

**Abbreviated
financial statement
of
Bank Zachodni WBK SA**

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1. Profit and loss account

	01.01- 30.06.2005	01.01- 30.06.2004
Interest and similar income	777 108	646 163
Interest expense and similar charges	(383 918)	(249 748)
Net interest income	393 190	396 415
Fee and commission income	309 927	303 736
Fee and commission expense	(59 008)	(43 302)
Net fee and commission income	250 919	260 434
Dividend income	73 658	62 887
Foreign exchange profit	115 489	93 111
Gains less losses on hedge accounting transactions	(308)	(3 172)
Net trading income	6 206	22 685
Gains less losses from investment in securities	3 922	2 659
Gains less losses on sale of subordinated undertakings	-	54 923
Other operating income	20 897	21 088
Impairment losses on loans and advances	(17 219)	(89 787)
Operating expenses	(535 206)	(550 783)
<i>Bank's operating expenses and management costs</i>	(433 520)	(439 811)
<i>Depreciation/amortisation</i>	(91 429)	(98 396)
<i>other</i>	(10 257)	(12 576)
Operating profit	311 548	270 460
Share in net profits (losses) of subordinated entities accounted for by the equity method	-	-
Gross profit	311 548	270 460
Corporate income tax	(47 332)	(38 168)
Minority (profits) losses	-	-
Net profit	264 216	232 292

2. Balance sheet

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

3. Movements on equity

Movements on equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Total
I Opening balance at 31.12.2004	729 603	1 624 903	213 993	372 032	2 940 531
changes in accounting principles resulting from adoption of IFRS	-	-	20 621	(105 493)	(84 872)
I Adjusted balance at 1.01.2005	729 603	1 624 903	234 614	266 539	2 855 659
Net change in available for sale investments	-	-	123 482	-	123 482
Net change in revaluation of fixed assets	-	250	(250)	-	-
Net gains not recognised in income statement	-	250	123 232	-	123 482
Net profit	-	-	-	264 216	264 216
Total recognised income in 1st half 2005	-	250	123 232	264 216	387 698
Dividend relating to 2004	-	-	-	(177 293)	(177 293)
Transfer to general banking risk fund	-	30 000	-	(30 000)	-
Transfer to reserve capital	-	236 033	-	(236 033)	-
At 30.06.2005	729 603	1 891 186	357 846	87 429	3 066 064

Movements on equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Total
I Opening balance at 31.12.2003	729 603	1 550 658	158 461	94 977	2 533 699
changes in accounting principles resulting from adoption of IFRS	-	-	-	(157)	(157)
I Adjusted balance at 1.01.2004	729 603	1 550 658	158 461	94 820	2 533 542
Net change in available for sale investments	-	-	58 147	-	58 147
Net change in revaluation of fixed assets	-	2 615	(2 615)	-	-
Net gains not recognised in income statement	-	2 615	55 532	-	58 147
Net profit	-	-	-	372 189	372 189
Total recognised income in 2004	-	2 615	55 532	372 189	430 336
Dividend relating to 2003	-	-	-	(23 347)	(23 347)
Transfer to general banking risk fund	-	60 000	-	(60 000)	-
Transfer to reserve capital	-	11 630	-	(11 630)	-
At 31.12.2004	729 603	1 624 903	213 993	372 032	2 940 531

Movements on equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Total
I Opening balance at 31.12.2003	729 603	1 550 658	158 461	94 977	2 533 699
changes in accounting principles resulting from adoption of IFRS	-	-	-	(157)	(157)
I Adjusted balance at 1.01.2004	729 603	1 550 658	158 461	94 820	2 533 542
Net change in available for sale investments	-	-	(29 167)	-	(29 167)
Net change in revaluation of fixed assets	-	2 325	(2 325)	-	-
Net gains not recognised in income statement	-	2 325	(31 492)	-	(29 167)
Net profit	-	-	-	232 292	232 292
Total recognised income in 1st half 2004	-	2 325	(31 492)	232 292	203 125
Dividend relating to 2003	-	-	-	(23 347)	(23 347)
Transfer to general banking risk fund	-	60 000	-	(60 000)	-
Transfer to reserve capital	-	11 630	-	(11 630)	-
At 30.06.2004	729 603	1 624 613	126 969	232 135	2 713 320

4. Cash flow statement

CASH FLOW STATEMENT	01-01-2005 06-2005	30-01-01-2004 06-2004	30-
A. Net cash flow from operating activities - indirect method			
I. Net profit (loss)	264 216	232 292	
II. Total adjustments:	1 138 399	(1 463 016)	
1. Amortisation	91 429	98 396	
2. Impairment losses	346	2 651	
3. Gains (losses) on exchange differences	-	-	
4. Interests and similar charges	32 358	141 464	
5. Dividend income	(65 776)	(58 449)	
6. (Profit) loss from investing activities	(1 268)	(61 792)	
7. Change in provisions	(14 963)	(2 016)	
8. Change in financial instruments at fair value through profit and loss	(1 366 779)	(364 084)	
9. Change in financial investments	-	-	
10. Change in loans and advances from monetary institutions	744 132	(2 081 790)	
11. Change in loans and advances from clients	217 907	(130 261)	
12. Change in receivables arising from securities purchased under reverse repo agreements	(405)	(17 874)	
13. Change in deposits from monetary institutions	541 518	790 750	
14. Change in deposits from clients	708 185	94 662	
15. Change in liabilities arising from securities sold under repurchase agreements	294 588	-	
16. Change in liabilities arising from debt securities in issue	23 048	4 762	
17. Change in assets and liabilities arising from deferred taxation	(32 949)	(58 423)	
18. Change in other assets and liabilities	(32 993)	178 655	
19. Other adjustments	21	333	
III. Net cash flow from operating activities (I +/- II) - indirect method	1 402 615	(1 230 724)	

B. Cash flow from investing activities		
I. Inflows	454 324	1 295 515
1. Sale of shares or interests in subordinated undertakings	6 837	68 000
2. Sale of shares or interests at fair value through profit and loss	-	-
3. Sale of investment shares or interests	375 554	1 143 321
4. Sale of intangible and tangible fixed assets	5 253	25 683
5. Dividends received	65 776	58 449
6. Proceeds from other investments	904	62
II. Outflows	(1 824 021)	(513 516)
1. Purchase of shares or interests in subordinated undertakings	-	(42 000)
2. Purchase of shares or interests at fair value through profit and loss	-	-
3. Purchase of investment shares or interests	(1 800 364)	(448 416)
4. Purchase of intangible and tangible fixed assets	(22 957)	(21 971)
5. Other investments	(700)	(1 129)
III Net cash flow from investing activities (I - II)	(1 369 697)	781 999
C. Cash flow from financing activities		
I. Inflows	-	-
1. Drawing of long-term loans	-	-
2. Issue of debt securities	-	-
3. Drawing of subordinated loans	-	-
4. Net inflows from issue of own shares and capital contributions	-	-
5. Other financial proceeds	-	-
II. Outflows	(205 007)	(33 910)
1. Repayment of long-term loans	(26 039)	(7 913)
2. Redemption of debt securities	-	-
3. Repayment of subordinated liabilities	-	-
4. Dividends and other payments to shareholders	(177 263)	(23 347)
5. Purchase of own shares	-	-
6. Other financing outflows	(1 705)	(2 650)
III. Net cash flow from financing activities (I - II)	(205 007)	(33 910)
D. Total net cash flow (A.III +/- B.III +/- C.III)	(172 089)	(482 635)
E. Change in the cash balance, of which:	(172 089)	(482 635)
- change in the balance of exchange differences	-	-
F. Cash at the beginning of the accounting period	1 219 266	1 366 634
G. Cash at the end of the accounting period (F +/- D)	1 047 177	883 999

5. Significant accounting policies

Statement of compliance

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

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

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Bank is provided in note 60.

Basis of preparation

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

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

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

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing an opening IFRS balance sheet at 1 January 2004 for the purposes of the transition to IFRSs.

Investments in subordinated entities

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 the Group has significant influence, but not control, over the financial and operating policies.

Interests in subordinated entities 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 it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorised as held for trading unless the derivative is a designated and effective hedging instrument.
- (2) Upon initial recognition it is designated by the 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.

Recognition

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the 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 or recognised applying the approach resulting from exposure retention.

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

Gains and losses on subsequent measurement

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

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

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

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities) the 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.

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

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

Impairment

Assets carried at amortised cost

The 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 that comes to the attention of the holder of the asset about the following loss events:

- (a) significant financial difficulty of the issuer or obligor;
- (b) a breach of contract, such as a default or delinquency in interest or principal payments;
- (c) the 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 either directly or through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

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

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status or other factors that are indicative of incurred losses in the group and their magnitude). The 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.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. The amount of the reversal is recognised in profit or loss.

Write-down of credit exposures

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

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

Available-for-sale financial assets

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

Financial assets carried at cost

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

Property, plant and equipment***Owned assets***

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

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

Leased assets

Leases in terms of which the 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. Land is not depreciated. The estimated useful lives are as follows:

- **buildings** 40 years
- **residential buildings** 67 years
- **structures** 22 years
- **plant and equipment** 3 – 14 years

Intangible assets

Goodwill

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

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

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

Computer software

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

Costs that are directly associated with the production of identifiable and unique software products controlled by the 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:

- | | |
|-------------------------------------|-------------|
| • patents and trademarks | 5 years |
| • software development costs | 3 – 5 years |
| • Computer software | 3 – 5 years |

Other items*Other trade and other receivables*

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

Borrowings

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

Liabilities

Liabilities, other than financial liabilities held for trading, are stated at cost.

Impairment of assets other than financial assets.

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

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

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

Calculation of recoverable amount

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

Reversals of impairment

An impairment loss in respect of goodwill is not reversed.

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

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

Equity

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

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

Supplementary capital is created from profit allocations and share issue premiums.

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

Revaluation reserve comprises:

- differences from the valuation of financial assets available for sale,
- deferred tax charges,
- value from revaluation of fixed assets.

Revaluation reserve is not distributable.

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

The equity also comprises:

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

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

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

Repurchase of share capital

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

Dividends

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

Employee benefits

Short term service benefits

The 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 were estimated on the basis of an actuarial valuation. The actuarial valuation of those accruals is updated on an annual basis.

Share-based payment transactions

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

Provisions

A provision is recognised in the balance sheet when the 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.

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.

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

Net commission income

Fees and commissions settled under effective interest rate are listed above. Fees on overdrafts, revolving loans, credit cards and off balance sheet liabilities are brought in a straight-line method to the profit and loss account. Other fees, which are not settled according to effective interest rate, are taken to profit and loss account on an on-going basis (e.g. fees for distribution of ARKA funds, maintenance of current accounts, insurance of transactions, international payments, asset management and brokerage services).

Dividend income

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

FX profit

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

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

The effects of valuation of the FX off balance sheet items are recognized in the balance sheet and the profit and loss account at the transaction date.

Profit on disposal of subordinated entities

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

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.

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.

6. First-time-adoption**Significant differences between PAS and IFRS in the BZWBK financial statement****Impact on equity as at 31 December 2003**

	PAS	Adjustment	IFRS
Share capital	729 603		729 603
Other reserve funds	1 550 658		1 550 658
Revaluation reserve	158 461		158 461
Retained earnings (a)	94 977	(157)	94 820
Total Equity	2 533 699	(157)	2 533 542

(a) Retained earnings

Impact of costs related with a share option incentive program for BZWBK Group executives.	(157)
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Total impact	(157)
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Impact on equity as at 30 June 2004 and BZ WBK net result for the period from 1 January 2004 to 30 June 2004.

	PAS	Adjustment	IFRS
Share capital	729 603		729 603
Other reserve funds	1 624 613		1 624 613
Revaluation reserve	126 969		126 969
Retained earnings (a)	257 014	(24 879)	232 135
Total Equity	2 738 199	(24 879)	2 713 320

Impact of costs related with a share option incentive program for BZWBK Group executives.	(157)
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Elimination of equity method valuation	(22 793)
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Write-off of goodwill	(1 929)
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Change of presentation of approved dividend payout	
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Total impact	(24 879)
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Impact on net result for the period from 01 January 2004 to 30 June 2004

PAS	257 014
Elimination of equity method valuation	(22 793)
Write-off of goodwill	(1 929)
IFRS	232 292

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

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
Share capital	729 603		729 603
Other reserve funds	1 624 903		1 624 903
Revaluation reserve	213 993		213 993
Retained earnings a)	443 326	(71 294)	372 032
Total Equity	3 011 825	(71 294)	2 940 531

(a) Retained earnings

1) Elimination of equity method valuation	(69 565)
2) Write-off of goodwill	(1 207)
3) Impact of costs related with a share option incentive program for BZWBK Group executives.	(522)
Total impact	(71 294)

Equity as at 1 January 2005

	IFRS 31.12.04	Adjustment	IFRS 01.01.2005
Share capital	729 603		729 603
Other reserve funds	1 624 903		1 624 903
Revaluation reserve	a) 213 993	20 621	234 614
Retained earnings	b) 372 032	(105 369)	266 663
Total Equity	2 940 531	(84 748)	2 855 783

(a) revaluation reserve

1) Revaluation reserve - impact of reclassification of debt securities from held-to-maturity to available-for-sale	20 621
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(b) Retained earnings

1) Elimination of equity method valuation	(45 804)
2) Impact of the adoption of an effective interest rate method on loans and advances to customers.	(52 395)
3) Adjustment due to impairment recognized for loans and advances to customers	(23 095)
4) Corporate income tax recognised on opening balance adjustments	13 713
5) Adjusted impact of hedged instrument measurement (debt securities in issue)	2 212
Total impact	(105 369)

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

PAS	443 326
Elimination of equity method valuation	(69 565)
Write-off of good will	(1 207)
Impact of costs related with a share option incentive program for BZWBK Group executives.	(365)
IFRS	372 189

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

7. Comments concerning the seasonal or cyclical character of activities

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

8. Character and amounts of items which are extraordinary

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

9. Accounting estimates

Loan loss impairment

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.

Impairment of available-for-sale investments

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

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

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

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

Bank Zachodni did not issue bonds or other own debt securities in either current or comparable periods.

As at the end of 1H 2005, the total value of obligations with respect to the issue of own bonds by Bank Zachodni WBK S.A totalled PLN 526.964 k.

11. Dividend information

At 17 May 2005 Bank Zachodni WBK S.A. paid out to shareholders dividend of PLN 2,43 per one share. Total amount of dividends paid is PLN 177 293 490,12.

12. Influence of changes in the group structure

No significant changes in the group structure (mergers, acquisitions and disposals of investments) occurred in the BZ WBK during the first half-year of 2005.

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

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

CardPoint – financial highlights as at 31 March 2004.

Balance sheet total	8 233
Income	17 329
Costs	(18 914)
Operating profit/loss	(1 585)
Tax charges	238
Net profit/loss	(1 347)
Cash flows from operating activities	(581)
Cash flows from investment activities	(273)

Cash flows from financing activities	41
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Profit on the sales transaction executed by BZ WBK Group (before taxation)	55 135
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13. Changes to the contingent liabilities or assets

Contingent liabilities, sanctioned and received

	30.06.2005	31.12.2004	30.06.2004
Liabilities sanctioned:	5 461 080	6 060 051	4 600 176
- financing-related	4 669 516	5 293 789	3 872 368
including: import letters of credit	54 472	54 082	66 596
including: credit lines	4 262 939	4 566 008	3 463 280
including: credit card debits	352 192	312 344	343 283
- guarantees	791 564	766 262	727 808
including: confirmed export letters of credit	343	3 410	-
Received liabilities:	599 890	482 943	525 684
Total	6 060 970	6 542 994	5 125 860

As at 30.06.2005 the Bank issued guarantees of PLN 791 564 k, and as at 30.06.2004 PLN 727 808.

Derivatives' nominal values

	30.06.2005	31.12.2004	30.06.2004
1. Derivatives (hedging)	2 706 792	1 615 840	808 000
a) Single-currency interest rate swaps – purchased amounts	1 353 396	807 920	404 000
b) Single-currency interest rate swaps – sold amounts	1 353 396	807 920	404 000
2. Term (speculative) derivatives	91 151 758	59 965 995	47 887 886
a) Interest rate operations	65 452 571	41 605 651	32 217 654
- Single-currency interest rate swaps – purchased amounts	15 300 872	15 339 266	11 185 564
- Single-currency interest rate swaps – sold amounts	15 300 872	15 339 266	11 185 564
- FRA-purchased amounts	19 150 827	6 027 119	1 346 526

- FRA-sold amounts	15 700 000	4 900 000	8 500 000
b) FX operations	25 699 187	18 360 344	15 670 232
- FX swap – purchased amounts	12 028 746	8 394 232	7 051 926
- FX swap – sold amounts	12 151 168	8 361 814	6 993 176
- Double-currency interest rate swaps – purchased amounts	760 514	836 614	803 500
- Double-currency interest rate swaps – sold amounts	758 759	767 684	821 630
3. Derivatives – non-stock market options	311 598	408 118	15 016
- Options purchased	302 676	408 119	15 016
- Options sold	8 922		-
Total	94 170 148	61 989 953	48 710 902

14. Transactions with connected entities

The table below contains information about transactions effected by the bank with subsidiaries and associates at the end of the reporting periods:

Receivables	30.06.2005		30.06.2004	
	Subsidiaries	Associates	Subsidiaries	Associates
Loans and advances to banks				
Securities at fair value through profit or loss			3 872	
Derivative financial instruments	(2 521)			
Loans and advances to customers	330 700		342 120	
Other assets	7 313		27 743	
Total assets	335 492		373 735	

Liabilities	30.06.2005		30.06.2004	
	Subsidiaries	Associates	Subsidiaries	Associates
Deposits from banks				
Derivative financial instruments	37 583		11 392	
Deposits from clients	419 168	63 852	238 566	58 753
Debt securities in issue				
Other liabilities	14 050		11 271	
Total Liabilities	470 801	63 852	261 229	58 753

Income	01.01- 30.06.2005		01.01- 30.06.2004	
	Subsidiaries	Associates	Subsidiaries	Associates
Interest and similar income	4 435		14 283	402
Fee and commission income	7 113		16 799	
Other operating income	2 644		4 795	
Net trading income				
Total	14 192		35 877	402

Costs	01.01- 30.06.2005		01.01- 30.06.2004	
	Subsidiaries	Associates	Subsidiaries	Associates
Interest expense and similar charges	14 406	797	12 990	
Fee and commission expense	12		126	3
FX income	119			
Gains less losses on sale of subordinated undertakings				
Operating expenses of which:	119		87	
Bank's operating expenses and management costs	86			
Other	33		87	
Total	14 537	797	13 203	3

Assets held for sale

	30.06.2005	31.12.2004	Change
Assets held for sale, incl:			
- land	1 125	0	1 125
- buildings	15 207	86	15 121
- equipment	2 153	231	1 922
Total	18 485	317	18 168

15. Principles of PLN conversion into EURO

Selected financial figures for 1H 2005 were converted according to the following principles:

for 2005:

Selected balance sheet data and book value per share - according to the average EURO/PLN rate current at the balance sheet date and announced by the National Bank of Poland – 4,0401.

Selected items of profit and loss account and cash flow according to the exchange rate calculated as an arithmetic mean on the last day of each month in a quarter – 4,0805 (January – 4,0503, February – 3,9119, March – 4,0837, April – 4,2756, May – 4,1212, June – 4,0401).

for 2004:

Selected balance sheet data and book value per share - according to the average EURO/PLN rate current at the balance sheet date and announced by the National Bank of Poland – 4,5422.

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

16. Shareholders with min. voting power of 5%

According to the information held by the Bank's Management Board, the shareholder with a min. 5% of the total number of votes at the BZWBK Annual General Meeting as at the publication date of the extended quarterly consolidated report for 1H 2005 /3.08.2005r./ is AIB European Investments Ltd. based in Dublin.

Shareholder	No. of shares held	% shareholding	No. of votes at AGM	% share in total number of votes at AGM
As at 3.08.2005r.				
AIB European Investments Limited	51 413 790	70,5 %	51 413 790	70,5 %
As at 22.02.2005r.				
AIB European Investments Limited	51 413 790	70,5 %	51 413 790	70,5 %

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

No. Of Bank Zachodni WBK shares held			
	3.08.2005	22.02.2005	Change
Members of the	3 582	450	3 132*

Management Board			
Members of the Supervisory Board	278	330	52*

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

* Due to Prof. Marian Górski's decision not to run for another term in the Supervisory Board.

18. Information about the commenced court proceedings

As at 30 June 2005, no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the Bank or its subsidiaries amounting to a minimum of 10% of the Group's equity.

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

Parties to litigation	Subject of litigation	Value of litigation (PLN k)	Date proceedings started
AGROFIRMA Spółdzielcza versus BZ WBK S.A.	compensation for alleged damage resulting from an FX transaction	3 760	10.05.2002
PPHU PREFBUD Sp z o.o. versus BZ WBK S.A.	verification of an entry in the Land And Mortgage register	5 250	12.01.2004
BZ WBK S.A. versus Władysława Rychlik, Eryk Rychlik, Henryk Rychlik, Anna Biskupska, Andrzej Buszkiewicz	five individual bankruptcy cases	136 250	03.06.2004
BZ WBK S.A. versus Wicono Sp. z o.o.	bankruptcy case	30 148	27.01.2005
METRON-TERM Sp. z o.o. versus BZ WBK S.A.	Rectification of an entry in the Land And Mortgage register	3 000	27.04.2004
Zbigniew and Iwona Hetman versus: a) Bank Zachodni WBK S.A., b) State Treasury c) Bailiff of the Local Court	claim for damages	5 500	19.01.2005

Passage 222 versus Bank Zachodni WBK SA	cancelling the enforceability of a banking writ of execution	4 873	25.11.2004
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In 1H 2005, no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the Bank or its subsidiaries amounting to a minimum of 10% of Bank's equity. The total value of all litigations does not exceed 10% of Bank's equity.

19. Information concerning issuing guarantees

As at 30 June 2005 and 30 June 2004, Bank Zachodni WBK S.A. and its subsidiaries had not issued any guarantees to one business unit or a subsidiary totalling a minimum of 10% of issuer's equity.

20. Events which occurred after the balance sheet date

There was no events which occurred after the balance sheet date

Signatures of the members of Bank Zachodni WBK Management Board:

<i>Date</i>	<i>Name and surname</i>	<i>Position</i>	<i>Signature</i>
28-07-2005	Jacek Kseń	President of the Management Board	
28-07-2005	Aleksander Kompf	Member of the Management Board	
28-07-2005	Declan Flynn	Member of the Management Board	
28-07-2005	Michał Gajewski	Member of the Management Board	
28-07-2005	Justyn Konieczny	Member of the Management Board	
28-07-2005	Janusz Krawczyk	Member of the Management Board	
28-07-2005	Jacek Marcinowski	Member of the Management Board	
28-07-2005	Mateusz Morawiecki	Member of the Management Board	
28-07-2005	James Murphy	Member of the Management Board	
28-07-2005	Feliks Szyszkowiak	Member of the Management Board	