Management Board

First and last name	Position	Period	Remuneration and awards	Benefits	Total (PLN'000)
Jacek Kseń	President of the Management Board	01.01–31.12.2005	1 397,4	177,2	1 574,6
Cornelius O'Sullivan*	First Vice President of the Management Board	01.01–30.04.2005	2 078,1	1 157,9	3 236,0
Declan Flynn*	Member of the Management Board	01.01–31.12.2005	1 793,0	869,0	2 662,0
Michał Gajewski	Member of the Management Board	01.01–31.12.2005	842,4	36,4	878,8
Aleksander Kompf	Member of the Management Board	21.06–31.12.2005	175,0	22,9	197,9
Justyn Konieczny	Member of the Management Board	01.01–31.12.2005	851,1	154,7	1 005,8
Janusz Krawczyk	Member of the Management Board	01.01–31.12.2005	775,2	72,4	847,6
Jacek Marcinowski	Member of the Management Board	01.01–31.12.2005	784,1	30,4	814,5
Mateusz Morawiecki	Member of the Management Board	01.01–31.12.2005	852,0	31,1	883,1
James Murphy*	Member of the Management Board	01.01–31.12.2005	999,7	447,7	1 447,4
Feliks Szyszkowiak	Member of the Management Board	01.01–31.12.2005	784,1	15,9	800,0
Total					**14 347,7**

The amount of remuneration and awards paid to the Management Board Members of Bank Zachodni WBK S.A. includes: basic salary for 2005, awards for 2004. Benefits include: any payment on termination of employment contract or retirement, annual leave equivalent, costs of insurance, costs of accommodation, costs of health care etc. Awards for 2005 have not been included as they have not yet been determined and approved by the Supervisory Board. Performance awards for 2005 are not expected to be materially different to the level of 2004 performance awards.

*In respect of Messrs O'Sullivan, Flynn, and Murphy (Irish nationals on assignment to BZWBK from Allied Irish Banks plc, Dublin, Ireland), whose terms of assignment cover payment of salaries in their home country currency. Furthermore, their terms of assignment include reimbursement of Allied Irish Banks plc's costs in respect of pension contributions, medical insurance cover, Allied Irish Banks plc profit sharing scheme and other benefits. Costs in respect of accommodation and school fees are also paid by BZWBK in specific cases.

In 2005, none of the Members of the Management Board or the Supervisory Board of Bank Zachodni WBK received any remuneration from subsidiaries or associated entities.

Members of the Management Board have signed non-competition agreements which remain in force after they step down from their function.

If a Member of the Management Board is removed from their function or not appointed for another term, he/she is entitled to a once-off severance pay. The severance pay does not apply if the person accepts another function in the Bank.

31.12.2004r.

Remuneration paid to the members of Bank Zachodni WBK Supervisory Board

First and last name	*Position*	*amount (PLN'000)*
Marian Górski	Chairman of the Supervisory Board	140,6
Waldemar Frąckowiak	Member of the Supervisory Board	121,3
Aleksander Galos	Member of the Supervisory Board	116,3
Marek Grzegorzewicz	Member of the Supervisory Board	43,8
Aleksander Szwarc	Member of the Supervisory Board	116,8
Jacek Ślotała	Member of the Supervisory Board	88,6
Dermot Gleeson	Member of the Supervisory Board	21,4
John Power	Member of the Supervisory Board	19,5
Total		**668,3**

Members of the Supervisory Board who decided not to be remunerated.

First and last name	*Position*	*amount (PLN'000)*
Gerry Byrne	Chairman of the Supervisory Board	-
Don Godson	Member of the Supervisory Board	-
Declan Mc Sweeney	Member of the Supervisory Board	-

Remuneration paid to the members of Bank Zachodni WBK Management Board

First and last name	*Position*	*amount (PLN'000)*
Jacek Kseń	President of the Management Board	1 117,7
Cornelius O'Sullivan*	First Vice President of the Management Board	2 617,4
Declan Flynn*	Member of the Management Board	1 157,6
Michał Gajewski	Member of the Management Board	507,0
Michael Keegan*	Member of the Management Board	571,9
Justyn Konieczny	Member of the Management Board	718,6
Janusz Krawczyk	Member of the Management Board	497,0
Jacek Marcinowski	Member of the Management Board	474,6
James Murphy*	Member of the Management Board	247,2
Mateusz Morawiecki	Member of the Management Board	490,6
Feliks Szyszkowiak	Member of the Management Board	440,9
Maciej Węgrzyński	Member of the Management Board	1 037,9
Total		**9 878,4**

The amount of remuneration paid to the Management Board Members of Bank Zachodni WBK S.A. includes: basic salary for 2004, awards for 2003, pay due to termination of employment contract, annual leave equivalent, salary due to non-competition agreement, costs of insurance, costs of accommodation, costs of health care.

*In respect of Messrs O'Sullivan, Flynn, Murphy and Keegan (Irish nationals on assignment to BZWBK from Allied Irish Banks plc, Dublin, Ireland), whose terms of assignment cover payment of salaries in their home country currency and such sums are impacted by movements in currency exchange rates. Furthermore, their terms of assignment include reimbursement of Allied Irish Banks plc's costs in respect of pension contributions, medical insurance cover, Allied Irish Banks plc profit sharing scheme and other benefits. Costs in respect of accommodation and school fees are also paid by BZWBK in specific cases. The total of this reimbursement including relevant Polish social security costs and Polish income tax liability in 2004 amounts to PLN 4 011k.

In 2004, none of the Members of the Management Board or the Supervisory Board of Bank Zachodni WBK received any remuneration from subsidiaries or associated entities.

Members of the Management Board have signed non-competition agreements which remain in force after they step down from their function.

If a Member of the Management Board is removed from their function or not appointed for another term, he/she is entitled to a once-off severance pay. The severance pay does not apply if the person accepts another function in the Bank.

TRANSACTIONS WITH THE EXECUTIVES

31 December 2005

As of 31.12.2005, the total of loans, advances and guarantees provided to members of the Management Board of BZ WBK S.A. by the subsidiaries and associates amounted to PLN 9 k. Social Fund loans and advances provided to Board Members totalled nil. Loans and advances made by the Bank to the executives of BZ WBK S.A. totalled PLN 2 791 k and CHF 23k.

These facilities have been sanctioned on regular terms and conditions.

31 December 2004

As of 31.12.2004, the total of loans, advances and guarantees provided to members of the Management Board of BZ WBK S.A. by the Bank totalled PLN 2 844 k CHF 22 k.

Social Fund loans sanctioned to the Members of the Management Board amounted to PLN 5 k

These facilities have been sanctioned on regular terms and conditions.

TRANSACTIONS WITH EMPLOYEES

31 December 2005

As of 31.12.2005, the total of loans and advances drawn by BZWBK S.A. employees was PLN 135 776 k (including the debt of PLN 12 370 k shown in joint accounts) and PLN 12 962 k in the case of employees of BZWBK subsidiaries and associates.

In the same period, the total of loans and advances drawn by BZWBK S.A. employees from the Social Fund was PLN 18 267 k.

These facilities have been sanctioned on regular terms and conditions.

On current accounts and term deposits employees of the bank held balances of PLN 96 442 k, (of which joined current accounts - PLN 25 605 k), Amount relating to employees of subsidiaries and associates totalled PLN 7 684 k.

31 December 2004

As of 31.12.2005, the total of loans and advances drawn by BZWBK S.A. employees was PLN 105 890 k. (including the debt of PLN 14 516 k shown in joint accounts and PLN 6 487 k in the case of employees of BZWBK subsidiaries and associates.

In the same period, the total of loans and advances drawn by BZWBK S.A. employees from the Social Fund was PLN 20 238 k.

These facilities have been sanctioned on regular terms and conditions.

52. Information of number and value of banking writs of execution

In 2005 Bank issued 1 498 banking writs of execution with total amount of PLN 68 524 k, of which:

- cash loans and overdrafts – 417 cases of PLN 10 378 k,
- credit cards - 901 cases of PLN 3 677 k
- mortgage loans - 52 cases of PLN 5 767 k
- corporate loans - 128 cases of PLN 48 702 k

In the year 2004 Bank issued 991 writs of execution of PLN 16 057k related to bank agreements with individuals.

53. Acquisitions and disposals of investments

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

On 22 April 2004, the Bank sold 850,000 registered shares of CardPoint S.A.. 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 S.A. 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 (before taxation)	55 135

54. Investments in joint ventures

As at 31 December 2005 the companies from the BZ WBK Group were not involved in any joint-venture activities.

55. Staff benefits

Staff benefits include the following categories:

- Short-term benefits (remuneration, social security contributions, paid leaves, profit distributions and bonuses and non-cash benefits),
- Post-employment benefits (retirement benefits and similar payments, life insurance or medical care provided during the term of employment),
- Other long-term employee benefits (jubilee bonuses, disability pensions, training or scholarship leaves – if these are paid leaves longer than 12 months from the balance sheet date).

Within these categories, Bank Zachodni WBK S.A. create the following types of provisions:

Provisions for accrued holiday leaves

Liabilities related to accrued holiday leaves are stated in the expected amount (based on current salaries) without discounting.

Provisions for employee bonuses

Liabilities related to the adopted bonus system are stated in the amount of the probable payment without discounting.

Provisions for retirement allowances

Liabilities related to retirement allowances are measured using actuarial methods (including discounting).

Other staff-related provisions

These are provisions for jubilee awards, for the National Fund of Rehabilitation of the Disabled and for redundancies. These liabilities are stated at the amounts of expected payment without discounting.

The balances of the respective provisions are shown in the table below:

Provisions	31.12.2005	31.12.2004
Provisions for accrued holiday leaves	13 138	12 605
Provisions for employee bonuses	44 242	43 500
Provisions for retirement allowances	18 409	16 624
Other staff-related provisions	1 385	1 385
Total	**77 174**	**74 114**

56. Average staffing level with a break-down into professional groups

31 December 2005

As at 31 December 2005, the staffing level in Bank Zachodni WBK S.A. totalled 7 203,98 FTE's.

As at this date, the Bank employed 7 252 persons.

In 2005, the average staffing level in Bank Zachodni WBK was 7 127,37 FTE's.

The table below presents the employment structure in Bank Zachodni WBK S.A. with a break-down according to education:

Education	No. of staff	Structure %
University/college degree	4 309	59,4
High school degree	2 818	38,9
Vocational	33	0,5
Other	92	1,2
Total	**7 252**	**100,0**

31 December 2004

As at 31 December 2004, the staffing level in Bank Zachodni WBK S.A. totalled 7 091,88 FTE's.
As at this date, the Bank employed 7 121 persons.
In 2004 the average staffing level in Bank Zachodni WBK was 7 188,52 FTE's.

The table below presents the employment structure in Bank Zachodni WBK with a break-down according to education:

Education	No. of staff	Structure %
University/college degree	4 182	58,7
High school degree	2 819	39,6
Vocational	32	0,5
Other	88	1,2
Total	**7 121**	**100,0**

57. Events after the balance sheet date

Resignation of President of Management Board

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

Amendment to statute of Bank Zachodni WBK S.A.

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

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

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

An Incentive Scheme for BZWBK Group key management personnel

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

58. Dividend per share

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

59. Risk Management

Credit risk and market risk are inherent in the banking and financial business. Below is an outline of the individual risks, their management, measurement and reporting mechanisms and a description of financial instruments which generate or mitigate risk.

Market Risk

Market risk management focuses on liquidity and price risk.
Liquidity risk is the risk that Bank Zachodni WBK S.A. will not be able to meet its contractual or contingent obligations when due.
Price risk is defined as an adverse earnings impact of changes in interest rates, FX rates, share quotations, stock exchange indices, etc.

General principles of market risk management

The key objective of the market risk policy operated by Bank Zachodni WBK S.A. is to reduce the impact of interest and FX rates changes on the bank's profitability and market value as well as to increase income within the strictly defined risk limits and while ensuring the bank's liquidity.
The bank's practice in market risk management complies with the following rules:
Upon the recommendation from the Assets and Liabilities Management Committee (ALCO) the Management Board approves the Strategies and Policies for market risk management along with the limits that define the maximum acceptable exposure to individual risk types.
Market risk is managed by qualified personnel using the appropriate systems and controls. Management of interest rate, FX and liquidity risks is centralised in the BZ WBK Treasury Division, while the risk of instruments connected with the capital market (shares, stock exchange indices) is managed by the BZ WBK Brokerage House.
Market risk is measured and its compliance with the stated risk limits is monitored by qualified personnel segregated from the unit which manages and generates the risk. Exposure to market risk is regularly reviewed by ALCO.

Risk limits are periodically reviewed to align them with the bank's strategy and the current objectives of Bank Zachodni WBK S.A.
Bank Zachodni WBK S.A. has recognised net assets which are insensitive to interest rate movements. Hence in order to mitigate the risk of balance sheet structure a decision was taken to create a special portfolio of highly rated debt securities which generate a stable income stream for the bank. According to the Policy approved by the Management Board, any decisions relating to the value or structure of this portfolio are taken by ALCO.

Derivative transactions connected with market risks

The Bank enters into derivative transactions for trading purposes and to mitigate / hedge against market risks. These transactions predominantly bear interest rate and FX risk, albeit the Bank also enters into derivative transactions to fund FX assets, thus mitigating liquidity risk.
Individual types of transactions are characterised below:

FX transactions

FX forwards are agreements to buy or sell one currency for another at a specified price for delivery at a future date.
For such a pair of currencies, the making of a current buy/sell transaction and a forward repurchase/resell transaction represents a swap deal.

The Bank enters into such transactions with customers and in the interbank market. The transactions are used for speculative purposes or for liquidity management.

FX options are agreements to sell or buy a right to convert currencies in the future at a predetermined rate and settlement date. There are call and put options. A call option gives the holder the right to purchase a certain amount of a currency for a certain amount of another currency, while a put option gives the holder the right to sell a certain amount of a currency for a certain amount of another currency. It should be noted that the buyer of the option has the right but not obligation to enter into the transaction, while the writer of the option is obliged to enter into the transaction if the buyer chooses to exercise his right.
Acquisition of the buy/sell rights entails a premium to be paid to the writer of the option.
Bank Zachodni WBK S.A. concludes option contracts with customers and at the same time it closes the contracts in the interbank market thus avoiding open option positions exposed to market risk.

Interest rate transactions

Bank Zachodni WBK S.A. enters into the following interest rate transactions:

- Interest Rate Swaps – IRS;
- Cross-currency Interest Rate Swaps – CIRSs;
- Forward Rate Agreements – FRAs.

IRSs are transactions where one stream of future interest payments is exchanged for another based on a previously specified principal (most often fixed interest rate payments are exchanged for interest payments based

money market reference rates, e.g. WIBOR). These transactions are concluded in the interbank market and with Bank Zachodni WBK S.A. customers. They are used to hedge/cancel open interest rate positions, but are also used for trading purposes.
CIRSs involve an exchange of interest rate payments in two different currencies. These transactions may also result in the exchange of principal amounts. The Bank uses these instruments primarily for liquidity management – they ensure medium-term funding for the Bank's FX assets.
FRAs are agreements for a pre-determined interest rate applicable for a fixed term and settled in a future period (usually within 1 month) and accrued on a principal amount specified in the agreement. The settled amount is determined based on the principal amount and the difference between the interest rate current on the settlement date (e.g. WIBOR) and the contract rate. The buyer of an FRA protects itself against a future increase in interest rates, while the seller of an FRA wants to protect itself against a future decline in interest rates. This instrument is also used for speculative reasons in anticipation of interest rate changes. Bank Zachodni WBK S.A. primarily uses this instrument in its trading portfolio.

Index options

An index option entitles its holder make a profit from the difference between the value of the stock exchange index and the underlying value determined in the option agreement (the difference is also referred to the notional principal amount specified in the agreement). In the Bank such options (also FX) are embedded in deposit products which in addition to guaranteed interest allow their holders to earn from favourable changes in stock exchange indices. In this product area, BZ WBK S.A. sold call options to customers. Also, Bank Zachodni WBK S.A. closed its exposure to risk by purchasing options in the interbank market, so its open option positions are not exposed to market risk.

Interest rate risk

Exposure to interest rate risk appears as result of gaps in the schedule of revaluation of assets, liabilities and their derivative instruments. Interest rate movements observed on the market where the bank holds open exposures liable to such movements contributes both to the risk of incurring losses and the possibility of earning substantial profits. Open interest rate positions which are sensitive to interest rate changes are created because it is extremely difficult to match the assets generating interest income with the liabilities generating interest expenses, both in terms of amounts and revaluation/maturity dates. Besides, there exists a base risk arising out of differences in the nature of revaluation applied to different types of variable interest rates, e.g. an instrument bearing variable interest on three-month cycles based on 3M WIBOR as of revaluation date and an instrument whose interest is based on an arithmetical average of 5 quotations on the inter-bank market preceding the revaluation date.
The main source of revaluation risk are transactions entered in the bank's branches and transactions entered in the money market by the Treasury Division. Additionally, interest rate risk can be generated by transactions concluded by other units, e.g. through acquisition of municipal / commercial bonds, or the bank's borrowings in the interbank market (e.g. loans from EBRD or from the Banking Guarantee Fund). However all positions which generate a revaluation risk are transferred from a system of internal contracts centralised in the Treasury Division. Then the bank's dealers are responsible for investing surplus funds in relevant instruments in order to

ensure a risk and reward balance for the interest rates affecting the bank's balance sheet and instruments portfolio.

Bank Zachodni WBK S.A. perceives margins as the main source of revenues, hence limits for the open interest rate positions and stop-loss limits for trading positions can be viewed as prudent.

The bank's subsidiaries also try to mitigate their interest rate risk – if there is a mismatch between the revalued assets and liabilities the companies enter into derivative transactions with the bank, which – from the transaction date – manages this risk under a limit approved by the Management Board.

Interest rate risk is measured as Probable Maximum Loss (PML), a method based on an industry standard value at risk. PML is determined as a difference between the market value of the interest rate position calculated using the current profitability curve and the worst-case profitability curve, which is based on a variability of interest rates at a 99% confidence interval for a three-year interest rate history. Variability is based on a one-month position maintenance period. PML is set both for the trading portfolio and the banking portfolio. The measurement excludes the securities portfolio managed by ALCO and used to hedge against the structural balance sheet risk.

The table below shows the average and final PML values in 2005:

PLN'000	31-12-05	Average in 2005
PML	8,078	9,860

According to the interest rate risk policy, PML may not exceed 8.25% of the bank's own funds determined in accordance with the Banking Supervisory Committee's Resolution no. 4/2004 of 8 September 2004. As at 31 December 2005 the limit amounted to PLN 195.7 m.

There are also additional reports prepared to support the risk management process. Daily reports include:

- Stress-test reports, showing changes in the market value of portfolios in the event of substantial changes in interest rates;
- PV01 reports – illustrating changes in the value of portfolios where the profitability curve is moved by 1 base point.

In order to curtail losses on the trading portfolio, a stop-loss limit has been established.

IRR assessment reports are generated by a unit which is independent from the unit that manages the interest rate risk.

BZWBK Group assets and liabilities subject to interest rate risk can be split into subject to fair value change risk and subject to cash flow change risk due to volatility of interest rate. The first group covers especially loans, T-bonds, bonds, deposits, repo and issuance of BZWBK Group debt securities at fixed interest rate. The other category includes loans, T-bonds, bonds and deposits at variable interest rate. BZWBK Group is also subject to interest rate risk as a result of transacting in derivatives i.e. FRA, IRS, CIRS and interest rate options. The following instruments are included under assets and liabilities not subject to interest rate risk: cash, stocks and shares, receivables from repurchase agreements, intangible assets, fixed assets, settlements from deferred income tax and other assets and liabilities.

The risk profile can also be represented as a gap arising on repricing terms of assets and liabilities, as shown in the table below (data for Bank Zachodni WBK S.A. as at 31.12.2005):

31.12.2005	up to 1 month	from 1 to 3 months	from 3 to 12 months	from1 to 2 years	from to 2 to 5 years	over 5 years	rate insensitive	Total
Loans and receivables to banks	1 984 370	277 211	1 267 922	36 413	-	-	40 151	3 606 067
Financial instruments at fair value through profit or loss	1 675 154	9 153	108 989	62 517	67 150	-	2 649	1 925 612
Loans and receivables to customers	9 757 311	1 593 136	1 147 166	564 594	452 733	40 482	(658 033)	12 897 389
Investment securities	19 098	297 870	1 155 572	1 097 978	2 807 669	1 099 775	439 053	6 917 015
Other assets								2 836 864
	13 435 933	**2 177 370**	**3 679 649**	**1 761 502**	**3 327 552**	**1 140 257**	**(176 180)**	**28 182 947**
Deposits from banks	727 565	-	559 764	-	-	-	32 162	1 319 491
Deposits from customers	15 113 121	2 947 483	2 232 528	277 197	34 765	296	364 477	20 969 867
Repo transactions	997 592	1 503	-	-	-	-	446	999 541
Debt securities in issue	-	-	-	-	88 507	-	4 528	93 035
Other liabilities								4 801 013
	16 838 278	**2 948 986**	**2 792 292**	**277 197**	**123 272**	**296**	**401 613**	**28 182 947**
	(3 402 345)	**(771 616)**	**887 357**	**1 484 305**	**3 204 280**	**1 139 961**	**(577 793)**	

31.12.2004	up to 1 month	from 1 to 3 months	from 3 to 12 months	from1 to 2 years	from to 2 to 5 years	over 5 years	rate insensitive	Total
Loans and receivables to banks	1 941 172	513 512	204 664		107 450		20 506	2 787 304
Financial instruments at fair value through profit or loss	1 747	4 939	1 103 330	181 859	59 586		3 477	1 354 938
Loans and receivables to customers	10 821 014	1 192 660	648 402	147 538	382 048	47 423	(363 387)	12 875 698
Investment securities	15 000	700 065	1 537 421	532 737	1 919 974	474 887	387 922	5 568 006
Other assets								3 750 889
	12 778 933	**2 411 176**	**3 493 817**	**862 134**	**2 469 058**	**522 310**	**48 518**	**26 336 835**
Deposits from banks	355 717		525 225				25 809	906 751
Deposits from customers	12 758 765	3 365 068	2 539 838	292 271	190 408	-	270 372	19 416 722
Repo transactions	730 860						1 830	732 690
Debt securities in issue			448 046		78 919		33 730	560 695
Other liabilities								4 719 977
	13 845 342	**3 365 068**	**3 513 109**	**292 271**	**269 327**	**-**	**331 741**	**26 336 835**
	(1 066 409)	**(953 892)**	**(19 292)**	**569 863**	**2 199 731**	**522 310**	**(283 223)**	

In both periods the Bank's sensitivity relates to the liabilities for which the interest rate change period is shorter than for assets. In theory such a interest risk profile is favourable in the even of expected interest rate reductions as the interest rate on liabilities will be reduced faster than in the interest rate on receivables (in the bank these are chiefly medium-term and long-term State Treasury Papers). The bank uses derivative instruments (primarily interest rate swaps) to partly hedge itself against the risk of interest rate increases resulting in a diminished value of long-term investments with a fixed interest rate. Most customer deposits are based on short-term, official money market rates (WIBOR, LIBOR), so these deposits are funded by short-term loans and advances to customers.

Compared to the end of 2004, there was a change in the gap for a term up to once month as a result of an increase in customer deposits (current accounts and short-term deposits). Due to the expected interest rate reductions, the bank made new investments in securities, thus increasing the gap for the terms in excess of one year.

The table below present effective interest rates for selected balance sheet positions as at 31.12.2005

%	PLN	EUR	USD	GBP	JPY	CHF
Loans and receivables to banks	5,1561%	2,4017%	4,4275%	4,6500%	0,2028%	
Debt instruments (trading)	4,5319%	-	-	-	-	-
Loans and receivables to customers	7,3436%	4,0571%	6,0785%	6,9587%	0,8219%	3,2761%
Debt instruments (a-f-s)	5,7603%	2,7180%	3,5642%	-	-	-
Deposits from banks	4,3699%	2,2513%	4,0863%	-	-	-
Deposits from customers	2,2071%	1,0645%	1,5410%	1,6376%	-	0,2855%
Debt securities in issue	5,6821%	-	-	-	-	-
Repo transactions	4,0312%	-	-	-	-	-

FX risk

The key role of inter-bank trading is to maintain a presence which allows the bank to offer competitive pricing conditions for client transactions effected through the branch banking network and the Treasury Services Department. A secondary role is to generate additional profits on trading positions, which are subject to conservative and prudential limits.

FX risk is measured as Probable Maximum Loss (PML) against the total open FX position of the bank. Open positions of subsidiaries are negligible and are not included in the daily risk assessment.

PML is determined by means of a statistical modelling process (industry standard value at risk). PML is the potential loss on open FX positions at a 99% confidence interval where open positions are maintained for 10 business days. Statistical parameters are set on the basis of a 3-year history of interest rates.

The table below shows the average and final PML value in 2005:

PLN '000	31.12.05	Average in 2005
PML	318	266

According to the policy, PML value may not exceed 0,5% of own funds determined in accordance with the Banking Supervisory Committee's Resolution no. 4/2004 of 8 September 2004. As at 31.12.2005 the limit was PLN 11.8 m.

FX risk management is centralised for maximum effectiveness, while maintaining segregation of risk measurement and risk control functions.

Comparison of FX positions (see the tables below) for the two reporting periods shows that the overall structure of the FX position did not change. The PLN balance sheet generates a short position increased during the year through an increase in deposits from customers. The bank's policy envisages limited sanction of long-term home mortgages denominated in foreign currencies, especially in CHF as the FX risk borne by the customer might lead to an increase in the bank's credit risk. For this reason, FX loans and advances are mainly funded by deposits from customers and open long FX positions arise from short-term investments in the interbank market.

The Bank's FX position as at 31.12.2005 was as follows:

31.12.2005	EUR	USD	CHF	GBP	other	PLN	Total
Cash and balances with central bank	69 654	33 691	2 458	16 300	5 607	444 619	572 329
Loans and advances to banks	132 784	2 533 635	-	136 380	7 121	796 147	3 606 067
Financial instruments at fair value through profit or loss	-	-	-	-	-	1 925 612	1 925 612
Derivative financial instruments	182 876	164 128	3 317	-	-	384 893	735 214
Loans and advances to customers	2 348 850	816 076	600 509	4 025	97 068	9 030 861	12 897 389
Investment securities	324 874	95 915	-	-	-	6 496 226	6 917 015
Other assets	54 314	3 573		8 279	2 400	1 460 755	1 529 321
	3 113 352	**3 647 018**	**606 284**	**164 984**	**112 196**	**20 539 113**	**28 182 947**
Deposits from banks	250 657	279 695	30 692	-	-	758 447	1 319 491
Derivative financial instruments	183 970	164 081	3 859	-	-	252 845	604 755
Repo transactions	-	-	-	-	-	999 541	999 541
Deposits from customers	2 136 046	1 177 174	32 118	153 670	8 863	17 461 996	20 969 867
Debt securities in issue	-	-	-	-	-	93 035	93 035
Other assets	11 474	175	37	27	7	4 184 538	4 196 258
	2 582 147	**1 621 125**	**66 706**	**153 697**	**8 870**	**23 750 402**	**28 182 947**
	531 205	**2 025 893**	**539 578**	**11 287**	**103 326**	**(3 211 288)**	

31.12.2004	EUR	USD	CHF	GBP	other	PLN	Total
Cash and balances with central bank	47 733	19 910	1 995	9 120	4 224	1 117 161	1 200 143
Loans and advances to banks	134 055	1 946 493	-	28 199	3 842	674 715	2 787 304
Financial instruments at fair value through profit or loss	-	-	-	-	-	1 354 938	1 354 938
Derivative financial instruments	38	188	-	-	-	869 209	869 435
Loans and advances to customers	2 030 925	648 126	786 020	2 310	24 180	9 384 137	12 875 698
Investment securities	-	-	-	-	-	5 568 006	5 568 006
Other assets						1 681 311	1 681 311
	2 212 751	**2 614 717**	**788 015**	**39 629**	**32 246**	**20 649 477**	**26 336 835**
Deposits from banks	13 875	87 963	102 587	-	1 766	700 560	906 751
Derivative financial instruments	2 597	182	181	-	-	818 382	821 342
Repo transactions	-	-	-	-	-	732 690	732 690
Deposits from customers	1 858 555	1 112 330	19 291	104 238	13 357	16 308 951	19 416 722
Debt securities in issue	-	-	-	-	-	560 695	560 695
Other assets						3 898 635	3 898 635
	1 875 027	**1 200 475**	**122 059**	**104 238**	**15 123**	**23 019 913**	**26 336 835**
	337 724	**1 414 242**	**665 956**	**(64 609)**	**17 123**	**(2 370 436)**	

Liquidity risk

The bank's policy sets a limit on outflow of funds to a level where the outflow is covered by expected inflows and/or liquid assets (mainly securities), which can be sold or pledged in repo transactions or through a Lombard loan with the Central Bank.
The bank is obliged to maintain necessary funds to allow for all withdrawals of term deposits, demand deposits, loan payments, guarantee payments and settlements.

The Bank's liquidity is assessed separately using liquidity gap reports. The reports contain all flows from on balance sheet and off balance sheet transactions. Liquidity gap based on contractual maturity periods is dealt with in the first place.
Generally, most of the Bank's liabilities are short-term, however the bank also acquires medium-term funding through active promotional campaigns and pricing policy. Compared to the end of 2004, there was an increase in customer deposits, represented mainly by current accounts and short-term deposits. However the behaviour of the deposit base justifies the expectation that a significant part of these funds will remain with the bank. Also extra investments were made in short-term and medium-term securities, which are deemed as liquid assets as they can be readily sold or pledged.
In the daily report, cash flows are shown separately for PLN and for other currencies. The reported contract positions are subject to a number of modifications, in accordance with the Liquidity Policy, based on statistical data on the behaviour of the deposit and credit base, estimated capacity to liquidate State Treasury securities by selling or pledging them in repo transactions or in lombard loan with NBP; estimated roll-over of transactions in the interbank market. Thus determined liquidity gap is used to establish liquidity ratios, that is projected consolidated outflows to the projected consolidated inflows in a time period. The liquidity policy specifies the minimum ratios for time periods up to one week, up to one month and over one month. The ratios are set for PLN and other currencies. If a "shortage" of PLN or other currencies occurs, a surplus of foreign currency / PLN can be used to cover the shortage of PLN / foreign currency, however the value of such a conversion is limited depending on assessment of the possibilities of the conversion in the wholesale market.

31.12.2005	up to 1 month	from 1 to 3 months	from 3 to 12 months	from1 to 3 years	From to 3 to 5 years	over 5 years	rate insensitive	Total
Loans and receivables to banks	2 032 088	277 210	1 267 922	-	36 413	-	(7 566)	3 606 067
Financial instruments at fair value through profit or loss	1 675 154	9 153	109 016	67 783	64 224	-	282	1 925 612
Loans and receivables to customers	1 158 144	839 866	3 327 732	3 038 373	1 656 841	3 570 756	(694 323)	12 897 389
Investment securities	-	319 096	1 059 444	2 205 199	1 950 854	1 134 465	247 957	6 917 015
Other assets								2 836 864
	4 865 386	**1 445 325**	**5 764 114**	**5 311 355**	**3 708 332**	**4 705 221**	**(453 650)**	**28 182 947**
Deposits from banks	759 477	-	560 014	-	-	-	-	1 319 491
Deposits from customers	15 666 873	2 420 331	2 449 766	319 841	36	113 020	-	20 969 867
Repo transactions	998 592	503	-	-	-	-	446	999 541
Debt securities in issue	-	-	-	-	78 919	-	14 116	93 035
Other liabilities								4 801 013
	17 424 942	**2 420 834**	**3 009 780**	**319 841**	**78 955**	**113 020**	**14 562**	**28 182 947**
	(12 559 556)	**(975 509)**	**2 754 334**	**4 991 514**	**3 629 377**	**4 592 201**	**(468 212)**	

31.12.2004	up to 1 month	from 1 to 3 months	from 3 to 12 months	from1 to 3 years	From to 3 to 5 years	over 5 years	rate insensitive	Total
Loans and receivables to banks	1 969 242	468 656	249 520	57 372	50 080	-	(7 566)	2 787 304
Financial instruments at fair value through profit or loss	1 747	4 939	1 103 393	182 544	61 765	-	550	1 354 938
Loans and receivables to customers	1 538 346	842 835	3 586 807	3 134 829	1 567 190	2 803 561	(597 870)	12 875 698
Investment securities	-	121 877	1 246 653	1 039 746	1 780 972	1 112 527	266 231	5 568 006
Other assets								3 750 889
	3 509 335	**1 438 307**	**6 186 373**	**4 414 491**	**3 460 007**	**3 916 088**	**(338 655)**	**26 336 835**
Deposits from banks	591 991	5 000	309 760	-	-	-	-	906 751
Deposits from customers	13 151 192	2 781 098	2 647 697	709 360	187	127 188		19 416 722
Repo transactions	-	-	448 046	-	78 919	-	33 730	560 695
Other liabilities								5 452 667
	13 743 183	**2 786 098**	**3 405 503**	**709 360**	**79 106**	**127 188**	**33 730**	**26 336 835**
	(10 233 848)	**(1 347 791)**	**2 780 870**	**3 705 131**	**3 380 901**	**3 788 900**	**(372 385)**	

The table below shows the set liquidity ratios compared to the required levels (as at 31.12.2005):

		Up to 1 week	Up to 1 month	Over 1 month
PLN	Projected outflows to inflows	178%	***Positive flows***	81%
	Required level	*100%*	*100%*	*10%*
Other currencies	Projected outflows to inflows	100%	100%	***Positive flows***
	Required level	*100%*	*100%*	*10%*

The Liquidity Policy adopted by the Management Board obliges the bank to maintain funds to cover 100% of the outflows expected to be received in the one-month time horizon and not less than 10% in a period longer than a month. The data in the table above shows that the expected outflows for a term up to one month will be fully covered by expected inflows, which meets the requirements. The policy is designed to ensure a cover for short and medium term liabilities. However liquidity position in a longer time horizon is also monitored.
Also, for the limits indicated above there is a number of observation ratios set daily, which support the liquidity management process (e.g. loans to deposits ratio, ratio of dependence on wholesale market financing).

Liquidity risk management is centralised in the Treasury Division while control and measurement functions for liquidity risk are performed independent of the source of the liquidity risk.
Bank Zachodni WBK S.A. has a scenario-based contingency plan approved by the Management Board to cater for unexpected liquidity problems, whether caused by external or internal factors.

Credit risk

Bank Zachodni WBK fully adheres to the standards provided for in the Banking Law with regard to the concentration of risk bearing exposures to a single entity or a group of entities connected in terms of capital or organisation. As at 31.12.2005, pursuant to art. 71 of the Banking Law Act, the maximum limits for the bank totalled:
- PLN 480 726 thousand (20% of bank's own fund pursuant to the regulations) in the case of exposures to subsidiary or dominant entities or to subsidiary entities of the entity dominant for the bank,
- PLN 600 953 thousand (25% of bank's own fund pursuant to the regulations) in other cases.

The policy pursued by the bank aims at minimising the credit concentration risk, by for example applying more rigorous rules than the regulatory ones in this respect, which are set out in the Large Exposures Policy. The effect of this policy is maintenance of high level of diversification of exposures towards individual customers.
The analysis of the bank's exposures in terms of sectoral concentrations, carried out at the end of 2005, proved that the bank does not have any exposures in excess of the limits imposed by the regulator.
At the end of December 2005, the bank had exposures exceeding 10% of its own funds attributable to 5 entities (three of which were members of the BZWBK Group) and which accounted for 79.2% of own funds (vis-à-vis the permissible norm of 800%).

A list of the 20 largest borrowers of Bank Zachodni WBK SA (performing loans) as of 31 December 2005.

No.	Industry code (PKD)	Risk grade	Total exposure	Balance	Committed credit line	Guarantees
1	67	0	412 000	68 834	343 166	-
2	15	0	377 059	238 000	139 000	59
3	71	0	370 000	170 837	197 593	1 570
4	71	0	328 265	116 534	153 834	57 897
5	74	0	304 117	288 933	15 184	-
6	40	0	210 778	210 078	700	-
7	40,45	0	199 854	-	199 854	-
8	40	0	180 237	73 248	106 266	723
9	70	0	160 225	150 393	9 832	-
10	75	0	152 167	45 867	106 300	-
11	15	0	151 294	80 321	19 680	51 293
12	45	0	128 416	-	30 000	98 416
13	70	0	127 311	127 311	-	-
14	70	0/1	117 480	116 099	1 381	-
15	20	0	117 382	108 044	4 338	5 000
16	65	0	110 000	-	110 000	-
17	23	0	109 933	109 933	-	-
18	65	0	109 472	109 472	-	-
19	45,92	0	104 882	104 798	84	-
20	45	0	100 427	14 354	49 737	36 336
			3 871 299	**2 133 056**	**1 486 949**	**251 294**

Industry concentration

The credit policy of Bank Zachodni WBK S.A. envisages lending to low risk industries and reduction of exposures to medium and high risk industries. In order to ensure adequate portfolio diversification and eliminate the risk of overexposure to a single industry, the bank provides funding to sectors and groups or capital units representing a variety of industries. As at the end of December 2005, there was no dominant industry in the bank's loan portfolio. The highest concentration level – 10.8% of the loan portfolio – was recorded in the "real estate services" PKD 70. Such a concentration level is compliant with the bank's lending policies and the related risk is fully acceptable.

	Industry	Exposure PLN m
	Agricultural sector	568,20
	Energy sector	782,40
	Manufacturing	2 665,50
	Construction	302,00
	Distribution	1 763,70
	Transport	258,70
	Financial sector	669,80
	Property service	1 750,60
	Other services	1 487,80
A.	**Business**	**10 248,70**
B.	**Personal**	**3 306,70**
	including: mortgage loans	2 084,60
A+B	**BZWBK PORTFOLIO I ***	**13 555,40**

*Nominal value of credit portfolio

Geographical concentration

Bank Zachodni WBK S.A is concentrated on running credit activities in the territory of the Republic of Poland – exposure toward non-residents represents a marginal part of the bank's portfolio. In Poland, the credit activities focus on the marketplace of western provinces and large cities (Warszawa, Gdańsk, Kraków, Łódź, Poznań, Wrocław), which stems from the location of the bank's business units – branches and Corporate Business Centres.

The bank's operational structure is based on three macroregions: Poznań (provinces: Wielkopolskie, Zachodniopomorskie, Kujawsko-Pomorskie and Lubuskie), Warsaw (provinces: Mazowieckie, Warmińsko-Mazurskie, Podlaskie, Lubelskie, Pomorskie and Łódzkie) and Wrocław (provinces: Dolnośląskie, Śląskie, Opolskie, Świętokrzyskie, Małopolskie and Podkarpackie). Macroregion Poznań shows the biggest credit exposure adding up to PLN 4,129.7k., which accounts for 40.3% of the bank's total exposure. The macroregions are divided into regions. Warsaw Region shows the biggest credit exposure adding up to PLN 2,330.5k., which accounts for 23% of the bank's total exposure.

	Personal (excl. mortgage loans)*	Mortgage loans*	Business loans*
	PLN'000	PLN'000	PLN'000
BZ WBK	**1 222 236,7**	**2 084 643,8**	**10 248 514,8**
Poznań Macroregion	**445 808,7**	**737 603,7**	**4 113 560,3**
Poznań Macroregion	103 326,7	228 037,2	1 382 481,9
Region Wielkopolska Północ	69 745,2	95 667,8	496 169,4
Region Wielkopolska Południe	114 584,6	129 665,1	1 008 952,7
Region Kujawsko-Pomorski	55 588,0	104 711,0	369 699,2
Region Lubuski	75 415,7	97 375,4	440 706,4
Region Zachodniopomorski	27 148,6	82 147,3	415 550,8
Macroregion Warsaw	**150 144,7**	**632 899,5**	**3 329 700,2**
Region Warsaw	79 948,1	433 934,1	2 330 453,9
Region Łódzki	25 963,1	62 196,3	373 222,9
Region Pomorsko-Mazurski	44 233,5	136 769,1	626 023,5
Wrocław Macroregion	**418 443,7**	**714 140,5**	**2 805 254,4**
Region Wrocław	84 794,3	182 727,5	751 543,9
Region Śląski	39 716,3	120 736,7	315 026,9
Region Dolnośląsko-Opolski	130 965,4	157 840,7	658 890,2
Region Dolnośląski Zachód	145 362,8	159 306,7	592 666,0
Region Małopolsko-Podkarpacki	17 605,0	93 528,9	487 127,5
Credit cards**	**207 839,7**		

* Nominal value of credit portfolio
**Unallocated to macroregions

60. First-time-adoption

The financial statements of Bank Zachodni WBK S.A. for year 2005 were prepared in line with the International Financial Reporting Standards. As indicated in Note 6, the Bank's financial statements are the first time adoption of IFRS. The accounting policies specified in Note 6 were used in preparation of the financial statements for the twelve months ended 31 December 2005 and for presentation of comparable data for the financial year ended 31 December 2004 as well as for preparation of the opening balance as at 1 January 2004 (date of IFRS adoption by the Bank) in compliance with IFRS. The comparable data presented in the financial statements were not adjusted to the extent allowed by the IFRS exemptions.

Exemptions from full retrospective application of IFRS:

1. Business combinations - the Bank 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 Bank 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 Bank 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 Bank estimates under IFRSs at the date of transition to IFRSs are consistent with estimates made for the same date under previous GAAP (after adjustments to reflect any difference in accounting policies).

Exemptions from conversion of comparable data

The Bank 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 58.

Significant differences between PAS and IFRS in the BZWBK financial statement

Impact on equity as at 31 December 2003

		PAS	Adjustment	IFRS
Assets				
Cash and balances with central bank		1 161 481		1 161 481
Loans and advances to banks		832 578		832 578
Securities at fair value through profit or loss		472 470		472 470
Derivative financial instruments		156 715		156 715
Loans and advances to customers	d)	13 276 220	(12 000)	13 264 220
Reverse repo transactions		5 806		5 806
Investment securities		5 903 997		5 903 997
Investment in subsidiaries and associates	b)	239 381	(45 805)	193 576
Intangible asset		292 594		292 594
Property, plant & equipment		680 670		680 670
Deferred income tax assets	a)	266 792	38	266 830
Other assets	d)	232 926	(20 008)	212 918
Total assets		**23 521 630**	**(77 775)**	**23 443 855**
Liabilities				
Deposits from banks		937 475		937 475
Derivative financial instruments		259 407		259 407
Deposits from customers		18 149 558		18 149 558
Repo transactions		-		0
Debt securities in issue		531 242		531 242
Deferred income tax liabilities		128 863		128 863
Other liabilities	a)d)	981 386	(31 813)	949 573
Total liabilities		**20 987 931**	**(31 813)**	**20 956 118**
Share capital		729 603		729 603
Other reserve funds	c)	1 550 658	62 074	1 612 732
Revaluation reserve	c)	158 461	(62 074)	96 387
Retained earnings	a)b)	94 977	(45 962)	49 015
Total equity		**2 533 699**	**(45 962)**	**2 487 737**
Total equity and liabilities		**23 521 630**	**(77 775)**	**23 443 855**

a) Costs of the option programme

At the date of adoption of IFRS, in line with IFRS 2 the Bank 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	38
2)	Increase in other liabilities	195
3)	Decrease in retained earnings	(157)

b) Reversal of equity method valuation of subsidiary and associated undertakings

At the date of adoption of IFRS, BZ WBK S.A. reversed the previously recognised valuation of the subsidiaries and associates accounted for using the equity method.

1)	Decrease in investments in subsidiaries and associates	(45 805)
2)	Decrease in retained earnings	(45 805)

c) Revaluation reserve

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

1)	Decrease of revaluation reserve	(62 074)
2)	Increase of other reserve capital	62 074

d) Additionally according to IAS 1 Bank netted Social Fund receivables against other liabilities.

1)	Decrease of loans and advances from customers	(12 000)
2)	Decrease of other assets	(20 008)
3)	Decrease of other liabilities	(32 008)

Impact on equity as at 31 December 2004 and BZ WBK net result for the period from 1 January 2004 to 31 December 2004.

Equity as at 31 December 2004

		PAS	Adjustment	IFRS
Assets				
Cash and balances with central bank		1 200 143		1 200 143
Loans and advances to banks		2 787 304		2 787 304
Securities at fair value through profit or loss		1 354 938		1 354 938
Derivative financial instruments		869 435		869 435
Loans and advances to customers	e)	12 887 698	(12 000)	12 875 698
Reverse repo transactions		25 697		25 697
Investment securities		5 568 006		5 568 006
Investment in subsidiaries and associates	a)	338 028	(115 370)	222 658
Intangible asset	c)	231 872	(1 207)	230 665
Property, plant & equipment		585 734		585 734
Deferred income tax assets	b)	442 188	123	442 311
Other assets	e)	194 489	(20 243)	174 246
Total assets		**26 485 532**	**(148 697)**	**26 336 835**
Liabilities				
Deposits from banks		906 751		906 751
Derivative financial instruments		821 342		821 342
Deposits from customers		19 416 722		19 416 722
Repo transactions		732 690		732 690
Debt securities in issue		560 695		560695
Deferred income tax liabilities		290 386		290 386
Other liabilities	b)e)	745 121	(31 598)	713 523
Total liabilities		**23 473 707**	**(31 598)**	**23 442 109**
Share capital		729 603		729 603
Other reserve funds	d)	1 624 813	59 549	1 684 362
Revaluation reserve	d)	214 083	(59 549)	154 534
Retained earnings	a)b)c)	443 326	(117 099)	326 227
Total equity		**3 011 825**	**(117 099)**	**2 894 726**
Total equity and liabilities		**26 485 532**	**(148 697)**	**26 336 835**

(a) Reversal of equity method valuation of subsidiary and associated undertakings

At the date of adoption of IFRS, Bank Zachodni WBK S.A. reversed the previously recognised valuation of the subsidiaries and associates accounted for using the equity method.

1)	Decrease in investments in subsidiaries and associates	(115 370)
2)	Decrease in retained earnings	(115 370)

b) Costs of the option programme

At the date of adoption of IFRS, in line with IFRS 2 the Bank 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)

c) 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	(1 207)
2)	Decrease in retained earnings	(1 207)

d) Revaluation reserve

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

1)	Decrease of revaluation reserve	(59 549)
2)	Increase of other reserve capital	59 549

e) Additionally according to IAS 1 Bank netted Social Fund receivables against other liabilities.

1)	Decrease of loans and advances from customers	(12 000)
2)	Decrease of other assets	(20 243)
3)	Decrease of other liabilities	(32 243)

The cumulated impact on the retained earnings as at 31 December 2004 is presented in the tables below:

1)	Elimination of equity method valuation	(115 370)
2)	Write-off of goodwill	(1 207)
3)	Impact of costs related with a share option incentive program for BZWBK S.A. executives.	(522)
	Total impact	(117 099)

Impact on net result for the period from 01 January 2004 to 31 December 2004

		PAS	Adjustment	IFRS
Interest and similar income		1 387 715		1 387 715
Interest expense and similar charges		(588 043)		(588 043)
Net interest income		799 672		799 672
Fee and commission income		636 382		636 382
Fee and commission expense		(104 882)		(104 882)
Net fee and commission income		531 500		531 500
Dividend income	a)	54 336	10 636	64 972
Foreign exchange profit		194 236		194 236
Gains less losses on hedge accounting activities		(5 500)		(5 500)
Net trading income		28 520		28 520
Gains less losses from investment in securities		(18 632)		(18 632)
Gains less losses on sale of subsidiaries and associates		54 925		54 925
Other operating income		49 784		49 784
Impairment losses on loans and advances		(126 096)		(126 096)
Operating expenses				
Bank's staff, operating expenses and management costs	b)	(883 017)	(450)	(883 467)
Depreciation/amortisation	c)	(193 403)	1 444	(191 959)
Other operating expenses	c)	(30 701)	(2 651)	(33 352)
Operating profit		**455 624**	**8 979**	**464 603**
Share in net profits (losses) of associates accounted for by the equity method	a)	**80 201**	**(80 201)**	**-**
Gross profit		**535 825**	**(71 222)**	**464 603**
Corporate income tax	b)	(92 499)	85	(92 414)
Net profit		**443 326**	**(71 137)**	**372 189**

a) Elimination of equity method valuation

At the date of adoption of IFRS, the Bank reversed valuation of the subsidiaries and associates accounted for using the equity method.

1)	Increase in dividend income	10 636
2)	Decrease in the share in net profits (losses) of entities accounted for using the equity method	(80 201)
	Decrease of net profit	(69 565)

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	1 444
2)	Increase in other operating costs	(2 651)

f) Costs of the option programme

At the date of adoption of IFRS, in line with IFRS 2 the Bank 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)	Bank's staff and general administrative costs	(450)
2)	Decrease in deferred tax charge	85

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

Equity as at 1 January 2005

Assets		IFRS 31.12.2004	Adjustment	IFRS 01.01.2005
Cash and balances with central bank		1 200 143		1 200 143
Loans and advances to banks		2 787 304		2 787 304
Securities at fair value through profit or loss		1 354 938		1 354 938
Derivative financial instruments		869 435		869 435
Loans and advances to customers	b)c)	12 875 698	(134 859)	12 740 839
Reverse repo transactions		25 697		25 697
Investment securities	a)	5 568 006	25 458	5 593 464
Investment in subsidiaries and associates		222 658		222 658
Intangible asset		230 665		230 665
Property, plant & equipment		585 734		585 734
Deferred income tax assets	b)c)	442 311	17 289	459 600
Other assets		174 246		174 246
Total assets		**26 336 835**	**(92 112)**	**26 244 723**
Liabilities				
Deposits from banks		906 751		906 751
Derivative financial instruments		821 342		821 342
Deposits from customers		19 416 722		19 416 722
Repo transactions		732 690		732 690
Debt securities in issue	d)	560 695	(2 212)	558 483
Deferred income tax liabilities	a)b)d)	290 386	8 202	298 588
Other liabilities	b)c)	713 523	(59 368)	654 155
Total liabilities		**23 442 109**	**(53 378)**	**23 388 731**
Share capital		729 603		729 603
Other reserve funds		1 684 362		1 684 362
Revaluation reserve	a)	154 534	20 621	175 155
Retained earnings	b)c)d)	326 227	(59 355)	266 872
Total equity		**2 894 726**	**(38 734)**	**2 855 992**
Total equity and liabilities		**26 336 835**	**(92 112)**	**26 244 723**

a) Reclassification of debt securities

As at 1 January 2005, the BZ WBK Bank, using IAS 39, reclassified 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)

1)	Increase in investment securities	25 458
2)	Increase in deferred tax liabilities	4 837
3)	Increase in revaluation reserve	20 621

b) 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	12 882
5)	Decrease in retained earnings	(42 440)

c) Impairment

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

1)	Decrease in loans and advances to customers	(95 345)
2)	Increase in deferred tax assets	4 390
3)	Decrease in other liabilities	(72 248)
4)	Decrease in retained earnings	(18 707)

d) Hedge accounting

Due to the adoption of IFRS, the Bank 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 retained earnings as at 1 January 2005 is presented in the tables below:

Retained earnings

1)	Impact of the adoption of an effective interest rate method on loans and advances to customers.	(42 440)
2)	Adjustment due to impairment recognised for loans and advances to customers	(18 707)
3)	Adjusted impact of hedged instrument measurement (debt securities in issue)	1 792
	Total impact	(59 355)

61. Accounting estimates and judgements

Impairment of available-for-sale investments

The Bank 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 Bank 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.

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

Write-down due to impairment of non-financial assets

Balance sheet values assets other than deferred tax assets are reviewed as at a balance sheet day to specify whether there are reasons for write-down due to impairment. If there are such reasons, recoverable value of assets should be determined.

In case of goodwill and intangible assets not yet available for use, recoverable value is determined as at every balance sheet day.

Write-down due to impairment is recognized if book value of an asset exceeds its recoverable value and is presented in the profit and loss account.

For other receivables impairment amount has been recognised considering the expected recoverable amounts, and for long term other receivables discounting has been applied.

Asset held for sale at the lower of its carrying amount and estimated fair value less estimated costs to sell.

Other accounting estimates and judgements

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.

Provisions for legal claims have been estimated considering the expected probably amount to settle a case, and where applicable, including the time value of money.

SIGNATURES

Signatures of Members of the Management board

Date	Name	Function	Signature
17-02-2006	Jacek Kseń	President	
17-02-2006	Declan Flynn	Member	
17-02-2006	Michał Gajewski	Member	
17-02-2006	Aleksander Kompf	Member	
17-02-2006	Justyn Konieczny	Member	
17-02-2006	Janusz Krawczyk	Member	
17-02-2006	Jacek Marcinowski	Member	
17-02-2006	Mateusz Morawiecki	Member	
17-02-2006	James Murphy	Member	
17-02-2006	Feliks Szyszkowiak	Member	

Date	Name	Function	Signature
17-02-2006	Wanda Rogowska	Financial Accounting Area Director	