

*Translation of interim financial statements of
the PKO Bank Polski SA Group for the first three quarters of 2005
The only binding version is the originally issued Polish version of this report*



**PKO BANK POLSKI
SPÓŁKA AKCYJNA**

**INTERIM FINANCIAL STATEMENTS OF
THE PKO BANK POLSKI SA GROUP
FOR THE FIRST THREE QUARTERS OF 2005**

Prepared in accordance with International Financial Reporting Standards

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1. SUMMARY

- As at 30 September 2005:
 - total assets of the PKO BP SA Group amounted to PLN 92,421 million and increased by PLN 6,466 million i.e. 7.5% compared to the end of 2004,
 - the Group's total equity amounted to PLN 8,458 million and decreased by PLN 400 million i.e. 4.5% compared to the end of 2004 as a result of the decision of the General Shareholders' Meeting to apportion PLN 1 billion to dividends from the 2004 profit.
- In the first 3 quarters of 2005, the PKO BP SA Group achieved the gross pre - tax result amounting to PLN 1,733 million. After deductions resulting from tax charges and minority interest, the net result amounted to PLN 1,373 million. Compared to the same period in 2004, the gross pre - tax result and the net result were 15.0% and 14.5% higher, respectively.
- The Group's gross pre - tax result for the third quarter of 2005 amounted to PLN 629 million and was 45.9% higher compared to the third quarter of 2004. The net result achieved by the Group in the third quarter 2005 amounted to PLN 485 million and was 41.5% higher compared to the balance for the third quarter of 2004.

2. ACCOUNTING POLICIES

This report was prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), effective from the beginning of 2005, and with the interpretations thereof issued by the International Financial Reporting Interpretation Committee (IFRIC). The consolidated quarterly report was prepared in accordance with the International Accounting Standard No. 34 *Interim financial reporting* and includes additional disclosures required by the Decree of the Minister of Finance of 19 October 2005 on current and interim information to be provided by the issuers of securities (Journal of Laws No. 209 item 1744).

The accounting policies applied in the report for the 3rd quarter of 2005 are consistent with those applied in the previous quarters of 2005. These policies were described in detail in the Semi - annual Consolidated Report for the first half of 2005.

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3. FINANCIAL STATEMENTS

Consolidated quarterly report 3/2005

For the 3 quarters of 2005 (period from 1 January 2005 to 30 September 2005)

Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna		
(full name of issuer)		
PKO BP SA		
(abbreviated name of issuer)		
02-515		Warszawa
(postal code)		(city)
Puławska		15
(street)		(number)
521-71-12	521-83-74	
(telephone)	(fax)	(e-mail)
525-000-77-38	016298263	www.pkobp.pl
(NIP)	(REGON)	(www)

Consolidated condensed financial statements	in PLN thousand		in EUR thousand	
	Period from 01.01 to 30.09.2005	Period from 01.01 to 30.09.2004	Period from 01.01 to 30.09.2005	Period from 01.01 to 30.09.2004
SELECTED FINANCIAL DATA				
Net interest income	2 680 670	2 620 397	660 540	567 014
Net fees and commission income	896 222	1 142 433	220 837	247 205
Operating profit	1 714 668	1 492 861	422 509	323 032
Net profit (loss) for the current year (including minority interest)	1 378 074	1 200 912	339 569	259 859
Net profit (loss)	1 372 776	1 199 203	338 264	259 489
Shareholders' equity attributable to the parent company's shareholders	8 382 360	8 382 930	2 140 213	1 912 514
Total shareholders' equity	8 458 327	8 453 853	2 159 610	1 928 694
Net cash flow from operating activities	(3 931 474)	(4 586 668)	(968 749)	(992 484)
Net cash flow from investing activities	2 435 817	6 212 765	600 206	1 344 347
Net cash flow from financing activities	(76 011)	63 818	(18 730)	13 809
Total net cash flows	(1 571 668)	1 689 915	(387 273)	365 672
Net profit per ordinary share for the period	1.37	1.20	0.34	0.26
Diluted net profit per ordinary share for the period	1.37	1.20	0.34	0.26

Condensed financial statements	in PLN thousand		in EUR thousand	
	Period from 01.01 to 30.09.2005	Period from 01.01 to 30.09.2004	Period from 01.01 to 30.09.2005	Period from 01.01 to 30.09.2004
SELECTED FINANCIAL DATA				
Net interest income	2 633 645	2 601 844	648 953	562 999
Net fees and commission income	857 859	1 146 129	211 384	248 005
Operating profit	1 678 056	1 463 511	413 487	316 681
Net profit	1 330 677	1 166 107	327 890	252 328
Total shareholders' equity	8 447 147	8 513 331	2 156 755	1 942 264
Net cash flow from operating activities	(3 965 439)	(4 699 207)	(977 118)	(1 016 836)
Net cash flow from investing activities	2 472 501	6 183 743	609 245	1 338 067
Net cash flow from financing activities	(1 399)	66 849	(345)	14 465
Total net cash flows	(1 494 337)	1 551 385	(368 217)	335 696
Net profit per ordinary share for the period	1.33	1.17	0.33	0.25
Diluted net profit per ordinary share for the period	1.33	1.17	0.33	0.25

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BALANCE SHEET OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP		
ASSETS	As at 30.09.2005	As at 31.12.2004
Cash and amounts due from the Central Bank	3 499 316	3 525 329
Amounts due from banks	13 492 310	13 231 879
Financial assets held for trading	605 590	369 517
Derivative financial instruments	1 379 952	1 362 379
Other financial instruments at fair value through profit or loss	22 821 154	-
Loans and advances to customers	44 745 891	40 037 263
Investment securities	1 773 482	23 458 834
Available for sale	1 627 212	21 565 817
Held to maturity	146 270	1 893 017
Investments in associates and jointly controlled entities	173 088	156 815
Intangible assets	606 445	501 174
Tangible fixed assets	2 453 660	2 651 597
Deferred tax asset	31 122	26 644
Other assets	838 843	632 934
TOTAL ASSETS	92 420 853	85 954 365

LIABILITIES AND EQUITY	As at 30.09.2005	As at 31.12.2004
Liabilities		
Amounts due to the Central Bank	1 381	144
Amounts due to other banks	1 603 293	998 718
Derivative financial instruments	1 384 574	793 739
Amounts due to customers	78 470 751	73 096 254
Liabilities arising from securities issued	74 106	21 076
Other liabilities	2 161 625	1 390 748
Deferred tax liability	34 134	586 761
Provisions	232 662	208 773
TOTAL LIABILITIES	83 962 526	77 096 213
Equity		
Share capital	1 000 000	1 000 000
Other capital and reserves	5 851 395	6 027 024
Currency translation differences from foreign operations	(4 283)	(11 472)
Retained earnings	162 472	270 046
Net profit for the period	1 372 776	1 506 705
Equity attributable to the parent company's shareholders	8 382 360	8 792 303
Minority capital	75 967	65 849
Total equity	8 458 327	8 858 152
TOTAL LIABILITIES AND EQUITY	92 420 853	85 954 365

Capital adequacy ratio	14.86	18.42*
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* Capital adequacy ratio as at 31 December 2004 was calculated on the basis of comparative data restated for changes in accounting policies. In accordance with the authorized consolidated financial statements of the Group as at 31 December 2004, the capital adequacy ratio amounted to 16.67%.

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PROFIT AND LOSS ACCOUNT OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP				
	3rd quarter from 01.07.2005 to 30.09.2005	3 quarters from 01.01.2005 to 30.09.2005	3rd quarter from 01.07.2004 to 30.09.2004	3 quarters from 01.01.2004 to 30.09.2004
Interest income	1 408 076	4 296 029	1 331 006	3 883 445
Interest expense	(495 284)	(1 615 359)	(459 996)	(1 263 048)
Net interest income	912 792	2 680 670	871 010	2 620 397
Fees and commission income	375 285	1 124 497	499 851	1 334 454
Fees and commission expense	(79 909)	(228 275)	(73 260)	(192 021)
Net fees and commission income	295 376	896 222	426 591	1 142 433
Dividend income	14 542	16 112	3 248	3 251
Result from financial instruments at fair value	(36 023)	103 624	(95 318)	13 314
Result from investment securities	204 419	257 636	(31 802)	(37 687)
Foreign exchange result	143 049	474 888	121 924	296 523
Other operating income	252 199	554 372	160 579	390 126
Other operating expense	(53 670)	(120 301)	(69 622)	(111 439)
Net other operating income	198 529	434 071	90 957	278 687
Impairment losses	(53 165)	(140 736)	(2 682)	(13 081)
Overhead costs	(1 058 549)	(3 007 819)	(961 462)	(2 810 976)
Operating profit (loss)	620 970	1 714 668	422 466	1 492 861
Share in the profits (losses) of associates and jointly controlled entities	7 708	18 132	8 286	13 576
Profit (loss) before income tax	628 678	1 732 800	430 752	1 506 437
Income tax expense	(134 908)	(354 726)	(86 634)	(305 525)
Net profit (loss) for the period (including minority interest), of which:	493 770	1 378 074	344 118	1 200 912
(Profit) loss attributable to minority shareholders	8 350	5 298	1 161	1 709
Net profit (loss)	485 420	1 372 776	342 957	1 199 203
Net profit per ordinary share				
- net profit per ordinary share for the period	0.48	1.37	0.34	1.20
- diluted net profit per ordinary share for the period	0.48	1.37	0.34	1.20

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP		
	Period from 01.01.2005 to 30.09.2005	Period from 01.01.2004 to 30.09.2004
EQUITY		
Share capital	1 000 000	1 000 000
Other capital and reserves, of which:	5 851 395	5 915 679
Reserve capital	3 297 614	2 789 030
Revaluation reserve	(2 637)	123 965
<i>Fair value adjustments to available-for-sale financial assets</i>	<i>(2 637)</i>	<i>123 965</i>
Other reserves	1 556 418	1 495 387
General banking risk fund	1 000 000	1 507 297
Foreign exchange differences on foreign operations	(4 283)	(1 998)
Retained earnings	162 472	270 046
Net profit for the period	1 372 776	1 199 203
Equity attributable to the parent company's shareholders	8 382 360	8 382 930
Minority capital	75 967	70 923
<i>Including the result for the period</i>	<i>5 298</i>	<i>1 709</i>
Total equity	8 458 327	8 453 853
Sources of changes in equity		
Equity as at the end of the previous period	8 070 534	6 399 135
Adjustments due to changes in accounting policies	149 238	786 208
- recognition of minority interest	65 849	26 512
- adjustments associated with implementation of IFRS/IAS	83 389	759 696
Equity as at the beginning of the period, restated	8 219 772	7 185 343
Changes in shareholders' equity		
Net profit (loss) for the period attributable to the parent company's shareholders	1 372 776	1 199 203
Profits (losses) of the minority shareholders	5 298	1 709
Fair value adjustments to available-for-sale financial assets recognised in the revaluation reserve	(163 310)	53 533
Currency translation differences on subsidiaries	7 189	(1 998)
Other increases/decreases of shareholder's equity	(983 398)	16 063
Total shareholders' equity	8 458 327	8 453 853

CONDENSED STATEMENT OF CASH FLOWS OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SAGROUP		
	Period from 01.01.2005 to 30.09.2005	Period from 01.01.2004 to 30.09.2004
Net cash flow from operating activities	(3 931 474)	(4 586 668)
Net cash flow from investing activities	2 435 817	6 212 765
Net cash flow from financing activities	(76 011)	63 818
Total net cash flow	(1 571 668)	1 689 915
Cash and cash equivalents at the beginning of the period	13 812 825	9 856 770
Cash and cash equivalents at the end of the period	12 241 157	11 546 685
Components of cash and cash equivalents	12 241 157	11 546 685
Cash on hand	1 186 853	1 170 613
Amounts due from central banks	2 312 463	2 944 259
Current receivables from financial institutions	8 729 341	7 428 669
Cash of the Brokerage House in the Stock Exchange Guarantee Fund	12 500	3 144

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OFF-BALANCE SHEET ITEMS OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP		
	As at 30.09.2005	As at 31.12.2004
Off-balance sheet contingent liabilities granted and received	15 647 435	11 757 265
Contingent liabilities granted:	10 553 741	6 398 345
financial	9 155 606	5 659 867
guarantees	1 398 135	738 478
Contingent liabilities received:	5 093 694	5 358 920
financial	473 587	758 291
guarantees	4 620 107	4 600 629
Liabilities arising from the purchase/sale transactions	272 195 411	170 084 929
Other, of which:	13 840 467	14 003 647
irrevocable liabilities	8 060 131	9 504 544
received collaterals	5 780 336	4 499 103
Total off-balance sheet items	301 683 313	195 845 841

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BALANCE SHEET OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA		
ASSETS	As at 30.09.2005	As at 31.12.2004
Cash and amounts due from the Central Bank	3 455 117	3 490 505
Amounts due from banks	13 482 114	13 146 115
Financial assets held for trading	586 286	346 131
Derivative financial instruments	1 379 952	1 362 379
Other financial instruments at fair value through profit or loss	22 821 154	-
Loans and advances to customers	44 119 141	39 577 723
Investment securities	1 701 518	23 498 314
Available for sale	1 555 248	21 605 297
Held to maturity	146 270	1 893 017
Investments in associates and jointly controlled entities	802 883	764 865
Intangible assets	492 308	384 045
Tangible fixed assets	2 023 787	2 218 233
Other assets	416 662	323 286
TOTAL ASSETS	91 280 922	85 111 596

LIABILITIES	As at 30.09.2005	As at 31.12.2004
Amounts due to the Central Bank	1 381	144
Amounts due to other banks	1 528 014	800 403
Derivative financial instruments	1 384 574	793 739
Amounts due to customers	77 712 539	72 576 273
Liabilities arising from securities issued	-	-
Other liabilities	1 957 717	1 243 404
Deferred tax liability	32 060	583 353
Provisions	217 490	207 033
TOTAL LIABILITIES	82 833 775	76 204 349
Share capital	1 000 000	1 000 000
Other capital and reserves	5 673 797	5 900 933
Retained earnings	442 673	558 264
Net profit for the period	1 330 677	1 448 050
Total equity	8 447 147	8 907 247
TOTAL LIABILITIES AND EQUITY	91 280 922	85 111 596

Capital adequacy ratio	14.85	18.70*
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* Capital adequacy ratio as at 31 December 2004 was calculated on the basis of comparative data restated for changes in accounting policies. In accordance with the authorized financial statements of the Bank as at 31 December 2004, the capital adequacy ratio amounted to 16.77%.

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PROFIT AND LOSS ACCOUNT OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA				
	3rd quarter from 01.07.2005 to 30.09.2005	3 quarters from 01.01.2005 to 30.09.2005	3rd quarter from 01.07.2004 to 30.09.2004	3 quarters from 01.01. 2004 to 30.09.2004
Interest income	1 370 458	4 191 114	1 317 758	3 854 220
Interest expense	(475 175)	(1 557 469)	(452 145)	(1 252 376)
Net interest income	895 283	2 633 645	865 613	2 601 844
Fees and commission income	361 455	1 094 088	496 122	1 342 604
Fees and commission expense	(82 882)	(236 229)	(76 797)	(196 475)
Net fees and commission income	278 573	857 859	419 325	1 146 129
Dividend income	14 609	28 881	3 307	22 147
Result from financial instruments at fair value	(36 178)	102 885	(95 572)	13 050
Result from investment securities	204 697	257 894	(32 169)	(38 266)
Foreign exchange result	138 133	480 335	112 650	287 883
Other operating income	71 104	153 294	64 579	173 547
Other operating expense	(34 968)	(67 232)	(32 550)	(73 935)
Net other operating income	36 136	86 062	32 029	99 612
Impairment losses	(40 732)	(110 246)	5 843	(2 274)
Overhead costs	(912 427)	(2 659 259)	(905 828)	(2 666 614)
Operating (loss) profit	578 094	1 678 056	405 198	1 463 511
Share of profit of associates and jointly controlled entities	-	-	-	-
Profit (loss) before income tax	578 094	1 678 056	405 198	1 463 511
Income tax expense	(128 641)	(347 379)	(84 804)	(297 404)
Current	(197 181)	(781 421)	(134 755)	(330 002)
Deferred	68 540	434 042	49 951	32 598
Net profit (loss)	449 453	1 330 677	320 394	1 166 107
Net profit per ordinary share				
- net profit per ordinary share for the period	0.45	1.33	0.32	1.17
- diluted net profit per ordinary share for the period	0.45	1.33	0.32	1.17

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA		
	Period from 01.01.2005 to 30.09.2005	Period from 01.01 2004 to 30.09.2004
EQUITY		
Share capital	1 000 000	1 000 000
Retained earnings, of which:	1 773 350	1 723 503
Retained earnings from previous years	442 673	557 396
Net profit for the period	1 330 677	1 166 107
Other capital and reserves, of which:	5 673 797	5 789 828
Reserve capital	3 297 080	2 788 508
Revaluation reserve	(3 283)	124 023
<i>Fair value adjustments to available-for-sale financial assets</i>	<i>(3 283)</i>	<i>124 023</i>
<i>Currency translation differences on subsidiaries</i>	<i>-</i>	<i>-</i>
<i>Differences arising on valuation of fixed assets</i>	<i>-</i>	<i>-</i>
Other reserves	1 380 000	1 370 000
General banking risk fund	1 000 000	1 507 297
Total equity	8 447 147	8 513 331
Sources of changes in equity		
Equity as at the end of the previous period	8 070 534	6 399 135
Adjustments due to changes in accounting policies	198 333	921 624
- adjustments associated with implementation of IFRS/IAS	511 995	921 624
- adjustments associated with implementation of effective interest rate	(313 662)	-
Equity as at the beginning of the period, restated	8 268 867	7 320 759
Changes in shareholders' equity		
Net profit (loss) of the Bank	1 330 677	1 166 107
Fair value adjustments to available-for-sale financial assets recognised in the revaluation reserve	(163 894)	53 567
Other increases/decreases of shareholders' equity	(988 503)	(27 102)
Total shareholders' equity	8 447 147	8 513 331

CONDENSED STATEMENT OF CASH FLOWS OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA		
	Period from 01.01.2005 to 30.09.2005	Period from 01.01 2004 to 30.09.2004
Net cash flow from operating activities	(3 965 439)	(4 699 207)
Net cash flow from investing activities	2 472 501	6 183 743
Net cash flow from financing activities	(1 399)	66 849
Total net cash flow	(1 494 337)	1 551 385
Cash and cash equivalents at the beginning of the period	13 696 809	9 856 728
Cash and cash equivalents at the end of the period	12 202 472	11 408 113
Components of cash and cash equivalents	12 202 472	11 408 113
Cash on hand	1 142 654	1 135 869
Amounts due from central banks	2 312 463	2 944 259
Current receivables from financial institutions	8 734 855	7 324 841
Cash of the Brokerage House in the Stock Exchange Guarantee Fund	12 500	3 144

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OFF-BALANCE SHEET ITEMS OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA		
	As at 30.09.2005	As at 31.12.2004
Off-balance sheet contingent liabilities granted and received	15 621 537	12 292 273
Contingent liabilities granted:	10 898 503	7 148 458
financial	9 492 493	6 290 493
guarantees	1 406 010	857 965
Contingent liabilities received:	4 723 034	5 143 815
financial	443 668	714 887
guarantees	4 279 366	4 428 928
Liabilities arising from the purchase/sale transactions	272 192 625	170 088 351
Other, of which:	10 955 228	12 368 143
irrevocable liabilities	8 060 131	9 504 544
received collaterals	2 895 097	2 863 599
Total off-balance sheet items	298 769 390	194 748 767

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Reconciliation of differences between IFRS/IAS and PAS

The tables below present the impact of implementation of IFRS/IAS on equity and net profit in the reporting periods presented in this report.

• **Reconciliation of differences between IFRS/IAS and PAS as at 30 September 2004**

PROFIT AND LOSS ACCOUNT OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP

	PAS 01.01. - 30.09.2004	IAS 01.01. - 30.09.2004	Difference IAS - PAS
Interest income	3 887 944	3 883 445	(4 499) ^{1),2)}
Interest expense	(1 167 934)	(1 263 048)	(95 114) ^{1),5)}
Net interest income	2 720 010	2 620 397	(99 613)
Fees and commission income	1 335 113	1 334 454	(659) ²⁾
Fees and commission expense	(191 976)	(192 021)	(45) ^{1),2)}
Net fees and commission income	1 143 137	1 142 433	(704)
Dividend income	3 251	3 251	-
Result from financial instruments at fair value	117 850	13 314	(104 536) ^{5),7)}
Result from investment securities	(130 960)	(37 687)	93 273 ^{2),5)}
Foreign exchange result	190 380	296 523	106 143 ^{1),7)}
Other operating income	294 862	390 126	95 264 ^{1),2),6)}
Other operating expense	(153 229)	(111 439)	41 790 ^{2),3),6)}
Net other operating income	141 633	278 687	137 054
Impairment losses	49 192	(13 081)	(62 273) ^{4),6)}
Overhead costs	(2 723 756)	(2 810 976)	(87 220) ^{1),2)}
Operating profit (loss)	1 510 737	1 492 861	(17 876)
Share in the profits (losses) of associates and jointly controlled entities	11 601	13 576	1 975 ^{1),3)}
Profit (loss) before income tax	1 522 338	1 506 437	(15 901)
Income tax expense	(305 536)	(305 525)	11 ²⁾
Net profit (loss) for the period (including minority interest)	1 216 802	1 200 912	(15 890)
(Profit) loss attributable to the minority shareholders	(127)	(1 709)	(1 582) ¹⁾
Net profit (loss)	1 216 675	1 199 203	(17 472)

¹⁾ Consolidation of subsidiaries using the full method, previously valued using the equity pick - up method according to PAS.

²⁾ Change of presentation in subsidiaries entities consolidated using the full method

³⁾ Reversal of goodwill amortisation

⁴⁾ Adjustment to goodwill impairment

⁵⁾ Change in presentation of premium on debt securities.

⁶⁾ Change in presentation of tangible fixed assets' impairment

⁷⁾ Change in presentation of CIRS transactions valuation

Reconciliation of the differences between IAS and PAS in the Group's net profit for the 9 – month period ended 30 September 2004 (reconciliation of earlier published PAS financial data and comparative data restated to IAS)

<i>(9-month period ended 30 September 2004)</i>	
Net profit according to PAS	1 216 675
Reversal of goodwill amortization	20 118
Adjustment to goodwill impairment	(36 008)
Profit (loss) attributable to the minority shareholders	(1 582)
Net profit according to IAS	1 199 203

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Reconciliation of differences between IAS and PAS in the Group's equity as at 30 September 2004 (reconciliation of earlier published PAS financial data and comparative data restated to IAS)

Equity according to PAS as at 30.09.2004	7 665 451
Reversal of goodwill amortisation	20 118
Recognition of the minority interest	70 923
Transfer of general banking risk provision to equity	507 297
Deemed cost of tangible fixed assets stated at fair value	226 166
Adjustment to goodwill impairment	(36 008)
Other changes	(94)
Equity according to IAS	8 453 853

• **Reconciliation of differences between IFRS/IAS and PAS as at 30.09.2004**

PROFIT AND LOSS ACCOUNT OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA

	PAS 01.01. - 30.09.2004	IAS 01.01. - 30.09.2004	Difference IAS - PAS
Interest income	3 854 220	3 854 220	-
Interest expense	(1 157 245)	(1 252 376)	(95 131) ¹⁾
Net interest income	2 696 975	2 601 844	(95 131) ¹⁾
Fees and commission income	1 342 604	1 342 604	-
Fees and commission expense	(196 475)	(196 475)	-
Net fees and commission income	1 146 129	1 146 129	-
Dividend income	3 251	22 147	18 896 ²⁾
Result from financial instruments at fair value	117 586	13 050	(104 536) ^{1) 5)}
Result from investment securities	(131 790)	(38 266)	93 524 ¹⁾
Foreign exchange result	181 741	287 883	106 142 ⁵⁾
Other operating income	174 392	173 547	(845) ³⁾
Other operating expense	(99 028)	(73 935)	25 093 ³⁾
Net other operating income	75 364	99 612	24 248
Impairment losses	55 182	(2 274)	(57 456) ^{3) 4)}
Overhead costs	(2 666 614)	(2 666 614)	-
Operating profit (loss)	1 477 824	1 463 511	(14 313)
Share of profit of associates and jointly controlled entities	36 255	-	(36 255) ^{2) 4)}
Profit (loss) before income tax	1 514 079	1 463 511	(50 568)
Income tax expense	(297 404)	(297 404)	-
Net profit (loss)	1 216 675	1 166 107	(50 568)

¹⁾ Change in presentation of premium on debt securities

²⁾ Change in presentation of dividend received from subsidiaries

³⁾ Change in presentation of tangible fixed assets' impairment

⁴⁾ Valuation of investments in subsidiaries in accordance with IAS 27 and IAS 36

⁵⁾ Change in presentation of CIRS transactions valuation

Reconciliation of the differences between IAS and PAS in the Bank's net profit for the 9 – month period ended 30 September 2004 (reconciliation of earlier published PAS financial data and comparative data restated to IAS)

<i>(9-month period ended 30 September 2004)</i>	
Net profit according to PAS	1 216 675
Valuation of investments in subsidiaries – at cost less impairment instead of using the equity pick – up method	(50 568)
Net profit according to IAS	1 166 107

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Reconciliation of differences between IAS and PAS in the Bank's equity as at 30 September 2004 (reconciliation of earlier published PAS financial data and comparative data restated to IAS)

Equity according to PAS as at 30.09.2004	7 665 451
Valuation of investments in subsidiaries – at cost less impairment instead of using the equity pick – up method	114 417
Transfer of the general banking risk provision to equity	507 297
Deemed cost of the tangible fixed assets at fair value in accordance with IFRS 1	226 166
Equity according to IAS as at 30.09.2004	8 513 331

4. IMPAIRMENT OF ASSETS

The balances of impairment allowances recognised against assets at the balance sheet date are as follows:

	30.09.2005	31.12.2004
Impairment allowances against loans and advances, guarantees and deposits	3 100 287	2 446 600*
Impairment allowances against tangible fixed assets and intangible assets	50 781	35 783
Impairment allowances against financial assets	90 597	55 101
Impairment allowances against other assets	143 653	114 966

*Inclusive of provision created in accordance with the Decree of the Minister of Finance dated 10 December 2003 on the creation of provisions for risks relating to banking activities (Journal of Laws No. 218, item 2147).

Impairment losses recognised by the Bank on financial assets through profit and loss

	01.01 – 30.09.2005	01.01 – 30.09.2004
Increases	(645 153)	(780 647)
of which:		
- impairment losses on loans and advances	(580 714)	(673 049)
- impairment losses on off-balance sheet liabilities	(36 345)	(24 070)
- impairment losses on securities and financial assets	(482)	(52 169)
- impairment losses on other receivables and tangible fixed assets	(27 612)	(31 359)
Decreases	534 907	778 373
of which:		
- impairment losses on loans and advances	485 642	690 970
- impairment losses on off-balance sheet liabilities	36 978	17 677
- impairment losses on securities and financial assets	11 012	57 141
- impairment losses on other receivables and tangible fixed assets	1 275	12 585
Balance at the end of the period	(110 246)	(2 274)

5. ADJUSTMENTS DUE TO PROVISIONS, DEFERRED TAX LIABILITY AND DEFERRED TAX ASSET OF THE BANK

	30.09.2005	31.12.2004
Deferred tax liability	574 244	855 568
Deferred tax asset	542 184	272 215
Provision for off-balance sheet liabilities	23 377	22 920
Provision for future liabilities to employees	194 113	184 113

6. DESCRIPTION OF THE PKO BP SA GROUP

6.1. ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the financial statements of the Bank, as the holding company of the PKO BP SA Group, and its subsidiaries, as defined under IAS 27 "Consolidated and Separate Financial Statements".

Table 1. Entities included in the consolidated financial statements

No.	Name of the entity	Value of investment at cost	% of share capital	Method of consolidation
		PLN thousands	%	
The PKO BP SA Group				
Parent company				
1	Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna			
Entities directly controlled by the Bank (direct subsidiaries)				
2	Powszechne Towarzystwo Emerytalne BANKOWY S.A.	205 786	100.00	Full method
3	Centrum Finansowe Puławska Sp. z o.o.	128 288	100.00	Full method
4	Kredyt Bank (Ukraina) S.A.	109 531	66.651	Full method
5	PKO Inwestycje Sp. z o.o.	86 423*	100.00	Full method
6	Inteligo Financial Services S.A.	59 602	100.00	Full method
7	Centrum Elektronicznych Usług Płatniczych eService S.A.	55 500	100.00	Full method
8	Bankowy Fundusz Leasingowy S.A.	30 000	100.00	Full method
9	Bankowe Towarzystwo Kapitałowe S.A.	18 566	100.00	Full method
Entities indirectly controlled by the Bank (indirect subsidiaries)				
Direct subsidiaries of PKO Inwestycje Sp. z o.o.				
10	Fort Mokotów Sp. z o.o.	32 130	51.00	Full method
11	Wilanów Investments Sp. z o.o.	17 340	51.00	Full method
12	POMERANKA Sp. z o.o.	17 000	100.00	Full method
13	UKRPOLINWESTYCJE Sp. z o.o.	188	55.00	Full method
Direct subsidiary of PTE BANKOWY S.A.				
14	Finanse Agent Transferowy Sp. z o.o.	1 861	100.00	Full method
Other entities included in consolidation				
Jointly controlled entities				
15	Centrum Obsługi Biznesu Sp. z o.o.	17 498	41.44	Equity method
16	PKO/CREDIT SUISSE Towarzystwo Funduszy Inwestycyjnych S.A.	14 000	50.00	Equity method
17	WAWEL Hotel Development Sp. z o.o.	13 865	35.40	Equity method

*inclusive of a capital injection payment (dopłata) of PLN 5.5 million

Table 2. Other entities on which the Bank has a significant influence

No.	Name of the entity	Value of investment at cost	% of share capital	Method of consolidation
		PLN thousands	%	
Associates				
1	Bank Pocztowy S.A.	146 500	25.0001	Equity method
2	Kolej Gondolowa Jaworzyna Krynicka S.A.	15 531	37.83	Equity method
3	Ekogips S.A. – in bankructcy	5 400	60.26	Equity method
4	Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	1 500	33.33	Equity method
5	Hotel Jan III Sobieski Sp. z o.o.	522	32.50	Equity method
6	Agencja Inwestycyjna CORP S.A	29	22.31	Equity method

Due to immaterial amounts, the following entities were not consolidated:

- International Trade Center Sp. z o.o. in liquidation,
- Przedsiębiorstwo Informatyki Bankowej „Elbank” Sp. z o.o. in liquidation,
- Sonet Hungary Kft in liquidation (the subsidiary of Inteligo Financial Services S.A.).

6.2. CHANGES IN THE ORGANISATION OF RELATED ENTITIES IN THE 3RD QUARTER OF 2005

The events that affected the structure of the PKO BP SA Group in the 3rd quarter of 2005 were as follows:

- incorporation of UKRPOLINWESTYCJE Sp. z o.o. in Kiev.

UKRPOLINWESTYCJE Sp. z o.o. was entered in the National Register of Enterprises and Organisations of Ukraine on 10 August 2005. The company's share capital in Ukrainian hryvnas is the equivalent of USD 100,000 and consists of 100 shares with a nominal value amounting to the Ukrainian hryvna equivalent of USD 1,000.

The company's shareholders are as follows:

- PKO Inwestycje Sp. z o.o. (the Bank's subsidiary), with 55 shares accounting for 55% of the share capital,
- JEDYNKA S.A. (with registered office in Rzeszów), with 30 shares accounting for 30% of the share capital,
- ETALON INCEST (Ukrainian company), with 15 shares accounting for 15% of the share capital.

The primary goal of the company is to take steps in order to launch investment projects in Kiev or in other Ukrainian cities.

- Registration of a share capital increase in Kolej Gondolowa Jaworzyna Krynicka S. A.

An increase in the company's share capital of PLN 426,250 was registered in the National Court Register on 29 September 2005. The new shares were taken by the City of Krynica Górská. The increased share capital amounts to PLN 41,053,150 and consists of 821,063 shares with a nominal value of PLN 50 each.

As a result of the increase, the Bank's shareholding decreased from 38.23% to 37.83%, and the percentage of votes at the Annual General Meeting decreased from 37.03% to 36.85%.

- Additional payment to PKO Inwestycje Sp. z o.o.

In September 2005, PKO BP SA made an additional payment to PKO Inwestycje Sp. z o.o. amounting to PLN 1,020 thousand, committed to the investment project "Miasteczko Wilanów" (Wilanów Investments Sp. z o.o.).

6.3. RELATED PARTY TRANSACTIONS

In the 3rd quarter of 2005, PKO BP SA provided the following services to related entities:

- keeping bank accounts,
- accepting deposits,
- granting loans, including for leasing activity,
- issuing debt securities,
- granting off-balance sheet liabilities – credit lines, guarantees and foreign exchange transactions.

All transactions were conducted on an arm's length basis.

All significant transactions (exceeding the equivalent of EUR 500 thousand) between PKO BP SA and the PKO BP SA Group entities, not related to the Bank's current activities, were presented in point 17 of this commentary.

7. SUMMARY OF MAJOR ACHIEVEMENTS OF PKO BP SA IN THE 3RD QUARTER OF 2005

7.1. GENERAL INFORMATION

Table 3. General operating data as at 30 September 2005

Details	30.09.2005	30.06.2005	31.12.2004	Change from:	
				30.06.2005	31.12.2004
Total number of branches	1,257	1,261	1,266	(4)	(9)
- in the Retail Market Area:	1,174	1,178	1,183	(4)	(9)
Regional Retail Branches	12	12	12	0	0
Independent branches	538	537	537	1	1
Subordinated branches	624	629	634	(5)	(10)
- in the Corporate Market Area:	83	83	83	0	0
Regional Corporate Branches	13	13	13	0	0
Corporate client teams	13	13	13	0	0
Corporate centers	57	57	57	0	0
Number of ATMs	1,863	1,863	1,785	0	78
Number of employees (FTE)	34,081	34,681	35,386	(600)	(1,305)

7.2. BANKING ACTIVITIES

- As at 30 September 2005, the **Bank's deposits** amounted to PLN 79.2 billion, and since the beginning of the year they have increased by PLN 5.9 billion. At the same time, the balance of deposits was higher by PLN 7.8 billion compared to the prior year.

In the 3rd quarter of 2005, an increase by PLN 4.2 billion was observed in the volume of deposits, which was mainly due to the increase in the volume of corporate market deposits by PLN 3.5 billion. The increase was mainly caused by the opening of a contingent settlements account by one of the Bank's customers in connection with the issuance of shares by this entity.

Table 4. Deposits of PKO BP SA (in PLN million)

Deposits:	30.09.2005	31.12.2004	30.09.2004	Change from:	
				31.12.2004	30.09.2004
- retail banking	53,733.4	52,932.6	53,164.3	800.8	569.1
- housing	8,442.7	7,327.8	7,126.4	1,114.9	1,316.3
- corporate*)	14,923.8	12,106.3	10,198.9	2,817.5	4,724.9
- other (treasury operations, capital investments, BDM)	2,063.3	894.6	835.2	1,168.7	1,228.1
Total deposits	79,163.2	73,261.4	71,324.8	5,901.8	7,838.4

*) for the purpose of comparability with the 2004 data, SMEs deposits are included in the corporate market balances

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- As at 30 September 2005, **the gross value of loans and advances** granted by PKO BP SA amounted to PLN 47.0 billion and in the first three quarters of 2005 their balance increased by PLN 5.9 billion, of which in the 3rd quarter of 2005 – by PLN 2.9 billion, mainly due to a high growth in housing and consumer loans as well as in loans for the public sector. The gross value of loans and credits increased by PLN 6.5 billion compared to the prior year.

In the 3rd quarter of 2005, PKO BP SA sold housing loans with a total value of PLN 1.97 billion. At the end of the 3rd quarter, the total value of “new portfolio” of housing loans granted by PKO BP SA amounted to PLN 15.8 billion. In the period from January to September 2005, the Bank granted 58,037 housing loans, of which 20,805 loans were granted in the 3rd quarter.

In the 3rd quarter of 2005, the Bank carried out a promotional campaign of its mortgage housing loans, (WŁASNY KĄT Hipoteczny), which started on 19 September 2005 and will last until the end of the 4th quarter.

The work on the launching of a new product to the Bank’s offer has been completed. Since 3rd October 2005, there is a new product – an overdraft limit („Szybki Limit Kredytowy”) available to individuals running their own business and to customers who already hold or would like to open “Partner” accounts. This product enables customers to use three products (two loans and one credit card) on the basis of one application and one common credit risk assessment.

In the 3rd quarter of 2005, the Bank launched a behavioural scoring system for overdraft loans on savings accounts. The system allows to automatically assess, on a regular basis, the credit risk relating to the given client and to set the limit for the overdraft facility.

PKO BP SA won the 1st place in FORBES’ ranking (September edition) in the “quick credits” category for the cheapest overdraft facility and reasonable interest on a credit card.

Table 5. Gross loans and credits of PKO BP SA (in PLN million)

Loans (gross)	30.09.2005	31.12.2004	30.09.2004	Change from:	
				31.12.2004	30.09.2004
- retail banking	11,012.2	9,527.4	9,057.1	1,484.8	1,955.1
- housing market (new portfolio)	15,781.1	13,324.1	12,909.3	2,457.0	2,871.8
- housing receivables	2,995.2	3,085.2	3,183.9	(90.0)	(188.7)
- corporate *)	17,223.3	15,172.1	15,367.6	2,051.0	1,855.7
Total loans and credits	47,011.7	41,108.8	40,518.0	5,902.9	6,493.7

**) for the purpose of comparability with the 2004 data, SMEs loans and advances are included in the corporate market balances*

- In the first three quarters of 2005, **the number of savings accounts** (ROR) and Inteligo accounts increased by a total of 379 thousand, and amounted to 5,891 thousand as at 30 September 2005. As at 30 September 2005, the total number of Inteligo accounts amounted to 525 thousand and increased by 4.36% in comparison to the 2nd quarter of 2005.
- During the 3rd quarter of 2005, the number of agreements for **electronic banking services** increased by c.a. 170 thousand and amounted to 625 thousand as at 30 September 2005. As at 30 September 2005, the total number of PKO BP SA clients using electronic banking services amounted to more than 1.1 million.

During the year 2005 PKO BP SA became a leader in electronic banking services.

In July 2005, housing associations started to use electronic banking services provided by the Bank.

Since 30 September 2005, the scope of the Bank’s products for corporate clients includes cash pooling transactions, which involve cash management within a group of related entities. Such services are provided to capital groups comprising separate legal entities with a common financial policy and coordinated mutual settlements, as well as to state and local authorities.

- In 2005, the **number of banking cards** issued by PKO BP SA increased by 493 thousand, of which 160 thousand related to credit cards. The increase in the number of credit card users is mainly due to promotional campaigns conducted in that period of time.

In the 3rd quarter of 2005, the Bank launched two new prestigious credit cards: PKO MasterCard Platinum and PKO Visa Infinite.

PKO BP SA was the first Bank in Poland to issue electronic money cards. Such cards are issued to people receiving family benefits from local authorities. The first card of this type was issued in cooperation with the City Council in Poznań.

Table 6. Accounts and banking cards in PKO BP SA (in thousands)

Details	30.09.2005	31.12.2004	30.09.2004	Change from:	
				31.12.2004	30.09.2004
Total number of accounts, of which:	5,891	5,512	5,392	379	499
- savings accounts(ROR)	5,366	5,148	5,059	218	307
- Inteligo accounts	525	364	333	161	192
Number of banking cards, of which:	5,936	5,443	5,313	493	623
Credit cards	489	327	320	162	169

- In the 3rd quarter of 2005, the **activities** of PKO BP SA **on the money market** were concentrated on the effective management of the Bank's investment and liquidity portfolio, as well as seeking for the sources of covering currency deficits which arose in the course of the Bank's credit activities.

The most important activities undertaken in this period involved:

- adjusting the current investment policy to trends on the financial market taking into account the existing limits and threshold amounts,
- increasing investments in financial instruments denominated in foreign currency,
- developing the Bank's product offer to include new derivative instruments.

The Bank strengthened its position in the ranking of the Minister of Finance as to the appointment of the State Treasury Securities Dealer for the year 2006.

- As far as the structural financing is concerned , in the 3rd quarter of 2005 the Bank:
 - concluded a syndicated loan agreement with a client from the gas fuel manufacturing and distribution sector, comprising of tranche A of EUR 600 million and tranche B of EUR 300 million, to be utilised in EUR, USD or PLN. The share of PKO BP SA in these tranches amounts to EUR 100 million and EUR 50 million, respectively;
 - joined a syndicated loan agreement signed with a PKO BP SA's client from the telecommunications industry, by purchasing shares in the loan amounting to EUR 12.2 million and shares in the related guarantee amounting to EUR 5.2 million and EUR 8.07 million;
 - signed a subordinated loan agreement with a directly related entity (Kredyt Bank Ukraina SA) for an amount of USD 7 million, which was registered by NBU on 30 September 2005;
 - concluded twelve agreements for the issuance of municipal bonds, for the total amount of PLN 76 thousand, among others for the following municipalities: Mława (PLN 13 million), Wołów (PLN 10.5 million) and Tczew (PLN 10 million);
 - concluded three agreements for the issuance of papers other than treasury securities, i.e. an agreement for the issuance of corporate bonds for an entity from the development and investment industry (PLN 120 million), an agreement for the issuance of corporate bonds for an entity from catering industry (PLN 10 million) and an agreement for the issue of PKO BP SA commercial papers with a client from development industry (PLN 0.8 million) – with the guarantee to close the issue.

7.3. BROKERAGE ACTIVITIES

In the 3rd quarter of 2005, Bankowy Dom Maklerski PKO BP SA:

- conducted as the agent of the public offering of PGNiG SA shares with a value of PLN 2.68 billion – this was one of the biggest public offerings on the market, with first day volume of sales amounted to PLN 901.5 million;

- achieved PLN 5,038 million turnover on the share market, which was more than 3.7 times higher compared to the 3rd quarter of the previous year;
- was the leader on the bonds' market (1st place) with an average share in trading at the Stock Exchange in this quarter amounting to 38.6%. In comparison to the corresponding period of the prior year, BDM's turnover decreased by 9%, compared to a 40% decrease in the total trading on the bonds' market.

At the end of September 2005, BDM PKO BP SA maintained 436.9 thousand accounts (i.e. 153.5 thousand more compared to the same period in the prior year), of which 90.5 thousand were investment accounts and 346.4 thousand – registered accounts.

7.4. OTHER ACTIVITIES

During the 3rd quarter of 2005, the Bank performed the following activities as part of the Integrated IT System (ZSI) project:

- launch of the test Model Branch, which started to operate on 1 August 2005. This branch has its own settlement number, and carries out real transactions ordered by clients (Bank's employees and consortium) and executed through electronic access channels;
- preparation for the start up of a Pilot Branch in the 4th quarter of 2005, which is intended to operate on the open market (for the Bank's clients).

8. SUMMARY OF MAJOR ACHIEVEMENTS OF SUBSIDIARIES IN THE 3RD QUARTER OF 2005

Powszechne Towarzystwo Emerytalne BANKOWY S.A.

In the 3rd quarter of 2005, the value of assets held by Bankowy OFE increased by PLN 307 million compared to the 2nd quarter of 2005. At the end of the 3rd quarter of 2005, the value of Bankowy OFE assets amounted to PLN 2,617 million.

The number of accounts kept increased by 21,247 compared to the 2nd quarter of 2005. The number of accounts amounted to 453,476 at the end of September 2005.

As at the end of 3rd quarter of 2005 Bankowy OFE maintained 8th place on the open pension funds market (in terms of accounts and assets).

Centrum Elektronicznych Usług Płatniczych eService S.A.

At the end of the 3rd quarter of 2005, transactions with a value of PLN 5,491 million were generated in the terminals of eService S.A., which constituted a 59% increase compared to the 2nd quarter of 2005. Cash disbursement transactions concluded at the PKO BP SA agencies accounted for 39% of total transactions.

The number of terminals installed at the end of the 3rd quarter of 2005 amounted to 26,973, which indicates a 5.5% increase compared to the end of the 2nd quarter of 2005. The company's share in the payment cards market, in terms of number of terminals at the end of the 3rd quarter of 2005, amounted to 27.20% (compared to 26.5% at the end of the 2nd quarter of 2005).

During the 3rd quarter of 2005, the Company received two awards for the quality of services:

- “Business Centre Club Recommendation” - as a reliable and trustworthy company complying with trade ethics and accepting the code of honour,
- “PTK Centertel Certificate” – awarded to telePompka service and confirming the high quality of eService customer service.

Inteligo Financial Services S.A.

As at the end of the 3rd quarter of 2005, the Company was servicing over 436 thousand clients with accounts, which means the increase in the number of accounts by 18 thousand in comparison to the 2nd quarter of 2005.

The total value of Inteligo clients' deposits at the end of the 3rd quarter of 2005 amounted to PLN 1,389 million. This means that the value of deposits increased by PLN 38 million compared to the 2nd quarter of 2005.

PKO Inwestycje Sp. z o.o.

In the 3rd quarter of 2005, PKO Inwestycje Sp. z o.o. continued the realization of the following investment projects: “Marina Mokotów” and “Miasteczko Wilanów” in Warsaw and a project in “Gdańsk – Jelitkowo”,

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using the special purpose vehicles. Moreover, the Company on its own carried out the “Trzy Gracie” project in Sopot, which was in the final stage of the apartments’ sale.

The “Marina Mokotów” project is carried out by a special purpose vehicle - FORT Mokotów Sp. z o.o. PKO Inwestycje Sp. z o.o. holds 51% of shares in the share capital of this company. The company pays its liabilities to subcontractors and the liabilities to the Banking Consortium in respect of the repayment of loan and interest without delays. The project is realized according to the schedule.

The “Miasteczko Wilanów” project is carried out by a special purpose vehicle - Wilanów Investments Sp. z o.o. PKO Inwestycje Sp. z o.o. holds 51% of shares in the share capital of this company. The company pays its liabilities to subcontractors and the liabilities to the lender in respect of the repayment of loan and interest without delays. The project is realized according to the schedule.

The project in Gdańsk-Jelitkowo is carried out by a special purpose vehicle - POMERANKA Sp. z o.o. PKO Inwestycje Sp. z o.o. holds 100% of shares in the share capital of this company. The company is carrying out the works relating to the first stage of the project in accordance with the schedule.

PKO Inwestycje Sp. z o.o. holds 55% of shares in the UKRPOLINWESTYCJE Sp. z o.o. The aim of the company is to carry out development activities in Ukraine. The Company started its business operations on 28 September 2005.

Bankowy Fundusz Leasingowy S.A.

In the 3rd quarter of 2005, the Company entered into lease contracts with a total value amounting to PLN 90.2 million, which constitutes a 41% increase compared to the end of the 2nd quarter of 2005.

Following the first three quarters of 2005, the total value of the contracts concluded by the company amounted to PLN 308.7 million.

In the 3rd quarter of 2005, the Company took a PLN 60 million loan from the European Bank for Reconstruction and Development for financing the leasing agreements to small and medium enterprises.

Centrum Finansowe Puławska Sp. z o.o.

In the 3rd quarter of 2005, the level of rented office and commercial space in Centrum Finansowe Puławska accounted for 98.5 % of total leased space.

Current financial results of the Company are significantly influenced by negative foreign exchange differences resulting from the USD appreciation in comparison to the end of 2004 and, consequently, the increase in the cost of servicing the long-term foreign currency loan acquired for the development of Centrum Finansowe Puławska.

Bankowe Towarzystwo Kapitałowe S.A.

In the 3rd quarter of 2005, the company conducted work aimed at searching for projects and partners for realization of common investment projects in the area of venture capital projects.

Kredyt Bank (Ukraina) S.A.

In the 3rd quarter of 2005, Kredyt Bank (Ukraina) S.A. was still included in the Group II of Ukrainian banks – “Big banks”, i.e. the group of banks with assets exceeding UAH 1,300 million.

The total assets of the bank increased during the first three quarters of 2005 by UAH 427 million (i.e. 32.05%).

PKO BP SA granted a loan to Kredyt Bank (Ukraina) SA amounting to USD 7 million for a period of 8 years. The loan was accounted for as part of Kredyt Bank (Ukraina) SA own funds following the permission granted by the National Bank of Ukraine.

PKO BP SA, acting through Przedsiębiorstwo “Rosan – Papiery Wartościowe” Sp. z o.o. with its registered office in Lvov, made an offer to purchase the shares held by the minority shareholders of Kredyt Bank (Ukraina) SA. The total number of shares held by the minority shareholders amounts to 732,156,883, which accounts for 5.1% of the share capital of Kredyt Bank (Ukraina) SA.

9. FACTORS AND EVENTS WITH SIGNIFICANT IMPACT ON FINANCIAL PERFORMANCE

9.1. FINANCIAL PERFORMANCE OF THE PKO BP SA GROUP IN THE 3RD QUARTER OF 2005

9.1.1. Balance sheet data

The balance sheet of the parent company has the most significant impact on the balance sheet of the PKO BP SA Group. It determines both the value and the structure of the Group's assets and liabilities. As at 30 September 2005, the value of total assets of PKO BP SA accounted for 98.8% of the total assets of the Group.

As at 30 September 2005, total assets of the Group amounted to PLN 92,421 million and increased by PLN 6,466 million¹ (i.e. 7.5%) as compared to the end of 2004.

Table 7. Main balance sheet items of the PKO BP SA Group (in PLN thousands)

Item	Balance as at:		Change:	
	30.09.2005	31.12.2004	PLN thousand	%
ASSETS				
Cash and amounts due from the Central Bank	3 499 316	3 525 329	(26 013)	-0.7%
Amounts due from banks	13 492 310	13 231 879	260 431	2.0%
Financial assets held for trading	605 590	369 517	236 073	63.9%
Derivative financial instruments	1 379 952	1 362 379	17 573	1.3%
Other financial instruments at fair value through profit or loss	22 821 154	0	22 821 154	x
Loans and advances to customers	44 745 891	40 037 263	4 708 628	11.8%
Investment securities	1 773 482	23 458 834	(21 685 352)	-92.4%
Tangible fixed assets	2 453 660	2 651 597	(197 937)	-7.5%
Other assets	1 649 498	1 317 567	331 931	25.2%
TOTAL ASSETS	92 420 853	85 954 365	6 466 488	7.5%
LIABILITIES				
Liabilities, including:	83 962 526	77 096 213	6 866 313	8.9%
Amounts due to the Central Bank	1 381	144	1 237	859.0%
Amounts due to other banks	1 603 293	998 718	604 575	60.5%
Derivative financial instruments	1 384 574	793 739	590 835	74.4%
Amounts due to customers	78 470 751	73 096 254	5 374 497	7.4%
Other liabilities	2 502 527	2 207 358	295 169	13.3%
Total equity	8 458 327	8 858 152	-399 825	-4.5%
TOTAL EQUITY AND LIABILITIES	92 420 853	85 954 365	6 466 488	7.5%

Compared to the end of December 2004:

- the most significant change in the structure of assets is the reclassification of “Investment securities” to “Financial instruments at fair value through profit or loss” due to the designation of the ALPL² portfolio and an increase of the “Loans and advances to customers” balance as a result of the credit activities development,
- in the structure of liabilities there was an increase of “Amounts due to customers” balance resulting from the opening of a conditional settlements account by one of the Bank's clients connected with the share issue of this client.

9.1.2. Off-balance sheet items

As at 30 September 2005, the total off-balance sheet liabilities of the PKO BP Group amounted to PLN 301,683 million and increased by 54.0% as compared to the beginning of the year.

¹ Any differences between totals, shares and dynamics result from the rounding of amounts to million zlotys and the rounding of percentage shares to one decimal point.

² Assets and liabilities at fair value through profit or loss.

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The main item of the off-balance sheet liabilities (90.2%) were liabilities related to off-balance sheet transactions (spot and forward) amounting to PLN 272,195 million. Due to the high dynamics in the first 9 months of 2005, the share of this balance in total off-balance sheet liabilities increased by 3.4 p.p. The balance comprised mainly derivative transactions and forward transactions carried out by PKO BP SA for the purpose of the Bank's currency liquidity regulation, speculation and arbitrage purposes.

9.1.3. Financial result and performance indicators

In the first three quarters of 2005, the PKO BP SA Group recorded a gross pre - tax profit amounting to PLN 1,732 million. After deducting income tax charges and the profit (loss) attributable to minority shareholders, the resulting net profit amounted to PLN 1,373 million. Compared to the corresponding period of 2004, the gross pre - tax profit and the net profit were 15.0% and 14.5% higher, respectively.

In the 3rd quarter of 2005, the PKO BP SA Group recorded a gross pre - tax profit amounting to PLN 629 million, which was 45.9% higher compared to the balance in the 3rd quarter of 2004. The net profit realized in that period amounted to PLN 485 million and was 41.5% higher compared to the balance in the 3rd quarter of 2004.

In the first three quarters of 2005, the consolidated cost to income ratio (C/I) amounted to 61.8% and was lower by the 3.3 p.p. in comparison to the same period of 2004.

Table 8. Main profit and loss items of the PKO BP SA Group (in PLN thousands)

	3 quarters of 2005		3 quarters of 2004		Dynamics	
	Total	3rd quarter	Total	3rd quarter	3 quarters of 2005 / 3 quarters of 2004	3rd quarter of 2005 / 3rd quarter of 2004
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>2/4</i>	<i>3/5</i>
1. Net interest income	2 680 670	912 792	2 620 397	871 010	102.3%	104.8%
2. Net fees and commission income	896 222	295 376	1 142 433	426 591	78.4%	69.2%
3. Dividend income	16 112	14 542	3 251	3 248	495.6%	447.7%
4. Result from financial instruments at fair value	103 624	(36 023)	13 314	(95 318)	778.3%	37.8%
5. Result from investment securities	257 636	204 419	(37 687)	(31 802)	x	x
6. Foreign exchange result	474 888	143 049	296 523	121 924	160.2%	117.3%
7. Net other operating income	434 071	198 529	278 687	90 957	155.8%	218.3%
8. Total income items	4 863 223	1 732 684	4 316 918	1 386 610	112.7%	125.0%
9. Impairment losses	(140 736)	(53 165)	(13 081)	(2 682)	1075.9%	1982.3%
10. Overhead costs	(3 007 819)	(1 058 549)	(2 810 976)	(961 462)	107.0%	110.1%
11. Profit before taxation	1 732 800	628 678	1 506 437	430 752	115.0%	145.9%
12. Income tax expense	(354 726)	(134 908)	(305 525)	(86 634)	116.1%	155.7%
13. Profit (loss) of minority shareholders	(5 298)	(8 350)	(1 709)	(1 161)	310.0%	719.2%
14. Net profit	1 372 776	485 420	1 199 203	342 957	114.5%	141.5%
Cost to income ratio	61.8%	61.1%	65.1%	69.3%		

In the first three quarters of 2005, the aggregated income items of the PKO BP SA Group amounted to PLN 4,863 million and were PLN 546 million i.e. 12.7% higher compared to the respective period of 2004:

- Net interest income amounted to PLN 2,681 million and was PLN 60 million, i.e. 2.3% higher compared to the first three quarters of 2004; this consisted of interest income amounting to PLN 4,296 million and interest expenses amounting to PLN 1,615 million, i.e. 10.6% and 27.9% higher compared to the corresponding period of the previous year, respectively. Higher interest costs dynamics was connected with the increase of the deposits volume considering the limited ability to decrease their percentage.
- Net fees and commissions income amounted to PLN 896 million and was 21.6% lower compared to the corresponding period of 2004; income amounted to PLN 1,124 million and was 15.7% lower compared to the previous year, and expenses amounted to PLN 228 million and were 18.9% higher. The decrease in fees and commissions income mainly resulted from the recognition of income on loans and advances using the effective interest rate method;
- The result from financial instruments at fair value amounted to PLN 104 million and was PLN 90 million higher compared to the previous year. The increase was due to, among others, the assignment of a significant

part of the debt securities portfolio into the ALPL portfolio starting from 1 January 2005. This assignment was performed in order to increase the transparency of the results from the valuation of debt securities and to recognize the results from the valuation of hedging and hedged instruments in the same category of the profit and loss account. The negative result amounting to 36 million in the 3rd quarter of 2005 resulted from an increase of the negative adjustment of the prior year results (associated with a derecognition of the restricted interest) and the negative result on the ALPL portfolio. The decrease of the result on ALPL portfolio was caused by the stabilization of the long end of the yield curve and the move of the positive result on the valuation of interests on the fixed-rate government bonds (dominating in the ALPL portfolio) with the use of the effective interest rate methodology to the interest result

- The result from investment securities amounted to PLN 258 million and was PLN 295 million higher compared to the previous year, out of which PLN 204 million were realized in the 3rd quarter of 2005. The increase of the result in the 3rd quarter of 2005 was due to an increase in the activities of the Group's holding company on the WSE associated with good market conditions in that period;
- Foreign exchange result amounted to PLN 475 million and was 60.2% higher compared to the respective period of 2004, mainly due to better results on swap points from FX SWAP and CIRS transactions (the result from these transactions is of an interest type). Those transactions are used to secure the Bank foreign currency liquidity and are connected with the mortgage loans denominated in foreign currencies.
- Net other operating income amounted to PLN 434 million, i.e. 155.8% increase; and consisted of operating income amounting to PLN 554 million and operating costs amounting to PLN 120 million. The increase in net other operating income resulted from consolidation of Wilanów Investment Sp. z o.o., which belongs the PKO Inwestycje Group, and from the increase in the income of the consolidated entity - Fort Mokotów Sp. z o.o. (which also belongs to the PKO Inwestycje Group) due to the development of its activities.

The impairment losses for the first three quarters of 2005 amounted to PLN 141 million. The difference of the impairment losses after three quarters of 2005 in comparison to three quarters of 2004 resulted from a change of the Decree of the Minister of Finance of 10 December 2003 on creation of the provisions for risks related to banking activities), which resulted in a decrease of the financial result charges due to specific provisions by approx. PLN 86 million.

During the period from January to September of 2005, the overhead costs of the Group amounted to PLN 3,008 million and were 7.0% higher compared to the previous year. In the same period, the overhead costs of PKO BP SA decreased by 0.3%. The increase in the overhead costs of the Group was due to the above-mentioned consolidation of Wilanów Investments Sp. z o.o., as well an increase in the development-related costs of Fort Mokotów Sp. z o.o. The increase in administrative expenses of these companies was compensated by the increase in their income presented under "Other operating income".

9.1.4. Shareholders' equity

As at 30 September 2005, the shareholders' equity of the PKO BP SA Group amounted to PLN 8,458 million and was PLN 400 million i.e. 4.5% lower compared to the end of 2004. The decrease in shareholders' equity compared to the balance as at 31 December 2004 was the effect of the appropriation of PLN 1 billion from the 2004 profit to dividends.

Table 9. Shareholders' equity (in PLN thousands)

	As at		Change	
	30.09.2005	31.12.2004	PLN thousands	%
Share capital	1 000 000	1 000 000	0	0.0%
Other capital and reserves	5 851 395	6 027 024	-175 629	-2.9%
Currency translation differences on foreign operations	-4 283	-11 472	7 189	-62.7%
Retained earnings	162 472	270 046	-107 574	-39.8%
Current period result	1 372 776	1 506 705	-133 929	-8.9%
Equity attributable to the parent company's shareholders	8 382 360	8 792 303	-409 943	-4.7%
Minority interest	75 967	65 849	10 118	15.4%
Total shareholders' equity	8 458 327	8 858 152	-399 825	-4.5%
Capital adequacy ratio	14.86%	18.42%		

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The capital adequacy ratio as at 30 September 2005 amounted to 14.86% and decreased by 3.56 p.p. in comparison to the end of 2004.

The net result of the PKO BP SA Group in the period of the preceding 12 months resulted in the return on equity ratio (ROEnet)³ at the level of 19.9%.

9.2. FINANCIAL PERFORMANCE OF PKO BP SA IN THE 3RD QUARTER OF 2005

For the first three quarters of 2005, PKO BP SA recorded the gross pre-tax profit amounting to PLN 1,678 million. After deducting income tax charges, the net profit amounted to PLN 1,331 million. Compared to the corresponding period of 2004, the gross pre - tax profit and the net profit were 14.7% and 14.1% higher, respectively.

The gross pre - tax profit recorded in the 3rd quarter of 2005 amounted to PLN 578 million, which was 42.7% higher compared to the balance in the 3rd quarter of 2004. The net profit amounted to PLN 449 million and was 40.3% higher compared to the 3rd quarter of 2004.

In the first three quarters of 2005, the cost to income ratio (C/I) amounted to 59.8% and was 4.7 p.p. lower in comparison to the corresponding period of 2004.

Table 10. Main profit and loss items of PKO BP SA (in PLN thousands)

	3 quarters of 2005		3 quarters of 2004		Dynamics	
	Total	of which: 3 rd quarter	Total	of which: 3 rd quarter	3 quarters of 2005/ 3 quarters of 2004	3 rd quarter 05/ 3 rd quarter 04
<i>I</i>	2	3	4	5	2/4	3/5
1. Net interest income	2,633,645	895,283	2,601,844	865,613	101.2%	103.4%
2. Net fees and commission income	857,859	278,573	1,146,129	419,325	74.8%	66.4%
3. Dividend income	28,881	14,609	22,147	3,307	130.4%	441.8%
4. Result from financial instruments at fair value	102,885	(36,178)	13,050	(95,572)	788.4%	37.9%
5. Result from investment securities	257,894	204,697	(38,266)	(32,169)	X	X
6. Foreign exchange result	480,335	138,133	287,883	112,650	166.6%	122.6%
7. Net other operating income	86,062	36,136	99,612	32,029	86.4%	112.8%
8. Total income items	4,447,561	1,531,253	4,132,399	1,305,183	107.6%	117.3%
9. Impairment losses	(110,246)	(40,732)	(2,274)	5,843	4.484.1%	X
10. Overhead costs	(2,659,259)	(912,427)	(2,666,614)	(905,828)	99.7%	100.8%
11. Profit (loss) before income tax	1,678,056	578,094	1,463,511	405,198	114.7%	142.7%
12. Income tax expense	(347,379)	(128,641)	(297,404)	(84,804)	116.8%	151.7%
13. Net profit	1,330,677	449,453	1,166,107	320,394	114.1%	140.3%
14. Cost to income (C/I) ratio	59.8%	59.6%	64.5%	69.4%		

In the first three quarters of 2005, total income in the profit and loss account amounted to PLN 4.448 million and was PLN 315 million i.e. 7.6% higher compared to the three quarters of 2004. Out of this total amount:

- PLN 2,634 million referred to net interest income, which was PLN 32 million i.e. 1.2% higher compared to the corresponding period of 2004. The balance of net interest income comprised of interest income amounting to PLN 4,191 million and interest expenses amounting to PLN 1,557 million, which were 8.7% and 24.4% higher compared to the corresponding period of 2004, respectively. Higher dynamics of the interest costs was connected with the increase of the deposits portfolio with limited ability to decrease the percentage;
- PLN 858 million referred to net fees and commission income, which was 25.2% lower compared to corresponding period of 2004. This balance comprised of fees and commission income amounting to PLN 1,094 million (which was 18.5% lower in the period of 3 quarters of 2004), and fees and commission

³ The ROEnet ratio calculated as a relation of the net result for the period from 1 October 2004 to 30 September 2005 to the arithmetical mean of the balances of equity at the beginning and end of the period.

expenses amounting to PLN 236 million (i.e. 20.2% higher compared to the previous year). The decrease in the fees and commission income mainly resulted from the recognition of income on loans and advances using the effective interest rate method;

- PLN 361 million referred to the result from financial instruments at fair value through profit or loss and result from investment securities, which was PLN 386 million higher compared to the previous year (this item is discussed in the section on the results of the PKO BP Group),
- PLN 480 million referred to foreign exchange result which was 66.9% higher compared to the first three quarters of 2004. The increase was mainly due to achieving better results (on SWAP points) from FX SWAP and CIRS transactions (the result from these transactions is an interest-type result),
- PLN 86 million referred to the net result on other operating income and expenses, which represented a 13.6% decrease. It comprised of other operating income amounting to PLN 153 million and other operating expenses amounting to PLN 67 million.

The impairment losses for the first three quarters of 2005 amounted to PLN 110 million. The difference of the impairment losses after three quarters of 2005 in comparison to three quarters of 2004 resulted from a change of the Decree of the Minister of Finance of 10 December 2003 on creation of the provisions for risks related to banking activities) which resulted in a decrease of the financial result charges due to specific provisions by approx. PLN 86 million.

In the period from January to September 2005, the Bank's overhead costs amounted to PLN 2,659 million and were 0.3% lower compared to the corresponding period of 2004.

9.2.1. Macroeconomic factors

In the 3rd quarter of 2005:

- the growth in industry production and retail sales increased compared to the previous quarter, and the positive trends in the construction and building industry continued. These indicate gradual increase in the growth of PKB in the 3rd quarter of 2005 in comparison to the 2nd quarter;
- a slight positive effect of economy growth, seasonal factors and of the inflow of the EU funds was recorded. This resulted in a decrease in the unemployment rate, which amounted to 17.8% at the end of August 2005. At the same time, the number of persons employed in enterprises increased;
- an increase was noted in the inflation rate, to the level of 1.8% in September, as compared to 1.4% year to year in June 2005. The increase in the inflation rate was due to supply factors, i.e. a significant increase in fuel prices (16.5% year to year in September 2005) due to increasing energy prices on the world markets, as well as an increase in food prices in comparison to the corresponding period of the previous year;
- a growing trend was recorded in household deposits, which increased by 4.6% year to year at the end of September 2005. The increase was caused, among others, by the increase – in real terms - in the level of salaries in enterprises and additional payments to part of pensioners. At the same time, there was an increase in the growth in corporate deposits in the 3rd quarter of 2005, which was most probably due to an overall improvement in the financial results of enterprises and the continued small size of investments;
- the demand for bank loans continued to grow, propelled by further decreases of interest rates by the Monetary Policy Council and gradual improvement in macroeconomic conditions. In the period under review, the annual growth in household loans was continued, mainly due to a high demand for housing loans. In addition, there was a small increase in corporate loans as well;
- the Monetary Policy Council decreased interest rates twice, in July and August, by 0.25 p.p., and decreased the bills of exchange rediscount rate by 0.5 p.p. in August. The Board continued to apply soft monetary policy during that period. The Board believed that, due to lower economic growth (including lower demand for capital expenditures) compared to NBP's projections and rapid structural changes in the Polish economy (increased employment flexibility, growing international competition), the probability that the inflation rate would be below the target was relatively high, which encouraged the Board to apply softer monetary policy;

9.2.2. Regulatory factors

The following regulatory changes affected the Group's activities in the 3rd quarter of 2005:

- New requirements for banks, effective from 30 June 2005, for provision of information to NBP and GINB for the purpose of establishing the monetary policy and State monetary standing as well as the financial standing of banks and banking risks;

- Amendments to the Personal Income Tax Act, effective from 1 July 2005, setting reporting requirements for banks in connection with taxation of interest income on savings held by non-residents and requirements relating to identification of such persons;
- Significant specific changes in tax proceedings, effective from 1 September 2005, resulting from the Amended Tax Ordinance Act, including changes in PKO BP SA's rights to issue guarantees and suretyships provided by taxpayers as a security for performing tax obligations.

In addition, the condition of the PKO BP SA Group was also affected by new and amended supervisory regulations for banks operating in Ukraine, relating, among others, to liquidity risk, currency risk and mandatory provisions.

9.2.3. Financial markets

- In the 3rd quarter of 2005, there were increased fluctuations in the prices of treasury securities on the financial market. At the end of the quarter, the yields on the short end of the yield curve were app. 30 base points lower, and the yields on the long end of the curve – app. 5 base points higher than at the beginning of the quarter. The decrease in yields was mainly due to the decisions taken by the Monetary Policy Council, while the increase on the long end of the yield curve resulted from falling prices of bonds on world markets and decreasing expectations regarding the overall level of decreases in interest rates by the Monetary Policy Council.
- In the 3rd quarter of 2005, the Polish Zloty appreciated in relation to US Dollar by app. 2.7% and by app. 3.1% in relation to Euro. The following factors had a favourable effect on the Polish Zloty: sale of shares of PGNiG SA on the stock exchange (with a significant demand from foreign investors), increase in the demand for Central European currencies, as well as optimistic expectations of the investors regarding political situation after elections. Both on the market of treasury instruments and exchange rates, the effect of Parliamentary and Presidential elections were relatively small.

10. SEASONALITY OR CYCLICAL NATURE OF ACTIVITIES IN THE REPORTING PERIOD

PKO BP SA is a universal bank, providing services in the whole country and its activities are exposed to similar fluctuations to those affecting the entire Polish economy. The activities of other Group companies do not indicate any particular seasonality or cyclical nature.

11. ISSUANCE, REDEMPTION AND REPAYMENT OF DEBT AND EQUITY SECURITIES

PKO BP SA is not an issuer of any debt or equity securities.

Among other entities of the Group, only Bankowy Fundusz Leasingowy S.A. raises additional capital through the issuance of securities. In the 3rd quarter of 2005 the Company did not issue any new securities. There were also no maturities or redemption dates of debt securities issued by Bankowy Fundusz Leasingowy S.A.

12. SIGNIFICANT POST BALANCE SHEET EVENTS WHICH MAY HAVE A SIGNIFICANT EFFECT ON THE FUTURE FINANCIAL RESULTS

- On 24 October 2005 Przedsiębiorstwo “Rosan – Papiery Wartościowe” Sp. z o.o., acting on behalf and at the request of PKO BP SA, announced the purchase of 339,763,026 shares of Kredyt Bank (Ukraina) SA from the minority shareholders for PKO BP SA. These shares constitute 2.07% of the share capital of Kredyt Bank (Ukraina) SA.

At present, PKO BP SA holds 69.018% shares in the share capital of Kredyt Bank (Ukraina) S.A.

- On 3 November 2005 PKO Inwestycje (Bank's subsidiary) signed an agreement with Prokom Investments SA to purchase 1,960 shares of the Wilanów Investments Sp. z o.o. (which constitutes 49% of the shareholders' funds). PKO Inwestycje currently holds 100% shares of the company and 100% of the votes on the Shareholders Meeting of Wilanów Investments Sp. z o.o.
- On 4 November 2005 PKO BP SA made a capital injection payment (dopłata) to the PKO Inwestycje. The payment amounted to PLN 66 million.

13. THE POSITION OF THE MANAGEMENT BOARD REGARDING THE POSSIBILITY OF ACHIEVING PREVIOUSLY PUBLISHED FORECASTS

The Bank did not publish any projections of the results for the year 2005.

14. INFORMATION ON DIVIDEND PAID OR DECLARED

In accordance with Resolution No. 8/2005 of the General Shareholders' Meeting of PKO BP SA dated 19 May 2005 regarding the 2004 dividend payment, the Bank paid a dividend for 2004 amounting to a total of PLN 1,000,000 i.e. PLN 1 gross per share. The dividend was paid on 1 September 2005.

15. SHAREHOLDERS HOLDING, DIRECTLY OR INDIRECTLY, AT LEAST 5% OF VOTES AT THE ISSUER'S GENERAL MEETING

The quarterly report for the 2nd quarter of 2005 was submitted to the Securities and Exchange Commission (KPWiG) on 16 August 2005.

To the best knowledge of the Bank, the State Treasury is a shareholder with at least 5% of votes at the General Shareholders' Meeting, held directly or indirectly through its subsidiaries.

The share of the State Treasury in the share capital changes due to the fact that the process of the free of charge disposal of shares to vested employees is still in progress. As at 31 October 2005, the direct share of the State Treasury in the share capital of the Bank amounted to 519,590,097 shares.

Shareholder	Percentage of votes as at the date of submitting previous quarterly report	Number of shares as at the date of submitting previous quarterly report	% change from the date of submitting previous quarterly report	Percentage of votes as at the date of submitting this report	Number of shares as at the date of submitting this report
State Treasury	54.58%	545,820,454	-2.62 pp.	51.96%	519 590 097

The percentage share of the above shareholder in the share capital of the Bank corresponds to the percentage of votes held at the General Shareholders' Meeting as at the date of submitting this report.

16. CHANGES IN THE NUMBER OF ISSUER'S SHARES HELD BY THE MANAGEMENT AND SUPERVISORY BOARD MEMBERS

Presented below are the shares held by the members of the Management Board and the Supervisory Board of the Bank as at 14 November 2005.

	Number of shares as at the date of submission of previous quarterly report	Purchase	Sale	Number of shares, options as at the date of submission of this report
Management Board				
Andrzej Podsiadło Board President	429	-----	-----	429
Kazimierz Małecki Vice President, I Deputy President	2502	-----	-----	2502
Danuta Demianiuk Vice President	-----	-----	-----	-----
Piotr Kamiński Board Member	-----	-----	-----	-----
Jacek Obłękowski Board Member	488	-----	-----	488
Krystyna Szewczyk Board Member	-----	-----	-----	-----

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Supervisory Board				
Bazyl Samojlik President	-----	-----	-----	-----
Urszula Pałaszek Vice President	-----	-----	-----	-----
Krzysztof Zdanowski Secretary	-----	-----	-----	-----
Andrzej Giryń Member	-----	-----	-----	-----
Stanisław Kasiewicz Member	101	-----	-----	101
Ryszard Kokoszczynski Member	-----	-----	-----	-----
Jerzy Osiatyński Member	-----	-----	-----	-----
Czesława Siwek Member	4000	-----	-----	4000
Władysław Szymański Member	-----	-----	-----	-----

17. TRANSACTIONS CONCLUDED BY THE ISSUER OR ITS SUBSIDIARY WITH OTHER GROUP ENTITIES, WITH A VALUE EXCEEDING THE PLN EQUIVALENT OF EUR 500,000

- In accordance with the Cooperation Agreement concluded with the Bank's subsidiary, Inteligo Financial Services S.A., on 29 November 2002 (with Annexes Nos. 1, 2, 3, 4) and the Agreement dated 12 September 2003 which is an appendix to the Cooperation Agreement, during the 3rd quarter of 2005 PKO BP SA made total payments to this company amounting to PLN 30 million. The total amount of fees paid to the company in the period from January to September 2005 amounted to PLN 80.5 million. The above-mentioned agreements determine the principles for cooperation between the parties with regard to operation and development of the operating system used for Inteligo accounts, including the amount of the fees for services provided by the company to the Bank.

The payments made in the 3rd quarter of 2005 related to the following:

- fees for services rendered by the company as part of its day to day operating activities,
- adapting infrastructure to call center activities,
- management of the production and distribution of operating materials (TAN cards and PIN-mailers),
- re-invoicing the costs of the Inteligo Electronic Banking Center and Call Center in Lublin.

Due to comprehensive regulation of all issues connected with cooperation between the parties to the agreement, the Cooperation Agreement is not a typical or routine agreement concluded by the parties in the course of their day to day operations.

- In accordance with the Lease Agreement concluded with the Bank's subsidiary, Centrum Finansowe Puławska Sp. z o.o., on 7 December 1995 (amended by Annexes Nos. 1 to 28), in the 3rd quarter of 2005 PKO BP SA made total payments to this company amounting to PLN 14.8 million. The total amount of gross fees paid to the company in the period from January to September 2005 amounted to PLN 44.9 million. This agreement determines the terms for the lease of space in the building located in Warsaw at ul. Puławska 15.

The payments that were made by the Bank related to rental fees, maintenance costs and costs of cleaning common space.

Due to comprehensive regulation of all issues connected with cooperation between the parties to the agreement, this Agreement is not a typical or routine agreement concluded by the parties in the course of their day to day operations.

18. RESULTS OF CHANGES IN THE GROUP'S STRUCTURE, INCLUDING THE EFFECTS OF MERGER, TAKEOVER OR SALE OF THE GROUP'S ENTITIES, LONG-TERM INVESTMENTS, DIVISION, RESTRUCTURING AND DISCONTINUANCE OF ACTIVITIES

The results of changes in the company's structure, including the result of merger, takeover or sale of Group entities, have been described in paragraph 6.2 of this commentary.

19. FACTORS WHICH MAY AFFECT FUTURE FINANCIAL PERFORMANCE WITHIN AT LEAST THE NEXT QUARTER

In the next quarters of the year, the results of the PKO BP SA Group will be affected by economic processes which will take place in the Polish and global economy, as well as by reactions of financial markets to those processes.

The policy concerning interest rates applied by the Monetary Policy Council, as well as by other large central banks and increased volatility of interest rates and f/x rates on the financial markets noted in the fourth quarter of the year will be of great importance to the Bank's future results.

Additionally, the activities of the Group in the next reporting periods will be affected by the following three regulatory changes regarding capital markets coming into effect on 24 October 2005:

- on capital market supervision,
- on trading in financial instruments, public offers and conditions for introduction of financial instruments to regulated markets,
- on public companies.

The above regulations create environment for further liberalization of capital markets and increase in competition, among others due to enabling transactions in securities by brokerage houses without the participation of WSE, increase of SEC authorizations regarding protection of investors, new information requirements of WSE securities issuers, greater possibilities for conducting brokerage activities, and clarification of tax issues in *umbrella* type funds which should propel their development.

20. SURETYSHIPS AND GUARANTEES GRANTED BY THE ISSUER OR BY ITS SUBSIDIARY TO A SINGLE ENTITY OR ITS SUBSIDIARY, IF THE TOTAL VALUE OF GRANTED SURETYSHIPS OR GUARANTEES AMOUNTS TO AT LEAST 10% OF THE ISSUER'S SHAREHOLDERS' EQUITY

During the 3rd quarter of 2005, PKO BP SA and its subsidiaries did not grant any suretyships or guarantees to a single entity or its subsidiary with the total amount of at least 10% of PKO BP SA's shareholders' equity.

21. PROCEEDINGS PENDING BEFORE A COURT, ARBITRATION TRIBUNAL OR PUBLIC ADMINISTRATIVE AUTHORITY

As at 30 September 2005, the total value of court proceedings against PKO BP SA amounted to PLN 414,191,881.11, while the total value of proceedings initiated by the Bank amounted to PLN 93,291,385.38.

No court proceedings with the participation of PKO BP SA are in progress, the value of which accounts for at least 10% of the Bank's equity.

Other Group companies have not conducted any proceedings before a court, arbitration tribunal or public administration authority concerning receivables or liabilities the value of which accounts for at least 10% of shareholders' equity of PKO BP SA.

22. OTHER DISCLOSURES SIGNIFICANT FOR EVALUATION OF THE ISSUER'S HUMAN RESOURCES, FINANCIAL SITUATION, FINANCIAL PERFORMANCE AND ANY CHANGES THEREIN

- On 19 July 2005, PKO BP SA and companies financing transaction on the part of the acquirer signed an Agreement under which the parties commit to enter into an agreement for the sale of retail non – performing receivables package (both balance sheet and off-balance sheet items) according to agreed terms and conditions. This agreement was signed on 7 October 2005 and requires confidentiality with respect to transaction parameters (including the price). They can be made available only with the consent of the acquirer.
- On 29 July 2005, the PKO BP SA Management Board signed a letter of intent with Państwowe Przedsiębiorstwo Użyteczności Publicznej Poczta Polska (Polish Post Office), with its registered office in

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Warsaw, in which both parties expressed their intent to expand their cooperation with a view to the optimum utilizing of current potentials of both partners, so as to create a strategic alliance in the future. In order to realize these intents, both parties decided to create a common team which will analyse within a two months' period the possibilities for expanding their cooperation.

- In July and August the Bank signed with one debtor 8 agreements for a total amount of PLN 2,650 million. The total exposure toward that client as at 30 September 2005 amounted to PLN 2,915.5 million.
- On 14 September 2005, the Management Board of PKO BP SA was informed by the Minister of State Treasury representing the State Treasury of the Republic of Poland that, since the beginning of providing the shares to entitled persons i.e. 6 April 2005 until 31 August 2005, it sold to entitled employees 103,365,742 shares of the Bank, constituting 10.34% of the total number of PKO BP SA shares and entitling to 103,365,742 (10.34%) votes at the General Shareholders' Meeting of the Bank. The total number of shares selected for free of charge transfer to entitled employees amounts to 105,000,000.
- In connection with the expiry of the term of office, on 15 September 2005 the Supervisory Board re-appointed the following persons as Members of the Bank's Management Board:
 - Ms Danuta Demianiuk as the Vice-President of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna,
 - Ms Krystyna Szewczyk as Member of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna,
 - Mr Piotr Kamiński as Member of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.

23. SEGMENTATION OF ACTIVITIES OF THE PKO BP SA GROUP

The primary segmentation key is based on business type (business segments) and the secondary - on geographical area (geographical segments).

The Group usually settles inter-segment transactions as if they were concluded between unrelated parties, using internal settlement rates.

Business segments

Segmentation by business is as follows:

- Corporate Segment includes transactions of the holding company with large corporate clients (in 2004 it included small and medium sized enterprises as well),
- Retail Segment includes transactions of the holding company with private individuals and, starting from 2005, also small and medium sized enterprises,
- Treasury Segment includes inter-bank transactions, transactions made using derivative instruments and debt securities,
- Investments Segment includes brokerage and investing activities of the holding company,
- Housing Segment includes transactions of the holding company connected with granting housing loans and accepting housing deposits.

The Bank has not identified any other segments as a result of not having reached the thresholds set forth in IAS 14, which are as follows:

- segment revenue from sales to external customers and from transactions with other segments account for 10% or more of the total external and internal revenue of all segments, or,
- segment result, whether profit or loss, accounts for 10% or more of the aggregated result of all segments in profit or loss, whichever greater in absolute value, or,
- segment assets account for 10% or more of total assets of all segments.

According to IAS 14, segments which were not separated have been disclosed as unallocated reconciling items.

The assets and liabilities of a given segment represent operating assets and liabilities used by that segment in its operating activities.

The financial data for the period of 9 months ended 30 September 2004 are not fully comparable due to the use by the Group of the following exemptions allowed under IFRS 1, related mainly to the use of effective interest rate and calculation of impairment write-downs.

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The tables below present segment revenues and segment profits for the 9-month periods ended 30 September 2005 and 30 September 2004, as well as selected segment assets and segment liabilities as at 30 September 2005 and 31 December 2004.

	Continued activities					
9-month period ended 30 September 2005	Corporate Segment	Retail Segment	Treasury Segment	Investments Segment	Housing Segment	All activities
Revenue						
External customer-related revenues	886 742	2 307 450	1 637 677	384 780	1 006 636	6 223 285
Inter-segment sales	-	39 516	-	146	-	39 662
Total segment revenue	886 742	2 346 966	1 637 677	384 926	1 006 636	6 262 947
Result						
Segment result	130 323	498 370	283 094	295 471	45 108	1 252 366
Unallocated result together with the result of non-separated segments	-	-	-	-	-	166 406
Difference between FX Swap and CIRS results (swap points) reported for management reporting purposes	-	-	-	-	-	295 896
Result from continued activities before taxation	-	-	-	-	-	1 714 668
Share in the results of associates	-	-	-	-	-	18 132
Result before taxation and minority interest	-	-	-	-	-	1 732 800
Income tax (tax expense)	-	-	-	-	-	(354 726)
Profit/ (loss) of minority shareholders	-	-	-	-	-	(5 298)
Net profit for the year	-	-	-	-	-	1 372 776
Assets and equity and liabilities as at 30 September 2005						
Segment assets	13 878 121	12 851 344	37 062 894	1 429 034	18 379 630	83 601 023
Investments in associates and jointly controlled entities	-	-	-	173 088	-	173 088
Unallocated assets	-	-	-	-	-	8 646 742
Total assets	-	-	-	-	-	92 420 853
Segment liabilities and equity	11 019 089	58 878 772	1 699 303	526 882	8 492 829	80 616 875
Unallocated liabilities and equity	-	-	-	-	-	11 803 978
Total liabilities and equity	-	-	-	-	-	92 420 853
Other segment information						
Impairment allowances*	15 570	(84 646)	-	-	(19 279)	(88 355)
Other non-cash expenditures	-	-	-	-	-	-

* This item does not include impairment allowances of non-separated segments.

Negative result of the Corporate segment was caused by the inclusion of the small and medium enterprises result.

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Due to the fact that it is not possible to restate data for the 9 months of 2004 in order to compare it with data for the corresponding period of 2005 (division into Corporate and Retail Segments), the following tables present amounts relating to the 9 months of 2005, which are comparable with those regarding the nine months of 2004.

	Continued activities					
9-month period ended 30 September 2005	Corporate Segment	Retail Segment	Treasury Segment	Investments Segment	Housing Segment	All activities
Revenue						
External customer-related revenues	1 282 426	1 911 766	1 637 677	384 780	1 006 636	6 223 285
Inter-segment sales	-	39 516	-	146	-	39 662
Total segment revenue	1 282 426	1 951 282	1 637 677	384 926	1 006 636	6 262 947
Result						
Segment result	(76 016)	704 709	283 094	295 471	45 108	1 252 366
Unallocated result together with the result of non-separated segments	-	-	-	-	-	166 406
Difference between FX Swap and CIRS results (swap points) reported for management reporting purposes	-	-	-	-	-	295 896
Result from continued activities before taxation	-	-	-	-	-	1 714 668
Share in the results of associates	-	-	-	-	-	18 132
Result before taxation and minority interest	-	-	-	-	-	1 732 800
Income tax (tax expense)	-	-	-	-	-	(354 726)
Profit/ (loss) of minority shareholders	-	-	-	-	-	(5 298)
Net profit for the year	-	-	-	-	-	1 372 776
Assets and equity and liabilities as at 30 September 2005						
Segment assets	16 682 003	10 047 462	37 062 894	1 429 034	18 379 630	83 601 023
Investments in associates and jointly controlled entities	-	-	-	173 088	-	173 088
Unallocated assets	-	-	-	-	-	8 646 742
Total assets	-	-	-	-	-	92 420 853
Segment liabilities and equity	14 860 441	55 037 420	1 699 303	526 882	8 492 829	80 616 875
Unallocated liabilities and equity	-	-	-	-	-	11 803 978
Total liabilities and equity	-	-	-	-	-	92 420 853
Other segment information						
Impairment allowances*	3 764	(72 840)	-	-	(19 279)	(88 355)
Other non-cash expenditures	-	-	-	-	-	-

* This item does not include impairment allowances of non-separated segments.

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	Continued activities					
9-month period ended 30 September 2004	Corporate Segment	Retail Segment	Treasury Segment	Investments Segment	Housing Segment	All activities
Revenue						
External customer-related revenue	1 334 536	1 908 973	1 397 002	99 863	1 067 741	5 808 115
Inter-segment sales	-	76	-	-	-	76
Total segment revenue	1 334 536	1 909 049	1 397 002	99 863	1 067 741	5 808 191
Result						
Segment result	61 557	622 409	229 070	13 822	263 614	1 190 472
Unallocated result together with the result of non-separated segments	-	-	-	-	-	163 815
Difference between FX Swap and CIRS results (swap points) reported for management reporting purposes	-	-	-	-	-	138 574
Result from continued activities before taxation	-	-	-	-	-	1 492 861
Share in the results of associates	-	-	-	-	-	13 576
Result before taxation and minority interest	-	-	-	-	-	1 506 437
Income tax (tax expense)	-	-	-	-	-	(305 525)
Profit/ (loss) of minority shareholders	-	-	-	-	-	(1 709)
Net profit for the year	-	-	-	-	-	1 199 203

	Continued activities					
	Corporate Segment	Retail Segment	Treasury Segment	Investments Segment	Housing Segment	All activities
Assets and equity and liabilities as at 31 December 2004						
Segment assets	13 775 395	8 605 283	35 893 554	1 385 508	16 127 584	75 787 324
Investments in associates and jointly controlled entities	-	-	-	156 815	-	156 815
Unallocated assets	-	-	-	-	-	10 010 226
Total assets	-	-	-	-	-	85 954 365
Segment liabilities and equity	12 179 440	54 175 322	1 092 291	269 569	7 639 057	75 355 679
Unallocated liabilities and equity	-	-	-	-	-	10 598 686
Total liabilities and equity	-	-	-	-	-	85 954 365
Other segment information	-	-	-	-	-	-
Impairment allowances*	(119 198)	34 867	7 450	42 107	(6 491)	(41 265)
Other non-cash expenditure	-	-	-	-	-	-

* This item does not include impairment allowances of non-separated segments.

Segmentation by geographical region

Taking into account the fact that the Group's activity is also conducted outside Poland, segmentation by geographical region is a secondary reporting format.

The operating activities of the PKO BP S.A. Group, which cover all business segments, are concentrated on the activities in Poland through Bank PKO BP S.A. and related entities.

Except for Poland, the Group carries out its activities in Ukraine – through Kredyt Bank (Ukraina) S.A.

The scope of activities of the Group outside Poland is smaller compared to the result of the whole Group.

The tables below present data relating to revenues, expenditures and certain types of the assets of the individual geographical segments for the 9-month periods ended 30 September 2005, 30 September 2004 and 31 December 2004.

9-month period ended 30 September 2005	Poland	Ukraine*	Total
Revenues			
Total segment revenues	6 262 947	128 003	6 390 950
Other segment information			
Segment assets	91 215 666	1 032 099	92 247 765
Unallocated assets	-	-	-
Investments in associates	173 088	-	173 088
Total assets	91 388 754	1 032 099	92 420 853

9-month period ended 30 September 2004	Poland	Ukraine*	Total
Revenues			
Total segment revenues	5 808 191	255	5 808 446
As at 31 December 2004			
Other segment information			
Segment assets	85 149 499	648 051	85 797 550
Unallocated assets	-	-	-
Investments in associates	156 815	-	156 815
Total assets	85 306 314	648 051	85 954 365

*In the business segment information, Kredyt Bank (Ukraina) S.A. is presented under non-separated segments due to not reaching any of the thresholds set forth in IAS 14.

Warsaw, 14th November 2005

*Member of the Management Board
Chief Accountant of the Bank*

Krystyna Szewczyk