Consolidated quarterly report for 3Q 2006 of BZWBK Group

in thousands of PLN

	FINANCIAL HIGHLIGHTS	PLN '000		EUR '000	
		01.01.2006 - 30.09.2006	01.01.2005 - 30.09.2005	01.01.2006 - 30.09.2006	01.01.2005 - 30.09.2005
	Consolidated financial statements				
I	Interest and similar income	1 219 072	1 261 446	311 218	310 831
II	Fee and commission income	851 561	626 255	217 396	154 315
III	Operating profit	827 077	530 945	211 145	130 829
IV	Gross profit	827 276	531 653	211 196	131 004
V	Net profit attributable to the Company's equity holders	593 446	412 780	151 501	101 713
VI	Total net cash flow	491 841	513 793	125 563	126 603
VII	Total assets	30 740 640	30 475 870	7 716 993	7 781 206
VIII	Deposits from banks	1 559 364	1 451 689	391 456	370 650
IX	Deposits from customers	22 634 330	20 256 159	5 682 021	5 171 873
X	Total liabilities	27 179 337	27 109 430	6 822 979	6 921 674
XI	Total equity	3 561 303	3 366 440	894 014	859 531
XII	Minority interest	94 159	45 833	23 637	11 702
XIII	Net profit attributable to the Minority	63 515	20 482	15 945	5 047
XIV	Number of shares	72 960 284	72 960 284		
XV	Net book value per share in PLN/EURO	48,81	46,14	12,25	11,78
XVI	Solvency ratio	15,08%	16,87%		
XVII	Profit (loss) per share in PLN/ EURO	8,13	5,66	2,08	1,39
XVIII	Diluted earnings per share PLN/EURO	8,13	5,66	2,08	1,39
XIX	Declared or paid dividend per share in PLN/EURO	6,00	2,43	1,51	0,62
	Stand alone financial statements				
XX	Interest and similar income	1 129 918	1 166 748	288 458	287 497
XXI	Fee and commission income	506 296	483 149	129 253	119 052
XXII	Operating profit	601 679	448 143	153 603	110 426
XXIII	Gross profit	601 679	448 143	153 603	110 426
XXIV	Net profit	481 769	370 207	122 991	91 222
XXV	Total net cash flow	489 041	499 041	124 848	122 968
XXVI	Total assets	29 360 441	29 176 552	7 370 514	7 449 459
XXVII	Deposits from banks	1 062 336	1 167 692	266 684	298 139
XXVIII	Deposits from customers	22 938 300	20 356 926	5 758 328	5 197 601
XXIX	Total liabilities	26 186 995	26 018 937	6 573 866	6 643 246
XXX	Equity attributable to the Company's equity holders	3 173 446	3 157 615	796 648	806 213
XXXI	Number of shares	72 960 284	72 960 284		
XXXII	Net book value per share in PLN/EURO	43,50	43,28	10,92	11,05
XXXIII	Solvency ratio	13,68%	16,33%		
XXXIV	Profit (loss) per share in PLN/EURO	6,60	5,07	1,68	1,25

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in thousands of PLN

1. Consolidated income statement

For reporting periods:	01-07-2006 30-09-2006	01-01-2006 30-09-2006	01-07-2005 30-09-2005	01-01-2005 30-09-2005
Interest and similar income	415 413	1 219 072	420 027	1 261 446
Interest expense and similar charges	(156 366)	(467 054)	(186 717)	(594 469)
Net interest income	259 047	752 018	233 310	666 977
Fee and commission income	281 727	851 561	227 787	626 255
Fee and commission expense	(41 620)	(122 183)	(50 823)	(132 690)
Net fee and commission income	240 107	729 378	176 964	493 565
Dividend income	146	57 276	10	47 407
Foreign exchange profit	52 016	156 965	52 102	169 693
Gains (losses) on hedge accounting activities	(36)	2 592	34	(930)
Gains (losses) from financial instruments measured at fair value through profit and loss	5 457	22 072	8 782	16 064
Gains (losses) from investment in securities	5 731	28 801	1 150	5 013
Gains (losses) on sale of subsidiaries and associates	1 878	8 121	-	-
Other operating income	11 805	29 985	11 828	35 404
Impairment losses on loans and advances	(5 920)	(22 267)	(12 014)	(28 756)
Operating expenses	(313 871)	(937 864)	(293 703)	(873 492)
Bank's staff, operating expenses and management costs	(267 063)	(788 156)	(238 830)	(711 365)
Depreciation/amortisation	(36 889)	(123 313)	(46 140)	(140 456)
Other operating expenses	(9 919)	(26 395)	(8 733)	(21 671)
Operating profit	256 360	827 077	178 463	530 945
Share in net profits (losses) of associates accounted for by the equity method	(544)	199	1 882	708
Gross profit	255 816	827 276	180 345	531 653
Corporate income tax	(62 428)	(170 315)	(38 952)	(98 391)
Net profit	193 388	656 961	141 393	433 262
of which:				
attributable to the Company's equity holders	169 542	593 446	131 578	412 780
attributable to the Minority equity holders	23 846	63 515	9 815	20 482

in thousands of PLN

2. Consolidated balance sheet

	30-09-2006	30-06-2006	31-12-2005	30-09-2005
ASSETS				
Cash and balances with central bank	1 070 831	984 152	572 342	1 704 339
Loans and advances to banks	2 872 103	3 499 072	3 608 333	3 031 412
Financial instruments at fair value through profit or loss	937 352	1 828 786	1 925 909	2 351 118
Derivative financial instruments	604 150	702 156	735 214	799 695
Loans and advances to customers	16 651 477	15 475 766	14 196 899	13 802 112
Reverse repo transactions	20 035	107 517	15 199	15 313
Investment securities:	7 166 727	6 868 982	6 990 336	7 220 514
Investments in associates	25 630	68 858	73 237	87 455
Intangible assets	126 172	139 495	174 194	187 195
Property, plant & equipment	474 532	486 419	518 643	515 605
Deferred tax assets	432 080	451 398	435 232	423 559
Other assets incl.:	359 551	388 431	358 547	337 553
- assets held for sale	17 416	17 420	17 420	18 485
Total assets	30 740 640	31 001 032	29 604 085	30 475 870
LIABILITIES				
Deposits from banks	1 559 364	1 815 758	1 692 595	1 451 689
Derivative financial instruments	574 130	629 844	577 086	744 032
Deposits from customers	22 634 330	21 513 382	20 838 980	20 256 159
Repo transactions	685 809	1 661 617	999 541	2 233 128
Debt securities in issue	643 135	795 252	840 383	1 305 358
Deferred tax liabilities	232 027	254 785	315 232	275 629
Other liabilities	850 542	982 419	903 807	843 435
Total liabilities	27 179 337	27 653 057	26 167 624	27 109 430
Equity				
Capital and reserves attributable to the Company's equity holders	3 467 144	3 279 076	3 381 518	3 320 607
Share capital	729 603	729 603	729 603	729 603
Other reserve funds	1 855 459	1 853 650	2 028 706	2 028 703
Revaluation reserve	180 694	163 978	250 088	292 716
Retained earnings	107 942	107 941	(143 194)	(143 195)
Profit of the current period	593 446	423 904	516 315	412 780
Minority interest	94 159	68 899	54 943	45 833
Total equity	3 561 303	3 347 975	3 436 461	3 366 440
Total equity and liabilities	30 740 640	31 001 032	29 604 085	30 475 870

in thousands of PLN

3. Movements on consolidated equity

MOVEMENTS ON CONSOLIDATED EQUITY	Equity					
	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Minority interest	Total
Opening balance at 31.12.2005	**729 603**	**2 028 706**	**250 088**	**373 121**	**54 943**	**3 436 461**
Net change in available for sale investments	-	-	(69 159)	-	-	(69 159)
Share scheme charge	-	1 986	-	-	1 414	3 400
Net gains not recognised in income statement	-	-	(69 159)	-	-	(69 159)
Net profit	-	-	-	593 446	63 515	656 961
Total recognised increase in equity in 1-3 Q 2006	**-**	**1 986**	**(69 159)**	**593 446**	**64 929**	**591 202**
Dividend relating to 2005	-	-	-	(437 762)	(27 044)	(464 806)
Write off to other reserve capitals	-	6 589	-	(6 589)	-	-
Transfer from other reserve capitals	-	(168 326)	-	168 326	-	-
Other	-	(13 496)	(235)	10 846	1 331	(1 554)
As at 30.09.2006	**729 603**	**1 855 459**	**180 694**	**701 388**	**94 159**	**3 561 303**

MOVEMENTS ON CONSOLIDATED EQUITY	Equity					
	Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Minority interest	Total
Opening balance at 31.12.2004	**729 603**	**1 701 632**	**156 012**	**432 153**	**30 807**	**3 050 207**
changes in accounting principles resulting from adoption of IFRS	-	-	29 197	(72 102)	-	(42 905)
Adjusted balance at 1.01.2005	**729 603**	**1 701 632**	**185 209**	**360 051**	**30 807**	**3 007 302**
Net change in available for sale investments	-	-	66 001	-	-	66 001
Net gains not recognised in income statement	-	-	66 001	-	-	66 001
Net profit	**-**	**-**	**-**	516 315	29 592	545 907
Total recognised increase in equity in 2005	**-**	**-**	**66 001**	**516 315**	**29 592**	**611 908**
Dividend relating to 2004	-	-	-	(177 293)	(5 459)	(182 752)
Transfer to general banking risk fund	-	30 000	-	(30 000)	-	-
Transfer to reserve capital	-	275 682	-	(275 682)	-	-
Other	-	21 392	(1 122)	(20 270)	3	3
As at 31.12.2005	**729 603**	**2 028 706**	**250 088**	**373 121**	**54 943**	**3 436 461**

in thousands of PLN

MOVEMENTS ON CONSOLIDATED EQUITY	Equity Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Minority interest	Total
Opening balance at 31.12.2004	**729 603**	**1 701 632**	**156 012**	**432 153**	**30 807**	**3 050 207**
changes in accounting principles resulting from adoption of IFRS	-	-	29 197	(72 102)	-	(42 905)
Adjusted balance at 1.01.2005	**729 603**	**1 701 632**	**185 209**	**360 051**	**30 807**	**3 007 302**
Net change in available for sale investments	-	-	108 628	-	-	108 628
Net gains not recognised in income statement	**-**	**-**	108 628	-	-	108 628
Net profit	-	-	-	412 780	20 482	433 262
Total recognised increase in equity in 1-3 Q 2005	**-**	**-**	**108 628**	**412 780**	**20 482**	**541 890**
Dividend relating to 2004	-	-	-	(177 293)	(5 459)	(182 752)
Transfer to general banking risk fund		30 000	-	(30 000)	-	-
Transfer to reserve capital	-	267 958	-	(267 958)	-	**-**
Transfer to supplementary capital	-	7 724	-	(7 724)	-	**-**
Other	-	21 389	(1 121)	(20 271)	3	-
As at 30.09.2005	**729 603**	**2 028 703**	**292 716**	**269 585**	**45 833**	**3 366 440**

in thousands of PLN

4. Consolidated cash flow statement

	01-07-2006 30-09-2006	01-01-2006 30-09-2006	01-07-2005 30-09-2005	01-01-2005 30-09-2005
Net profit (loss)	**169 542**	**593 446**	**131 578**	**412 780**
Total adjustments:	**219 603**	**675 895**	**573 180**	**1 787 437**
Profits (losses) of minorities	23 846	63 515	9 815	20 482
Share in net profits (losses) of associates accounted for by the equity method	544	(199)	(1 882)	(708)
Amortization	36 889	123 313	46 140	140 456
Impairment losses	-	(1 808)	(3 453)	(3 107)
Gains (losses) on exchange differences	5 303	(8 163)	13 630	15 708
Interests and similar charges	(2 602)	152 390	(74 984)	(8 156)
Dividend income	(146)	(57 276)	(144)	(47 407)
(Profit) loss from investing activities	(7 411)	(35 908)	(83)	(1 673)
Change in provisions	1 667	2 983	26 658	12 082
Change in financial instruments at fair value through profit and loss	933 814	1 121 678	404 524	(986 258)
Change in loans and advances to banks	673 942	540 070	(1 029 601)	(288 249)
Change in loans and advances to customers	(1 531 182)	(2 842 373)	(273 263)	(408 845)
Change in receivables arising from securities purchased under reverse repo agreements	87 481	(4 836)	10 789	10 384
Change in deposits from banks	(346 990)	(344 652)	154 569	685 582
Change in deposits from customers	1 419 944	2 420 740	80 034	1 163 060
Change in liabilities arising from securities sold under repurchase agreements	(975 808)	(313 732)	1 205 932	1 500 438
Change in liabilities arising from debt securities in issue	87	(2 600)	5 598	43 026
Change in assets and liabilities arising from deferred taxation	(6 808)	(78 351)	43 701	6 925
Change in other assets and liabilities	(93 325)	(59 665)	(45 106)	(66 330)
Other adjustments	358	769	306	27
Net cash flow from operating activities - indirect method	**389 145**	**1 269 341**	**704 758**	**2 200 217**
Inflows	**320 639**	**1 332 521**	**192 531**	**639 252**
Sale of shares or interests in subsidiaries and associates	44 518	58 055	-	-
Sale of investment securities	273 998	1 213 878	189 870	582 956
Sale of intangible and tangible fixed assets	1 653	2 667	1 641	6 987
Dividends received	146	57 276	144	47 407
Proceeds from other investments	324	645	876	1 902
Outflows	**(556 893)**	**(1 564 801)**	**(145 632)**	**(1 998 278)**
Purchase of investment securities	(544 583)	(1 533 238)	(137 599)	(1 962 447)
Purchase of intangible and tangible fixed assets	(11 880)	(30 227)	(7 542)	(34 634)
Other investments	(430)	(1 336)	(491)	(1 197)
Net cash flow from investing activities	**(236 254)**	**(232 280)**	**46 899**	**(1 359 026)**
Inflows	**285 735**	**477 554**	**3 602**	**72 554**
Drawing of long-term loans	225 960	382 779	-	-
Issue of debt securities	58 300	93 300	3 602	72 554
net inflows from issuing shares and surcharges for capital	1 414	1 414	-	-
other financing inflows	61	61	-	-
Outflows	**(353 399)**	**(1 022 774)**	**(71 099)**	**(399 952)**
Repayment of long-term loans	(136 058)	(221 259)	(29 637)	(154 574)
Debt securities buy out	(198 348)	(286 348)	-	-
Dividends and other payments to shareholders	-	(464 806)	-	(182 752)
Other financing outflows	(18 993)	(50 361)	(41 462)	(62 626)
Net cash flow from financing activities	**(67 664)**	**(545 220)**	**(67 497)**	**(327 398)**
Total net cash flow	**85 227**	**491 841**	**684 160**	**513 793**
Cash at the beginning of the accounting period	**1 000 287**	**593 673**	**1 062 375**	**1 232 742**
Cash at the end of the accounting period	**1 085 514**	**1 085 514**	**1 746 535**	**1 746 535**

in thousands of PLN

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

For reporting periods:	01-07-2006 30-09-2006	01-01-2006 30-09-2006	01-07-2005 30-09-2005	01-01-2005 30-09-2005
Interest and similar income	386 301	1 129 918	389 639	1 166 748
Interest expense and similar charges	(145 676)	(431 384)	(174 420)	(558 339)
Net interest income	240 625	698 534	215 219	608 409
Fee and commission income	163 719	506 296	169 923	483 149
Fee and commission expense	(15 215)	(43 101)	(34 601)	(93 609)
Net fee and commission income	148 504	463 195	135 322	389 540
Dividend income	10	98 377	-	73 658
Foreign exchange profit	51 180	155 133	51 348	166 837
Gains (losses) on hedge accounting activities	(85)	2 480	(19)	(328)
Gains (losses) from financial instruments measured at fair value through profit and loss	1 792	11 148	6 335	12 541
Gains (losses) from investment in securities	5 697	6 729	1 150	5 072
Gains (losses) on sale of subsidiaries and associates	7 421	14 716	-	-
Other operating income	5 905	16 453	6 803	24 097
Impairment losses on loans and advances	(5 350)	(19 819)	(7 421)	(24 639)
Operating expenses	(284 202)	(845 267)	(272 142)	(807 044)
Bank's staff, operating expenses and management costs	(241 781)	(705 137)	(219 706)	(652 874)
Depreciation/amortisation	(35 437)	(118 983)	(44 848)	(136 277)
Other operating expenses	(6 984)	(21 147)	(7 588)	(17 893)
Operating profit	171 497	601 679	136 595	448 143
Gross profit	171 497	601 679	136 595	448 143
Corporate income tax	(46 875)	(119 910)	(30 604)	(77 936)
Net profit	124 622	481 769	105 991	370 207

in thousands of PLN

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

For reporting periods ending on:	30-09-2006	30-06-2006	31-12-2005	30-09-2005
ASSETS				
Cash and balances with central bank	1 070 820	984 143	572 329	1 704 325
Loans and advances to banks	2 866 216	3 494 991	3 606 067	3 029 099
Securities at fair value through profit or loss	920 605	1 822 045	1 925 612	2 350 719
Derivative financial instruments	604 163	702 720	735 214	799 034
Loans and advances to customers	15 387 804	14 088 958	12 897 389	12 628 090
Reverse repo transactions	20 035	107 516	15 199	15 313
Investment securities:	7 136 971	6 832 263	6 917 015	7 151 906
Investment in subsidiaries and associates	197 909	235 005	240 069	223 095
Intangible asset	119 566	132 721	166 728	180 836
Property, plant & equipment	466 108	477 892	510 976	508 720
Deferred income tax assets	391 592	408 176	402 407	390 931
Other assets incl.:	178 652	216 396	193 942	194 484
- assets held for sale	17 416	17 420	17 420	18 485
Total assets	29 360 441	29 502 826	28 182 947	29 176 552
LIABILITIES				
Deposits from banks	1 062 336	1 343 947	1 319 491	1 167 692
Derivative financial instruments	590 842	659 746	604 755	770 217
Deposits from customers	22 938 300	21 726 692	20 969 867	20 356 926
Repo transactions	685 809	1 661 617	999 541	2 233 128
Debt securities in issue	95 299	93 913	93 035	587 167
Deferred income tax liabilities	222 481	243 388	303 428	264 576
Other liabilities	591 928	742 405	703 900	639 231
Total liabilities	26 186 995	26 471 708	24 994 017	26 018 937
EQUITY				
Capital and reserves attributable to the Company's equity holders	3 173 446	3 031 118	3 188 930	3 157 615
Share capital	729 603	729 603	729 603	729 603
Other reserve funds	1 784 056	1 782 246	1 950 396	1 950 396
Revaluation reserve	178 018	162 122	239 495	284 196
Retained earnings	-	-	(176 787)	(176 787)
Profit of the current period	481 769	357 147	446 223	370 207
Total equity	3 173 446	3 031 118	3 188 930	3 157 615
Total equity and liabilities	29 360 441	29 502 826	28 182 947	29 176 552

in thousands of PLN

7. Movements on equity of Bank Zachodni WBK S.A.

MOVEMENTS ON EQUITY	Equity: Share capital	Other reserve funds	Revaluation reserve	Retained earnings	Total
Opening balance at 31.12.2005	**729 603**	**1 950 396**	**239 495**	**269 436**	**3 188 930**
Net change in available for sale investments	-	-	(61 477)	-	(61 477)
Net gains not recognised in income statement	-	-	(61 477)	-	(61 477)
Share scheme charge	-	1 986	-	-	1 986
Net profit	-	-	-	481 769	481 769
Total recognised increase in equity in 1-3 Q 2006	**-**	**1 986**	**(61 477)**	**481 769**	**422 278**
Dividend relating to 2005	-	-	-	(437 762)	(437 762)
Transfer to supplementary capital	-	(168 326)	-	168 326	-
As at 30.09.2006	**729 603**	**1 784 056**	**178 018**	**481 769**	**3 173 446**

MOVEMENTS ON EQUITY	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 supplementary capital	-	236 034	-	(236 034)	-
As at 31.12.2005	**729 603**	**1 950 396**	**239 495**	**269 436**	**3 188 930**

MOVEMENTS ON EQUITY	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	-	-	109 041	-	109 041
Net gains not recognised in income statement	-	-	109 041	-	109 041
Net profit	-	-	-	370 207	370 207
Total recognised increase in equity in 1-3 Q 2005	**-**	**-**	**109 041**	**370 207**	**479 248**
Dividend relating to 2004	-	-	-	(177 293)	(177 293)
Transfer to general banking risk fund	-	30 000	-	(30 000)	-
Transfer to supplementary capital	-	236 034	-	(236 034)	-
As at 30.09.2005	**729 603**	**1 950 396**	**284 196**	**193 420**	**3 157 615**

in thousands of PLN

8. Cash flow statement of Bank Zachodni WBK SA

	01-07-2006 30-09-2006	01-01-2006 30-09-2006	01-07-2005 30-09-2005	01-01-2005 30-09-2005
Net profit (loss)	**124 622**	**481 769**	**105 991**	**370 207**
Total adjustments:	**226 416**	**743 035**	**535 548**	**1 668 586**
Amortization	35 437	118 983	44 848	136 277
Impairment losses	-	(2 401)	(3 171)	(2 825)
Gains (losses) on exchange differences	5 718	(5 893)	-	-
Interests and similar charges	(9 552)	111 418	(85 415)	(53 057)
Dividend income	(10)	(98 377)	-	(73 658)
(Profit) loss from investing activities	(12 988)	(19 573)	(495)	(1 763)
Change in provisions	1 827	2 983	27 123	12 160
Change in financial instruments at fair value through profit and loss	931 093	1 122 145	390 274	(976 505)
Change in loans and advances to banks	626 371	730 401	(991 067)	(246 935)
Change in loans and advances to customers	(1 298 846)	(2 490 415)	(33 789)	184 118
Change in receivables arising from securities purchased under reverse repo agreements	87 481	(4 836)	10 789	10 384
Change in deposits from banks	(281 618)	(257 186)	(255 534)	275 479
Change in deposits from customers	1 233 978	2 018 444	241 514	975 738
Change in liabilities arising from securities sold under repurchase agreements	(975 808)	(313 732)	1 205 850	1 500 438
Change in liabilities arising from debt securities in issue	1 386	2 264	6 550	29 598
Change in assets and liabilities arising from deferred taxation	(4 323)	(70 132)	41 804	8 855
Change in other assets and liabilities	(113 948)	(101 680)	(63 855)	(109 861)
Other adjustments	218	622	122	143
Net cash flow from operating activities - indirect method	**351 038**	**1 224 804**	**641 539**	**2 038 793**
Inflows	**312 162**	**1 311 106**	**173 096**	**635 302**
Sale of shares or interests in subsidiaries and associates	44 518	58 055	-	6 837
Sale of investment securities	266 038	1 152 042	171 221	546 775
Sale of intangible and tangible fixed assets	1 569	2 499	1 621	6 874
Dividends received	10	98 377	-	73 658
Proceeds from other investments	27	133	254	1 158
Outflows	**(555 681)**	**(1 556 478)**	**(120 433)**	**(1 944 454)**
Purchase of investment securities	(544 583)	(1 529 234)	(111 696)	(1 912 060)
Purchase of intangible and tangible fixed assets	(10 668)	(25 908)	(8 349)	(31 306)
Other investments	(430)	(1 336)	(388)	(1 088)
Net cash flow from investing activities	**(243 519)**	**(245 372)**	**52 663**	**(1 309 152)**
Inflows	**-**	**-**	**-**	**-**
Outflows	**(23 246)**	**(490 391)**	**(25 593)**	**(230 600)**
Repayment of long-term loans	(22 363)	(49 980)	(24 741)	(50 780)
Dividends and other payments to shareholders	-	(437 762)	-	(177 263)
Other financing outflows	(883)	(2 649)	(852)	(2 557)
Net cash flow from financing activities	**(23 246)**	**(490 391)**	**(25 593)**	**(230 600)**
Total net cash flow	**84 273**	**489 041**	**668 609**	**499 041**
Cash at the beginning of the accounting period	**996 152**	**591 384**	**1 049 698**	**1 219 266**
Cash at the end of the accounting period	**1 080 425**	**1 080 425**	**1 718 307**	**1 718 307**

9. Bank Zachodni WBK Group performance

Financial performance in the first three quarters of 2006 – overview

Record-breaking financial performance continued:

- ***Profit-before-tax increased by 55.6% y-o-y to PLN 827.3m***
- ***Profit-after-tax increased by 43.8% y-o-y to PLN 593.4m***

Key tendencies against 2005:

- ***High growth rate of core balance sheet volumes: loans and advances to customers (+20.6%), deposits from customers (+11.7%)***
- ***Larger contribution of subsidiaries to consolidated PBT (increase from 15.8% to 27.3%) in line with expanding business***
- ***Fast increase in net commission income (+47.8%) and its share in total income (from 34.4% to 40.8%)***
- ***Cost-to-income ratio down to 52.5% from 60.9%***
- ***Sustained improvement of asset quality - relatively low impairment charge and further reduction of NPL ratio (from 7.7% to 5.9%)***

Profit & Loss account

PLN m

Key Profit & Loss Items	1-3Q 2006	1-3Q 2005	Change
Total income	1,787.2	1,433.2	+24.7%
Total costs	(937.9)	(873.5)	+7.4%
Profit-before-tax	827.3	531.7	+55.6%
Income tax	(170.3)	(98.4)	+73.1%
Profit-after-tax	593.4	412.8	+43.8%

- During the past three quarters of 2006, Bank Zachodni WBK Group produced **total income** of PLN 1,787.2m which exceeds the figure recorded in the corresponding period of 2005 by 24.7%. The main components of total income were as follows:

  - **Net interest income** amounted to PLN 752m. Taking into account interest-related income from FX Swaps and FX Basis Swaps (recognised in "FX profit" and "gains from assets measured at fair value through profit and loss", respectively), which declined y-o-y from PLN 63m to PLN 19.6m, the underlying net interest income increased by 5.7%. This growth was achieved thanks to the improved business mix generating relatively stable interest margins.

  - **Net commission income** amounted to PLN 729.4m and increased y-o-y by 47.8% driven by further expansion of the bank's and subsidiaries' business. Due to the fast inflow of assets to the mutual funds managed by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. and private portfolios held by BZ WBK AIB Asset Management S.A., the highest increase in net commission income was recorded in asset management fees (+258.1%) and distribution fees charged for investments in mutual funds (+231.1%). The net brokerage fees of Dom Maklerski BZ WBK S.A. (BZWBK Brokerage House) showed a strong growth as well (+79.4%) and this was in line with the rising business volumes amidst increasingly higher trading at the Warsaw Stock Exchange. There was also a noteworthy increase in net commission income generated by insurance products (+174.5%) and e-Business and Payments area (+6.5%), in particular debit cards, Western Union money transfers and third party card services.

  - **Dividend income** of PLN 57.3m increased by 20.9% as a result of higher dividend paid out by the Commercial Union Group members included in the bank's equity investment portfolio. In 2006, these entities disbursed PLN 53m in dividend as compared to PLN 44.1m in the same period last year.

  - **FX profit** was PLN 157m and 7.5% down y-o-y as a result of decline in FX SWAP income driven by the shrinking gap between the PLN and FX interest rates. Excluding FX SWAP impact, the line shows an increase of 12.2%, reflecting higher income from increased customer FX business.

  - **Gains on financial transactions measured at fair value through profit and loss** increased by 37.3% to PLN 22.1m thanks to higher income on derivative transactions and the growing presence of Dom Maklerski BZ WBK S.A. as a market facilitator and market maker.

  - **Gains on assets from the investment portfolio and disposal of subsidiaries and associates** increased due to one-off gains in the equity market, i.e. profit earned on a) the sale of associate undertakings of the bank: LZPS Protektor S.A. (PLN 7.8m) and NFI Magna Polonia S.A. (PLN 1.9m), b) the disposal of TIM S.A. from the investment portfolio of Inwestycje Sp. z o.o. (PLN 22.6m) and c) the share repurchase by MasterCard Incorporated (PLN 5.2m).

- By the end of September 2006, the **impairment charge** to the Profit and Loss Account amounted to PLN 22.3m against PLN 28.8m in the corresponding period of 2005. With growing lending volumes, the low impairment charge confirms the soundness of the Group's loan-book, consistent operation of credit risk management policy and a sharp focus on ensuring high quality of the credit portfolio. The efficiency of the Group's credit risk management systems is also affirmed by the falling NPL ratio. As at the end of September 2006, the impaired receivables accounted for 5.9% of the gross customer portfolio with a provision cover at 60.7%. A year before, the respective ratios were at 7.7% and 58.7%.

- **Total operating costs** of Bank Zachodni WBK Group amounted to PLN 937.9m and were higher by 7.4% y-o-y. Their main components were as follows:

  - **The staff and administrative costs** increased by 10.8% y-o-y to PLN 788.2m and were driven by dynamic business development by the bank and its subsidiaries. The biggest element of this figure, i.e. the Group's **staff expenses**, amounted to PLN 479.8m and increased by 12.1% compared to the corresponding period of 2005 due to higher employment, growing competition among banks for highly skilled banking experts and performance-related bonuses. With fast growing business, the Group's **administrative expenses** increased by 8.9% y-o-y to PLN 308.4m. This movement results, among other things, from the Group's promotional activities in the area of mutual funds, issuance of all credit and debit cards with microchips and higher building maintenance costs. Yet, group-wide cost-cutting initiatives continued to constrain administrative expenses. They managed to decelerate the growth of business-driven cost constituents while keeping a number of others flat or down y-o-y.

  - **Depreciation** totalled PLN 123.3m and decreased by 12.2% compared to the corresponding period of 2005 due to continued process of fixed assets optimisation.

- The performance of Bank Zachodni WBK Group during the first three quarters of 2006 caused a reduction of its cost-to-income ratio to 52.5% from 60.9% recorded in the same period last year.

Balance Sheet items

PLN m

Key balance sheet items	30-09-2006	30-09-2005	Change
Balance sheet total	30,740.6	30,475.9	+0.9%
Key assets			
Net loans and advances to customers *	16,651.5	13,802.1	+20.6%
Investment securities	7,166.7	7,220.5	-0.7%
Loans and advances to banks	2,872.1	3,031.4	-5.3%
Securities at fair value through profit & loss	937.4	2,351.1	-60.1%
Key liabilities			
Deposits from customers	22,634.3	20,256.2	+11.7%
Deposits from banks	1,559.4	1,451.7	+7.4%
Repo transactions	685.8	2,233.1	-69.3%
Debt securities in issue	643.1	1,305.4	-50.7%

** net of impairment write-down*

- As at 30 September 2006, **total assets** of Bank Zachodni WBK Group amounted to PLN 30,740.6m and were 0.9% up on last year. The y-o-y increase in loans and advances to customers, driven by fast credit delivery, was partly offset by the decline in value of securities measured at fair value through profit and loss. On the liabilities side, the substantial increase in deposits from customers was accompanied by the fall in balances representing repo transactions and debt securities in issue.

- The value and the structure of the Group's balance sheet is determined by the bank which accounts for 95.5% of the consolidated total assets.

- The core balance sheet volumes were as follows:

  - At the end of September 2006, **net loans and advances to customers** were PLN 16,651,5m and 20.6% up y-o-y due to increasing volumes of the key Group's loan-books: personal loans, business loans and leasing advances. Earning retail portfolio increased over 12 months by 26.1% to PLN 3,801m, the main growth drivers being cash loans (+69.8%) and mortgages (+20.7%). As compared to the end of September 2005, the earning business credit portfolio grew by 20%, reflecting the increased demand for business funding amidst economic expansion and better alignment of the Group's lending offer and service with the customers' needs. Lease rentals included in loans and advances to customers increased by 9% y-o-y thanks to good sales of vehicles, machines and equipment. In Q3 2006, the Group's leasing portfolio decreased by PLN 140m as a result of early termination of leasing agreements supervised by BZ WBK Nieruchomości S.A. i Wspólnicy Spółka Komandytowa, a subsidiary of the bank.

- The primary source of funding the lending business are **deposits from customers**, representing 73.6% of the Group's liabilities. At the end of September 2006, customer deposits totalled PLN 22,634.3m and were 11.7% up y-o-y as a result of larger balances in current and term deposit accounts of business and public sector clients, as well as higher resources in personal current accounts. Excluding one-day deposits, total funds held in current accounts totalled PLN 7,390.9m[1] and exceeded the figure as at 30 September 2005 by 28%. This growth is attributable to low interest rates which made customers more inclined to keep their financial means in current accounts. Money supply to bank accounts was also spurred by a noticeable improvement in market sentiment and financial standing of businesses and households. Over the last 12 months, the term deposit base (including one-day deposits) increased by 4.8% to PLN 13,952.6m[1], mainly thanks to the good performance of businesses in favourable economic environment.

- As at 30 September 2006, the Group's liabilities arising from **debt securities in issue** totalled PLN 643.1m, a y-o-y decrease of 50.7%. The reduction of own bonds portfolio results from the redemption of PLN 734.3m worth of securities of Bank Zachodni WBK and its subsidiaries (BZ WBK Finanse & Leasing S.A. and BZ WBK Leasing S.A.). By 30 September 2006, the above-mentioned leasing companies organized three new issues of own bonds, under public issue programmes, with the nominal value of PLN 93.3m (y-t-d).

Bank Zachodni WBK achievements in Q3 2006

- At the beginning of July 2006, the bank's offering was expanded by a "Savings Account". The product is designed to accumulate funds in PLN and combines the features of a term deposit and a personal account. It offers high interest (depending on the level of deposited funds) and the possibility to make placements and withdrawals at any time without losing interest.
- Having in mind the needs of personal customers going abroad, Bank Zachodni WBK launched special offers built around Konto24Euro, Konto24 Prestiż and Konto<30.

- At the beginning of July, the Bank Zachodni WBK Schedule of Fees and Commissions for personal customers and businesses was thoroughly revised in the area of cross-border payment orders. The changes involved waiving fees for incoming payments and reducing the fees for the outgoing ones.

- Following the upgrade of Country Ceiling for Poland, on 17 August 2006 Fitch Ratings raised the foreign currency Issuer Default ratings ("FC IDR") of Bank Zachodni WBK from "A" to "A+" with stable outlook. Short-term "F1", Individual "C" and Support "1" were affirmed. The Issuer Default, Short-term and Support ratings are based on the extremely high potential for support from Bank Zachodni WBK's controlling shareholder, Allied Irish Banks. The bank's Issuer Default rating is currently constrained by the Country Ceiling "A" for Poland.

- In September 2006, Bank Zachodni WBK received ISO 9001:2000 certificate for the implementation of a quality management system in respect of two banking processes: international payment orders and payment cards personalisation. The certificate confirms the bank's strong focus on the quality of offered products and services, affirms high level of management culture and strengthens the perception of the organisation as a reliable financial institution.

[1] *excluding funds of non-banking financial institutions*

- Based on the accreditation from the Polish Agency for Enterprise Development, Bank Zachodni WBK expanded the scope of consultancy services provided under the programme "Increase in competitiveness of Small and Medium Enterprises through Consultancy". The accreditation covers consultancy in the following capital market areas: mergers of enterprises and raising financing for the development of business operations through public and non-public issues of shares and bonds as well as investments by strategic investors.

- In Q3 2006, Bank Zachodni WBK issued another affinity credit card, i.e. Visa LuxMed prepared in collaboration with a network of medical centres. The card is equipped with a chip and provides free insurance. It is issued free of charge and offers attractive use conditions, including a loyalty programme awarding active customers with free visits at the doctors'. Furthermore, customers were offered two new affinity debit cards issued for Konto 24.pl in cooperation with Money.pl and Grono.net (MoneyKarta and GronoKarta, respectively).

- Bank Zachodni WBK affinity cards are highly appreciated in the market. Gazeta Prawna, in its article of 26 September 2006, announced VISA Multikino the best product in the category of affinity cards, the main criterion being the value added by the embedded loyalty programme. Another Bank Zachodni WBK affinity card - Visa Orange was ranked the third in this review. In addition, Money.pl credit card took the second position in the ranking of Gazeta Wyborcza (dated 27 September 2006) in respect of cards addressed to individuals with monthly income from PLN 800 up to PLN 3,000.

- In Q3 2006, Bank Zachodni WBK was involved in organising public offerings of bonds issued by two leasing subsidiaries under issue programmes (for more information see the section on leasing companies). Furthermore, the bank arranged the issue of bonds for two external companies which were offered and taken up by entities indicated by the issuers.

- August 2006 also saw the closure of the public offering of NFI Piast shares where Bank Zachodni WBK and Dom Maklerski BZ WBK (BZWBK Brokerage House) acted as the company's advisors.

- Pursuant to an agreement dated 3 August 2006, Bank Zachodni WBK became the advisor of Ruch S.A. in the process of preparing the IPO of the company's shares. Ruch public offering - the only privatisation transaction of the kind in the market this year - is scheduled for December 2006.

Achievements of selected subsidiaries in Q3 2006

BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. (BZWBK AIB Investment Funds Corporation)

- After a period of slowdown in the inflow of money to mutual funds investing all or part of their assets in shares (towards the end of Q2), Q3 saw stabilisation of customer equity investments.

- At the end of September 2006, the value of assets accumulated by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych (BZWBK AIB TFI) increased by 166% y-o-y to PLN 13.9bn, giving the company a 16.4% share in the mutual funds market (+6.6 p.p. y-o-y). The highest percentage increase was recorded by Arka BZ WBK Akcji FIO, Arka BZ WBK Zrównoważony FIO and Arka BZ WBK Stabilnego Wzrostu FIO, the largest in value terms being Arka BZ WBK Zrównoważony FIO with assets of PLN 4.2bn.

BZ WBK AIB Asset Management S.A.

- At the end of September 2006, the value of assets managed by BZ WBK AIB Asset Management, including mutual funds of BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych, increased by 171% y-o-y to PLN 15.6bn.

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

- After three quarters of 2006, the volume of Dom Maklerski BZ WBK trading in the stock exchange equity market totalled PLN 26.9bn and was higher by 89% y-o-y. With this performance, the subsidiary exceeded the market growth rate (by 8 p.p.) and ranked the second in Poland with a market share of 11.9% (on a y-t-d basis). It should also be highlighted that in Q3 2006 alone the brokerage house recorded the historical highest market share of 13.1% and for the first time took the leading position (on a quarterly basis).

- By the end of September 2006, Dom Maklerski BZ WBK acted as an agent for concluding 1,194.8k futures contracts and 64.8k options which represents a y-o-y increase of 14% and 150%, respectively. This allowed the company to take the third position in Poland in both markets (on a y-t-d basis).

- During Q3 2006, Dom Maklerski BZ WBK carried out the sale of Barlinek shares issued in the primary market.

- After the first three quarters of 2006, Dom Maklerski BZ WBK S.A. produced record-high profits.

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

- The value of net assets leased by both leasing subsidiaries of Bank Zachodni WBK during the first three quarters of 2006 totalled PLN 842.3m and was higher by 26.3% than in the same period last year.

- In Q3 2006 – acting under public issue programmes – BZ WBK Finanse & Leasing issued the second y-t-d series of bonds, whereas BZ WBK Leasing was carrying out the subscription for bonds (closed at the beginning of October). The securities thus issued were fixed rate, unsecured, bearer bonds with a unit nominal value of PLN 100 and the maturity of 3 years. The total value of bonds allocated during Q3 2006 was PLN 58.3m.

10. Significant accounting principles applied in Bank Zachodni WBK Group

Statement of compliance

The interim consolidated financial statements of the BZWBK Group as at 30 September 2006 has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with respect to matters not regulated by the above standards, in accordance with the Accounting Act dated 29 September 1994 (Official Journal from 2002, No. 76, item 694 with amendments) and the respective laws and in accordance with the Decree of the Ministry of Finance dated 19 October 2005 on current and periodical information provided by issuers of securities (Official Journal from 2005, No. 209, item 1744).

Standards that are issued and not yet effective.

IFRS 7 *Financial Instruments: Disclosures* is not effective until 1 January 2007 and was endorsed by the European Union in 11 January 2006. The BZWBK Group (Bank Zachodni WBK S.A.) 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 (BZWBK Group) or would not have a material impact on the current financial statements**.**

Basis of preparation

The financial statements are presented in PLN, rounded to the nearest thousand.
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 the 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 these consolidated financial statements.
The accounting policies have been applied consistently by Group entities.

Comparability with results of previous periods

To ensure comparability, the following changes were made to the presentation of financial data compared with the 3Q of 2005:

a) in the consolidated income statement:

- change in recognition of brokerage fees of PLN 6 170 k under item "Fee and commission income", which were previously presented under item "Other operating income",

b) in the consolidated balance sheet:

- change in presentation of settlements relating to the purchase of options of PLN 13 299 k currently presented as "Derivative financial instruments" (both on the assets and liabilities side),
- change in presentation of receivables and liabilities arising from taxes in the amount of PLN 18 857k, "Corporate Income Tax" was separated,
- change in presentation of the capital arising from revaluation of fixed assets, which emerged before IAS had been chosen to use, in the amount of PLN 59 191 k currently presented as "Other reserve funds".
- change in presentation of Social Savings Associations in the amount of PLN 15 290 k currently presented as „Deposits from customers" while in comparable period recognised under „Deposits from banks",
- presenting the derivative financial instruments at greater length in the amount of PLN 338 545 k in comparable period, currently presented correspondingly to debit or credit side of „Derivative financial instruments" account.

Basis of consolidation

Subsidiaries

Subsidiaries are those enterprises which are controlled by BZWBK S.A. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Control also exists when the parent owns half or less of the voting power of an entity when there is:

(a) power over more than half of the voting rights by virtue of an agreement with other investors;

(b) power to govern the financial and operating policies of the entity under a statute or an agreement;

(c) power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; or

(d) power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Purchase method of accounting

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. However, during the reporting period there was no such acquisition as mentioned above.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.
Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the reporting currency at the foreign exchange rates ruling at the dates that the fair values were determined.

Hedge accounting and derivative financial instruments

Derivative financial instruments are initially recognised at fair value. After their initial recognition, derivatives are 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 based on a valuation technique whose variables include only data from observable markets.
The Group uses derivative financial instruments to hedge its exposure to 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.
At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged. The Group also documents, at inception and on going basis, an assessment of the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value.

Fair value hedge

This is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.
A fair value hedge is accounted for as follows: the gain or loss from remeasuring the hedging instrument at fair value (for a derivative hedging instrument) shall be recognised in profit or loss; and the gain or loss on the hedged item attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognised in profit or loss. This applies if the hedged item is otherwise measured at amortised cost. Recognition of the gain or loss attributable to the hedged risk in profit or loss applies if the hedged item is an available-for-sale financial asset.

Financial assets and financial liabilities

Classification

The Group classifies its financial instruments into the following categories: financial assets or financial liabilities at fair value through profit or loss; loans and receivables; available-for-sale financial assets and financial liabilities measured at amortised cost.

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 Group as at fair value through profit or loss. At present, in the Group doesn't exist that category of financial instrument.

Loans and receivables

Loans and receivables arise when the Group provides money to a debtor for a purpose other than 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.

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 Group transfers the contractual rights to receive the cash flows.

Measurement

When a financial asset or financial liability is recognised initially, it is measured at fair value plus (in the case of a financial asset or financial liability not at fair value through profit or loss) transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.
After initial recognition, the Group measure financial assets, including derivatives that are assets, at their fair values, without any deduction for transaction costs it may incur on sale or other disposal, except for (a) loans and receivables which shall be measured at amortised cost using the effective interest method; (b) investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

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 a financial 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 Group establishes fair value by using valuation techniques which include recent arms length market transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.
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.

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 and when there is an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Sale and repurchase agreements

The Group also generates funds by selling financial instruments under repurchase agreements whereby the instruments 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 receivables arising from 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 of financial assets

Assets carried at amortised cost

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. It may not be possible to identify a single, discrete event that caused the impairment. Rather the combined effect of several events may have caused the impairment Losses expected as a result of future events, no matter how likely, are not recognised. Objective evidence that a financial asset or group of assets is impaired includes observable data about the following loss events:

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

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

(c) the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;

(d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

  (i) adverse changes in the payment status of borrowers in the group, or

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

If there is objective evidence that an impairment loss on loans and receivables 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 or receivable 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 Group may measure impairment of a financial asset carried at amortised cost on the basis of an instrument's fair value using an observable market price. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

The Group periodically reviews its loan portfolio to check whether there is any objective evidence that a financial asset or group of financial assets are impaired.

The analysis of impairment is carried out:

- with reference to individual credit exposures representing significant reporting items (in excess of PLN 2 m),
- with reference to the portfolio of credit exposures which individually are not significant.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised by the Group are not included in a collective assessment of impairment.

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

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

When a loan has been subject to a specific provision and the prospects of recovery do not improve, a time will come when it may be concluded that there is no real prospect of recovery. When this point is reached, the amount of the loan which is considered to be beyond the prospect of recovery is written off against the related provision for loan impairment. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

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.

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. 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 repayments 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.

Finance lease receivables

Leases where the Group transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable at an amount equal to the net investment in the lease is recognised.
The recognition of finance lease income is based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.
Finance lease receivables are included in loans and advances to customers.

Off balance sheet liabilities

For off-balance sheet liabilities, provisions for 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 Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Depreciation

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

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

Fixed assets held for sale

Directly before initial classification of an asset (or a group of assets for sale) as an asset for sale, the Group establishes the carrying amount of the assets (or all assets and liabilities included in the group) in line with the applicable IFRS. Then the unit recognises the asset (or a group of assets) classified as asset for sale at the lower of its carrying amount and fair value less costs of disposal.
Impairment of assets initially classified as available for sale is presented in the profit and loss account. The same applies to the revaluation-related future profits and losses.

Intangible assets

Goodwill

Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint ventures. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. At present, in the consolidated balance sheet of BZWBK Group doesn't exist goodwill.

Computer software

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

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

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

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

Long-term service benefits

The Group's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The accrual for retirement bonus granted under the provisions of the Collective Labour Agreement and terms of individual employee contracts 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.

Share based payments

BZWBK Group operates a share based compensation plan. For grants of share based payments after 7 November 2002 , the fair value of the employee services received is measured by reference to the fair value of awards granted on the day of the grant. The cost of the employee services received in exchange for awards granted is recognized in the income statement over the period during which the employees become unconditionally entitled to the share based payments, which is the vesting period. The amount expensed is determined by reference to the fair value of awards granted. The fair value of awards granted is determined using the share based payments pricing models, which take into account the exercise price of the award, the share price at date of grant, the risk free rate, the expected volatility of the share price over the life of the award and other relevant factors. Vesting conditions included in the terms of the grant are not taken into account in estimating fair value except where those terms relate to market conditions. Non-market vesting conditions are taken into account by adjusting the number of awards included in the measurement of the cost of employee services so that ultimately, the amount recognized in the income statement reflects the number of vested awards. The expense related to share based payments is credited to the shareholder's equity. Where the share based payment arrangements give rise to the issue of new shares, the proceeds of issue of the shares are credited to share capital (nominal amount) and share premium (if any) when awards are exercised.

Provisions

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

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 Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

Net interest income

Interest income and expenses for all financial instruments is recognised in the income statement at amortised cost using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees (e.g. arrangement, drawdown, renewal, restructure fees and fees for annexes which modify payments) and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

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 items (FX swaps, forwards and spot contracts) 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 subsidiaries is set as a difference between the net asset value and their sale price.
Profit on the sale of interests in associates is set as a difference between the carrying amount and their sale price.

Other operating income and costs

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

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.

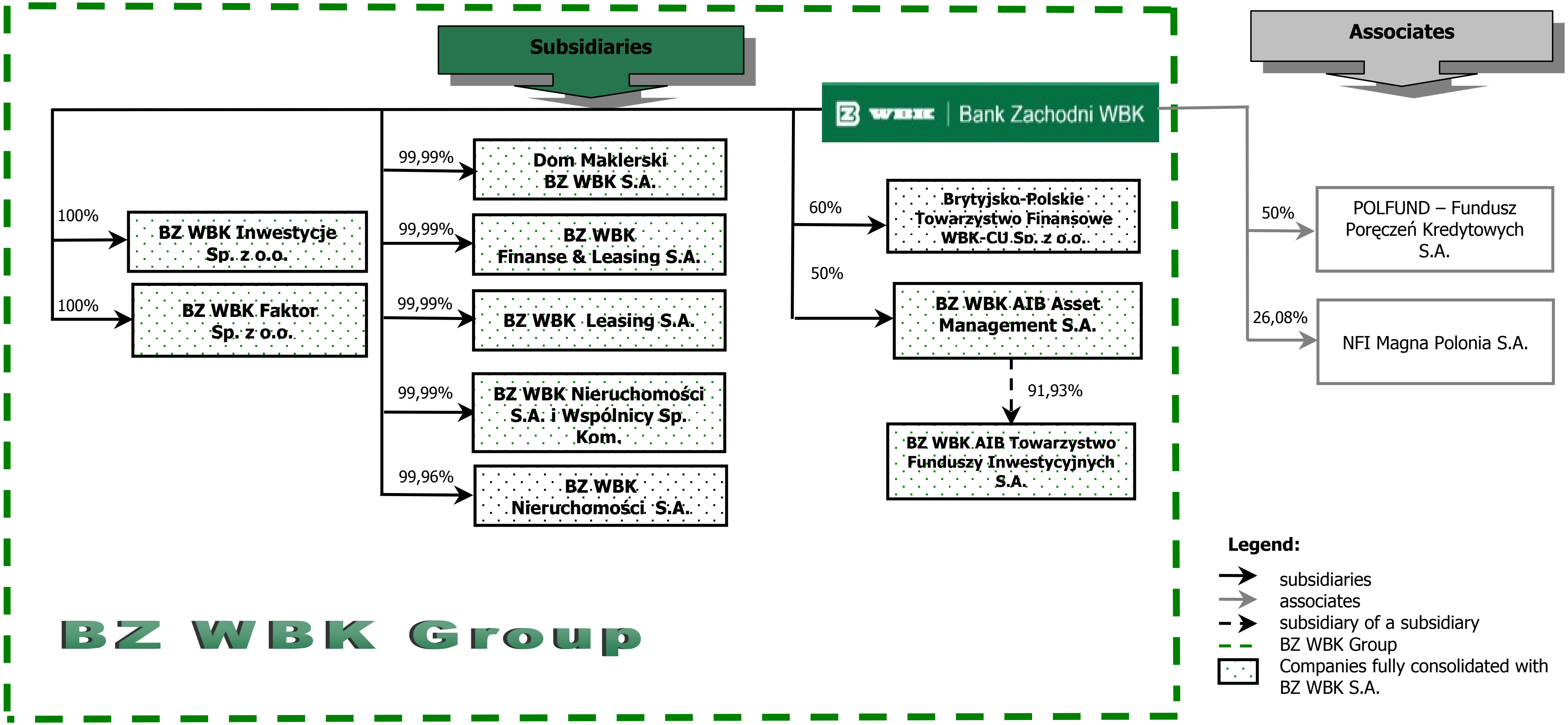
Corporate income tax

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 Group creates a provision for deferred tax in respect of all taxable temporary differences and deferred tax assets with regard to all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.
Deferred tax assets and liabilities should be measured as the multiple of a temporary difference and 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, 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.

11. Description of organization of BZWBK Group

Graphical representation of the Group's organization structure and information about types of connection within the Group.

Companies connected with Bank Zachodni WBK S.A.



Pursuant to IAS 27, the following subsidiary undertakings were fully consolidated in the financial statements of Bank Zachodni WBK for Q3 2006:

1) BZ WBK Inwestycje Sp. z o.o.
2) BZ WBK Faktor Sp. z o.o.
3) Dom Maklerski BZ WBK S.A.
4) BZ WBK Finanse & Leasing S.A.
5) BZ WBK Leasing S.A.
6) BZ WBK Nieruchomości S.A. i Wspólnicy Spółka Komandytowa
7) BZ WBK AIB Asset Management S.A.
8) BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. - subsidiary of BZ WBK AIB Asset Management S.A.
9) BZ WBK Nieruchomości S.A.
10) Brytyjsko-Polskie Towarzystwo Finansowe WBK – CU Sp. z o.o.

In case of BZ WBK AIB Asset Management S.A., the Bank is a co-owner of the company together with AIB Capital Markets plc. Both owners of BZ WBK AIB Asset Management S.A. are members of Allied Irish Banks Group and each holds an equal stake of 50% in the company's share capital. In practice, Bank Zachodni WBK S.A. exercises control over the company and its subsidiary, BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A., because through its agency the ultimate parent (Allied Irish Banks) pursues its policy in Poland.

Pursuant to IAS 28, as at 30 September 2006, associated undertakings were accounted for using the equity method. This applies to the following companies:

1) POLFUND – Fundusz Poręczeń Kredytowych S.A.
2) NFI Magna Polonia S.A.

12. Related party disclosures

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

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

The table below contains information about transactions effected by the bank and its subsidiaries with related entities at the end of the reporting period along with revenues and expenses for the current period.

in thousands of PLN

Receivables and liabilities relating to transactions with connected entities

30.09.2006

Receivables	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Loans and advances to banks	893 533	-	125 166	1 018 699
Securities at fair value through profit or loss	359	-	-	359
Derivative financial instruments	16 748	-	229 244	245 992
Loans and advances to customers	507 764	-	-	507 764
Investment securities	-	-	270 963	270 963
Other assets	13 281	-	-	13 281
Total	**1 431 685**	**-**	**625 373**	**2 057 058**

Liabilities	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Deposits from banks	501 939	-	306	502 245
Derivative financial instruments	16 748	-	229 729	246 477
Deposits from clients	883 798	56 962	-	940 760
Debt securities in issue	359	-	-	359
Other liabilities	28 929	-	24 560	53 489
Total	**1 431 773**	**56 962**	**254 595**	**1 743 330**

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	594 045	-	408 889	1 002 934
Securities at fair value through profit or loss	5 373	-	-	5 373
Derivative financial instruments	27 825	-	202 627	230 452
Loans and advances to customers	362 001	-	-	362 001
Other assets	8 258	6	728	8 992
Total	**997 502**	**6**	**612 244**	**1 609 752**

Liabilities	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Deposits from banks	359 876	-	2 732	362 608
Derivative financial instruments	27 825	-	187 213	215 038
Deposits from clients	581 126	118 132	-	699 258
Debt securities in issue	5 373	-	-	5 373
Other liabilities	25 556	-	14 799	40 355
Total	**999 756**	**118 132**	**204 744**	**1 322 632**

in thousands of PLN

30.09.2005

Receivables	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Loans and advances to banks	618 638	-	679 635	1 298 273
Securities at fair value through profit or loss	5 351	-	-	5 351
Derivative financial instruments	26 263	-	22 731	48 994
Loans and advances to customers	421 263	-	-	421 263
Other assets	4 316	-	738	5 054
Total	**1 075 831**	**-**	**703 104**	**1 778 935**

Liabilities	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Deposits from banks	412 527	-	38	412 565
Derivative financial instruments	26 263	-	25 973	52 236
Deposits from clients	612 436	65 167	-	677 603
Debt securities in issue	5 351	-	-	5 351
Other liabilities	20 960	7	13 107	34 074
Total	**1 077 537**	**65 174**	**39 118**	**1 181 829**

Revenues and expenses relating to transactions with connected entities

01.01.2006 - 30.09.2006

Income	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Interest and similar income	35 107	-	21 124	56 231
Fee and commission income	127 559	4	-	127 563
Other operating income	3 685	-	897	4 582
Gains (losses) from financial instruments measured at fair value through profit and loss	-	-	4 297	4 297
Gains less losses from investment in securities	-	-	317	317
Total	**166 351**	**4**	**26 635**	**192 990**

Expenses	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Interest expense and similar charges	34 575	3 079	78	37 732
Fee and commission expense	127 139	-	-	127 139
Gains (losses) from investment in securities and gains (losses) on sale of subsidiaries and associates	78	-	-	78
Other operating expenses	4 647	-	26 320	30 967
Management costs	4 647	-	26 320	30 967
Total	**166 439**	**3 079**	**26 398**	**195 916**

in thousands of PLN

01.01.2005 - 30.09.2005

Income	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Interest and similar income	28 815	-	16 473	45 288
Fee and commission income	27 083	4	2 859	29 946
Other operating income	4 170	-	-	4 170
Gains (losses) from financial instruments measured at fair value through profit and loss	-	-	3 658	3 658
Total	**60 068**	**4**	**22 990**	**83 062**

Expenses	of which from subsidiaries	of which from associates	of which from the parent company (AIB Group)	Total
Interest expense and similar charges	30 012	1 320	1 544	32 876
Fee and commission expense	26 713	-	-	26 713
Other operating expenses	5 049	15	24 980	30 044
Management costs	5 049	15	24 980	30 044
Total	**61 774**	**1 335**	**26 524**	**89 633**

Off-balance sheet positions relating to transactions with connected entities

30.09.2006

Intragroup transactions - off-balance sheet liabilities	of which from subsidiaries
1. Sanctioned contingent liabilities	**791 231**
- financing-related	708 780
- guarantees	82 451
2. Received contingent liabilities	**791 231**
- financing-related	708 780
- guarantees	82 451
Total	**1 582 462**

Intragroup transactions - Derivatives' nominal values	of which from subsidiaries
3. Derivatives' nominal values, including:	**1 163 051**
-FX forward -purchased	1 455
-FX forward -sold	1 446
-Financial instruments operations-single-currency interest rate hedging swaps	580 075
-Financial instruments operations-single-currency interest rate swaps	580 075

30.06.2006

Intragroup transactions - off-balance sheet liabilities	of which from subsidiaries
1. Sanctioned contingent liabilities	**871 438**
- financing-related	807 227
- guarantees	64 211
2. Received contingent liabilities	**871 438**
- financing-related	807 227
- guarantees	64 211
Total	**1 742 876**

in thousands of PLN

Intragroup transactions - Derivatives' nominal values	of which from subsidiaries
3. Derivatives' nominal values, including:	**1 413 692**
-FX forward -purchased	1 040
-FX forward -sold	1 044
-Financial instruments operations-single-currency interest rate hedging swaps	705 804
-Financial instruments operations-single-currency interest rate swaps	705 804

13. Comments concerning the seasonal or cyclical character of the annual activities

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

14. Character and amounts of items which are extraordinary due to their nature, volume, or occurrence and have influence on the assets, liabilities, equity, financial performance or cash flows

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

15. Accounting estimates and judgments

Impairment of financial assets

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.

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 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.

Fair value of derivatives

The fair value of derivatives not quoted on active markets is determined using valuation techniques. If valuation techniques are used to determine the fair values, these methods are periodically assessed and verified. All the models are approved before application. As far as possible, only observable data are used in the models, although in some areas, the entity’s management must use estimates. Changes in the assumptions relating to the estimated factors may affect the fair values of derivatives disclosed.

Other accounting estimates and judgements

Provisions for employee benefits arising from the Group 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.

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

In Q3 2006, Bank Zachodni did not issue bonds or other own debt securities, however bonds were issued in BZWBK Leasing S.A. subsidiary undertaking- 3-year bonds- 3S0809 of PLN 46 376 k (nominal value) with the final redemption date of 07.08.2009 and in BZWBK Finanse&Leasing S.A. - 3-year bonds- 3S0809 of PLN 11 924 k (nominal value) with the final redemption date of 07.08.2009.

At the end of Q3 2006, the total value of obligations with respect to the issue of own bonds by Bank Zachodni WBK S.A., BZWBK Leasing and BZWBK Finanse & Leasing amounted to PLN 610 667 k (nominal value).

In Q3 2005, Bank Zachodni did not issue bonds or other own debt securities, however bonds were issued in BZWBK Leasing S.A. subsidiary undertaking - 3-year bonds – 3S0608 of PLN 3 069 k (nominal value) with the final redemption date of 30.06.2008 and in BZWBK Finanse&Leasing S.A. - 3-year bonds – 3S0608X of PLN 516 k with the final redemption date of 30.06.2008.

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

17. Dividend information

At 11 May 2006 Bank Zachodni WBK S.A. paid out to shareholders dividend of PLN 6.00 of its 2005 profits per one share (in 2004 – PLN 2.43 per one share).
Bank Zachodni WBK allocated to dividends 98.1% of net profit of PLN 437 762 k.

18. Income and profits by business segments

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

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

Income and costs of the individual segment mean income and costs earned/incurred on sales to external clients or on transactions with other segments of the Group. They are disclosed in the P&L account and can be allocated to a particular business segment on a rational bases.
The segment's assets and liabilities are operational assets and liabilities used by that segment in its operating activities. They can be, based on rational premises, allocated to a particular business segment.

Allocations of internal income and expenses were taken into account in determining the profitability of individual segments. Sale prices between the segments are close to market prices. Operating costs and income are appropriately allocated to a relevant segment. Costs and income, which cannot be rationally assigned, are stated in "unallocated costs" and "unallocated income".
BZ WBK Group operates exclusively in the territory of Poland and no significant differences in risk were identified as regards the geographical location of its outlets. Therefore, the issuer did not present financial statements with a breakdown into geographical segments.

in thousands of PLN

Consolidated income statement (by business segments)

30.09.2006	Branch operations	Treasury operations	Investment banking	Leasing operations	Eliminations	Total
1. Total segments income	**2 036 701**	**468 301**	**499 766**	**115 917**	**(801 516)**	**2 319 169**
Segments income (external)	1 578 746	156 055	469 638	114 730		**2 319 169**
Segments income (internal)	457 955	312 246	30 128	1 187	(801 516)	-
2. Total segments costs	**(1 554 371)**	**(391 654)**	**(237 204)**	**(82 983)**	**801 516**	**(1 464 696)**
Segments costs (external)	(1 213 411)	(28 580)	(150 188)	(72 517)		**(1 464 696)**
Segments costs (internal)	(340 960)	(363 074)	(87 016)	(10 466)	801 516	-
3. Dividend income	**-**	**-**	**57 276**	**-**	**-**	**57 276**
4. Movements in provisions	**(19 853)**	**-**	**-**	**(2 414)**	**-**	**(22 267)**
Write off	(234 083)	-	-	(13 713)	-	**(247 796)**
Write back	214 230	-	-	11 299	-	**225 529**
5. Segments income on investment in associates	**-**	**-**	**199**	**-**	**-**	**199**
6. Segments gross profit	**462 477**	**76 647**	**262 562**	**30 520**	**-**	**889 681**
7. Unallocated income						-
8. Unallocated costs						**(62 405)**
9. EBT						**827 276**
10. Income tax						**(170 315)**
11. Minority interest						**(63 515)**
12. Net profit						**593 446**

in thousands of PLN

Consolidated income statement (by business segments)

30.09.2005	Branch operations	Treasury operations	Investment banking	Leasing operations	Eliminations	Total
1. Total segments income	**2 161 323**	**503 738**	**200 111**	**109 749**	**(857 881)**	**2 117 040**
Segments income (external)	1 717 992	121 107	169 827	108 114		**2 117 040**
Segments income (internal)	443 331	382 631	30 284	1 635	(857 881)	-
2. Total segments costs	**(1 770 586)**	**(455 379)**	**(105 487)**	**(78 517)**	**857 881**	**(1 552 088)**
Segments costs (external)	(1 360 743)	(29 884)	(89 691)	(71 770)		**(1 552 088)**
Segments costs (internal)	(409 843)	(425 495)	(15 796)	(6 747)	857 881	-
3. Dividend income	**-**	**-**	**47 407**	**-**	**-**	**47 407**
4. Movements in provisions	**(25 217)**	**-**	**-**	**(3 539)**	**-**	**(28 756)**
Write off	(36 765)	-	-	(17 513)	-	**(54 278)**
Write back	11 548	-	-	13 974	-	**25 522**
5. Segments income on investment in associates	**-**	**-**	**708**	**-**	**-**	**708**
6. Segments gross profit	**365 520**	**48 359**	**142 739**	**27 693**	**-**	**584 311**
7. Unallocated income						-
8. Unallocated costs						**(52 658)**
9. EBT						**531 653**
10. Income tax						**(98 391)**
11. Minority interest						**(20 482)**
12. Net profit						**412 780**

in thousands of PLN

19. Acquisitions and disposals of investments in 3 Q 2006

Transfer of ownership right outside the regulated market from BZWBK S.A. securities account to NFI Magna Polonia S.A. securities account

Pursuant to section 69 of the Act on the public offer and the conditions for entering financial instruments into organized trading system and public companies of 29 July 2005, Bank Zachodni WBK S.A. informs that on 5 July 2006, ownership right was transferred outside the regulated market with regard to 5 570 261 NFI Magna Polonia S.A. shares from BZ WBK S.A. securities account to NFI Magna Polonia S.A. securities account.

The shares were purchased by NFI for redemption to deliver the Act 8/2006 of NFI Magna Polonia S.A. Extraordinary General Meeting of Shareholders of 13 April 2006 in which the Management Board was authorized to purchase NFI Magna Polonia S.A. shares for redemption.

20. Changes to the contingent liabilities or assets

Off balance sheet liabilities

The Group has commitments to deliver loans. These commitments include loans sanctioned, credit card limits and overdrafts. The Group 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	30.09.2006	30.06.2006	Movement
Liabilities sanctioned:	6 418 066	6 053 955	364 111
- financing-related	5 785 444	5 318 707	466 737
including: import letters of credit	111 940	96 510	15 430
including: credit lines	4 911 880	4 206 396	705 484
including: credit card debits	420 889	402 630	18 259
- guarantees	632 622	735 248	(102 626)
including: confirmed export letters of credit	2 651	314	2 337
Received liabilities	487 145	761 528	(274 383)
Total	**6 905 211**	**6 815 483**	**89 728**

As at 30.09.2006 , the Bank issued guarantees of PLN 82 451 k (as at 30.06.2006 – PLN 64 211) to following subsidiary undertakings: BZ WBK Finanse & Leasing S.A., BZ WBK Leasing S.A., BZWBK Dom Maklerski S.A., BZWBK AIB TFI and BZWBK Nieruchomości S.A. The guaranties were excluded as intragroup transactions.

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).

in thousands of PLN

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				
		30.09.2006	30.06.2006	Movement
1.	Derivatives (hedging)	1 974 298	1 878 826	95 472
a)	Single-currency interest rate swaps – purchased amounts	702 149	654 413	47 736
b)	Single-currency interest rate swaps – sold amounts	702 149	654 413	47 736
c)	FRA	570 000	570 000	-
2.	Term (trading) derivatives	147 077 889	137 223 170	9 854 719
a)	Interest rate operations	128 562 872	116 548 132	12 014 740
-	Single-currency interest rate swaps – purchased amounts	40 571 436	35 564 066	5 007 370
-	Single-currency interest rate swaps – sold amounts	40 571 436	35 564 066	5 007 370
-	FRA-purchased amounts	23 450 000	22 550 000	900 000
-	FRA-sold amounts	23 970 000	22 870 000	1 100 000
b)	FX operations	18 515 017	20 675 038	(2 160 021)
-	FX swap – purchased amounts	8 285 689	9 145 291	(859 602)
-	FX swap – sold amounts	8 282 227	9 152 961	(870 734)
-	Double-currency interest rate swaps – purchased amounts	978 959	1 186 617	(207 658)
-	Double-currency interest rate swaps – sold amounts	968 142	1 190 169	(222 027)
3.	Derivatives – non-stock market options	1 212 134	1 283 695	(71 561)
-	Options purchased	724 207	761 147	(36 940)
-	Options sold	487 927	522 548	(34 621)
	Total	**150 264 321**	**140 385 691**	**9 878 630**

21. Principles of PLN conversion into EURO

Selected financial figures for 3H 2006 were converted according to the following principles:

for Q3 2006:

Selected balance sheet data and book value per share - according to the average EURO/PLN rate current at the balance sheet date and announced by the National Bank of Poland – 3,9835.

Selected items of profit and loss account and cash flow for 3H 2006 – according to the exchange rate calculated as an arithmetic mean on the last day of each month in a quarter – 3,9171 (Jan – 3,8285, Feb – 3,7726, Mar – 3,9357, Apr – 3,8740, May – 3,9472, June – 4,0434, July – 3,9321, August – 3,9369, September – 3,9835).

for Q3 2005:

Selected balance sheet data and book value per share - according to the average EURO/PLN rate current at the balance sheet date and announced by the National Bank of Poland – 3,9166.

Selected items of profit and loss account and cash flow for 3H 2005 - according to the exchange rate calculated as an arithmetic mean on the last day of each month in a quarter – 4,0583 (Jan – 4,0503, Feb – 3,9119, Mar – 4,0837, Apr – 4,2756, May – 4,1212, June – 4,0401, July – 4,0758, August – 4,0495, September – 3,9166).

in thousands of PLN

22. Shareholders with min. voting power of 5%

According to the information held by the Bank's Management Board, the shareholder with a min. 5% of the total number of votes at the BZWBK Annual General Meeting as at the publication date of the quarterly consolidated report for 3H 2006 (9.11.2006r.) 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 9.11.2006r. AIB European Investments Limited	51 413 790	70,5 %	51 413 790	70,5 %
As at 1.08.2006r. AIB European Investments Limited	51 413 790	70,5 %	51 413 790	70,5 %

23. Changes in shareholding of members of the Management and Supervisory Boards BZ WBK

	No. Of Bank Zachodni WBK shares held		
	1.08.2006r.	9.11.2006r.	Change
Members of the Management Board	501	501	-
Members of the Supervisory Board	278	278	-

Table below presents personal shareholding of Supervisory and Management Board Members as at 8th November 2006

Owner	No. of shares
Supervisory Board	
Waldemar Frąckowiak	278
Management Board	
Jacek Kseń	500
Marcin Prell	1

No other Supervisory or Management Board Member is in possession of BZWBK shares.

24. Information about the commenced court proceedings

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

As at 30 September 2006, 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 290 073 k, which is ca. 8,15% of of Group's equity. This amount includes PLN 67 951 k claimed by the Bank, PLN 44 898 k in claims against the Bank and PLN 177 224 k are Bank's receivables due to bankruptcy or arrangement cases.

As at 30 June 2006, 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 289 135 k, which is ca. 8,64% of Group's equity. This amount includes PLN 74 341 k claimed by the Bank, PLN 46 052 k in claims against the Bank and PLN 168 742 k are Bank's receivables due to bankruptcy or arrangement cases.

25. Information concerning issuing loan guarantees by an issuer or its subsidiary – to one business unit or it's subsidiary, if the total of guarantees issued amounts to at least 10% of issuer's equity

As at 30 September 2006 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.

26. Events which might affect financial performance over the next quarter

The most important factors impacting the Bank's financial results in the future will be:

- sustenance of a high rate of economic growth, a greater reliance on domestic demand (both in terms of investment spend and consumption), which should stimulate a further growth across lending portfolios especially in a continually improving labour environment ,
- persistently strong PLN exchange rate for nine months of 2006 may later backfire at the situation of export traders thereby limiting the dynamics of overseas trade, or by limiting production profitability may exacerbate domestic demand. However, we should not expect this effect to materialise because the appreciation of our currency will be offset by a growing work efficiency and technological advancement of Polish enterprises.
- preservation of low interest rates in Poland will on the one hand fuel demand for PLN loans and on the other one discourage people from depositing surplus on PLN accounts as they will chose investment products offering much higher yield.

27. Events which occurred after the balance sheet date

There was no events which occurred after the balance sheet date and which could have far influence on the future financial statement.

SIGNATURES OF PERSONS REPRESENTING THE ENTITY

Date	Name	Function	Signature
9-11-2006	James Murphy	Member of the Management Board	
9-11-2006	Wanda Rogowska	Financial Accounting Area Director	