

*Translation of interim financial statements of
the PKO Bank Polski SA Group for four 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 FOUR QUARTERS OF 2005**

Prepared in accordance with International Financial Reporting Standards



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1. SUMMARY

- As at 31 December 2005:
 - total assets of the PKO BP SA Group amounted to PLN 91,865 million and increased by PLN 5,911 million i.e. 6.9% compared to the end of 2004,
 - the Group's total equity amounted to PLN 8,832 million and decreased by PLN 26 million i.e. 0.3% compared to the end of 2004, despite relatively high net profit for the period, as a result of many reasons, of which the most important ones were: the decision of the General Shareholders' Meeting to apportion PLN 1 billion to dividends from the 2004 profit, introduction of IAS 39 adjustments and a decrease of revaluation reserve.
- In 2005, the PKO BP SA Group achieved the gross pre - tax result amounting to PLN 2,192 million. After deductions resulting from tax charges and minority interest, the net result amounted to PLN 1,759 million. Compared to 2004, the gross pre - tax result and the net result were 17.3% and 16.7% higher, respectively.
- The Group's gross pre - tax result for the fourth quarter of 2005 amounted to PLN 460 million and was 26.5% higher compared to the fourth quarter of 2004. The net result achieved by the Group in the fourth quarter of 2005 amounted to PLN 386 million and was 25.6% higher compared to the balance for the fourth 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 4th 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.



3. FINANCIAL STATEMENTS

Consolidated quarterly report 4/2005

For the 4 quarters of 2005 (period from 1 January 2005 to 31 December 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)

Data derived from consolidated condensed financial statements	in PLN thousand		in EUR thousand	
	Period from 01.01 to 31.12.2005	Period from 01.01 to 31.12.2004	Period from 01.01 to 31.12.2005	Period from 01.01 to 31.12.2004
SELECTED FINANCIAL DATA				
Net interest income	3 586 995	3 514 719	891 555	777 902
Net fees and commission income	1 217 882	1 583 014	302 707	350 364
Operating profit	2 169 827	1 847 890	539 315	408 988
Net profit (loss) for the current year (including minority interest)	1 776 880	1 508 292	441 647	333 826
Net profit (loss)	1 758 895	1 506 705	437 177	333 475
Shareholders' equity attributable to the parent company's shareholders	8 758 580	8 792 303	2 269 180	2 155 504
Total shareholders' equity	8 831 774	8 858 152	2 288 143	2 171 648
Net cash flow from operating activities	(3 088 920)	(1 904 810)	(767 758)	(421 586)
Net cash flow from investing activities	1 629 105	5 779 671	404 918	1 279 198
Net cash flow from financing activities	(1 086 721)	81 713	(270 107)	18 085
Total net cash flows	(2 546 536)	3 956 574	(632 947)	875 697
Net profit per ordinary share for the period	1.76	1.51	0.44	0.33
Diluted net profit per ordinary share for the period	1.76	1.51	0.44	0.33

Data derived from condensed financial statements	in PLN thousand		in EUR thousand	
	Period from 01.01 to 31.12.2005	Period from 01.01 to 31.12.2004	Period from 01.01 to 31.12.2005	Period from 01.01 to 31.12.2004
SELECTED FINANCIAL DATA				
Net interest income	3 517 453	3 471 947	874 271	768 436
Net fees and commission income	1 169 839	1 581 055	290 766	349 930
Operating profit	2 075 903	1 798 380	515 970	398 030
Net profit	1 675 515	1 448 050	416 453	320 493
Total shareholders' equity	8 782 144	8 907 247	2 275 285	2 183 684
Net cash flow from operating activities	(3 491 580)	(2 023 895)	(867 840)	(447 943)
Net cash flow from investing activities	1 747 257	5 874 480	434 285	1 300 181
Net cash flow from financing activities	(952 237)	70 688	(236 681)	15 645
Total net cash flows	(2 696 560)	3 921 273	(670 236)	867 884
Net profit per ordinary share for the period	1.68	1.45	0.42	0.32
Diluted net profit per ordinary share for the period	1.68	1.45	0.42	0.32



BALANCE SHEET OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP		
ASSETS	As at 31.12.2005	As at 31.12.2004
Cash and amounts due from the Central Bank	3 895 333	3 525 329
Amounts due from banks	12 662 688	13 231 886
Financial assets held for trading	851 003	369 517
Derivative financial instruments	1 332 924	1 362 379
Other financial instruments at fair value through profit or loss	20 059 683	-
Loans and advances to customers	46 883 947	40 037 265
Investment securities	1 881 378	23 457 928
Available for sale	1 881 378	21 564 911
Held to maturity	-	1 893 017
Investments in associates and jointly controlled entities	183 344	156 815
Intangible assets	637 505	500 947
Tangible fixed assets	2 642 736	2 651 824
Deferred tax asset	29 892	26 644
Other assets	804 845	633 831
TOTAL ASSETS	91 865 278	85 954 365

LIABILITIES AND EQUITY	As at 31.12.2005	As at 31.12.2004
Liabilities		
Amounts due to the Central Bank	766	144
Amounts due to other banks	2 084 985	998 718
Derivative financial instruments	1 453 081	793 739
Amounts due to customers	76 344 346	73 091 874
Liabilities arising from securities issued	68 470	21 076
Other liabilities	2 744 527	1 395 128
Deferred tax liability	33 631	586 761
Provisions	303 698	208 773
TOTAL LIABILITIES	83 033 504	77 096 213
Equity		
Share capital	1 000 000	1 000 000
Other capital and reserves	5 853 997	6 027 024
Currency translation differences from foreign operations	(3 829)	(11 472)
Retained earnings	149 517	270 046
Net profit for the period	1 758 895	1 506 705
Equity attributable to the parent company's shareholders	8 758 580	8 792 303
Minority capital	73 194	65 849
Total equity	8 831 774	8 858 152
TOTAL LIABILITIES AND EQUITY	91 865 278	85 954 365

Capital adequacy ratio	14.07	18.44*
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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 Bank as at 31 December 2004, the capital adequacy ratio amounted to 16.67%.



PROFIT AND LOSS ACCOUNT OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP				
	4th quarter from 01.10.2005 to 31.12.2005	4 quarters from 01.01.2005 to 31.12.2005	4th quarter from 01.10.2004 to 31.12.2004	4 quarters from 01.01.2004 to 31.12.2004
Interest income	1 408 503	5 704 532	1 429 321	5 312 766
Interest expense	(502 178)	(2 117 537)	(534 999)	(1 798 047)
Net interest income	906 325	3 586 995	894 322	3 514 719
Fees and commission income	413 082	1 537 579	526 938	1 861 392
Fees and commission expense	(91 422)	(319 697)	(86 357)	(278 378)
Net fees and commission income	321 660	1 217 882	440 581	1 583 014
Dividend income	-	16 112	145	3 396
Result from financial instruments at fair value	(115 542)	(11 918)	(58 989)	(45 675)
Result from investment securities	30 384	288 020	17 036	(20 651)
Foreign exchange result	137 213	612 101	176 913	473 436
Other operating income	290 383	844 755	258 701	648 827
Other operating expense	(33 019)	(153 320)	(85 144)	(196 583)
Net other operating income	257 364	691 435	173 557	452 244
Impairment losses	54 547	(86 189)	(155 949)	(169 030)
Overhead costs	(1 136 792)	(4 144 611)	(1 132 587)	(3 943 563)
Operating profit (loss)	455 159	2 169 827	355 029	1 847 890
Share in the profits (losses) of associates and jointly controlled entities	4 504	22 636	8 349	21 925
Profit (loss) before income tax	459 663	2 192 463	363 378	1 869 815
Income tax expense	(60 857)	(415 583)	(55 998)	(361 523)
Net profit (loss) for the period (including minority interest), of which:	398 806	1 776 880	307 380	1 508 292
(Profit) loss attributable to minority shareholders	12 687	17 985	(122)	1 587
Net profit (loss)	386 119	1 758 895	307 502	1 506 705
Net profit per ordinary share				
- net profit per ordinary share for the period	0.39	1.76	0.31	1.51
- diluted net profit per ordinary share for the period	0.39	1.76	0.31	1.51



STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP		
	Period from 01.01.2005 to 31.12.2005	Period from 01.01.2004 to 31.12.2004
EQUITY		
Share capital	1 000 000	1 000 000
Other capital and reserves, of which:	5 853 997	6 027 024
Reserve capital	3 297 627	2 790 299
Revaluation reserve	(1 021)	241 267
<i>Fair value adjustments to available-for-sale financial assets</i>	(1 021)	241 267
Other reserves	1 557 391	1 495 495
General banking risk fund	1 000 000	1 499 963
Foreign exchange differences on foreign operations	(3 829)	(11 472)
Retained earnings	149 517	270 046
Net profit for the period	1 758 895	1 506 705
Equity attributable to the parent company's shareholders	8 758 580	8 792 303
Minority capital	73 194	65 849
<i>Including the result for the period</i>	17 985	1 587
Total equity	8 831 774	8 858 152
Sources of changes in equity		
Equity as at the end of the previous period	8 095 698	6 399 638
Adjustments due to changes in accounting policies	124 074	785 813
- recognition of minority interest	40 685	26 009
- adjustments associated with implementation of IFRS/IAS	83 389	759 804
Equity as at the beginning of the period, restated	8 219 772	7 185 451
Changes in shareholders' equity		
Net profit (loss) for the period attributable to the parent company's shareholders	1 758 895	1 506 705
Profits (losses) of the minority shareholders	17 985	1 587
Fair value adjustments to available-for-sale financial assets recognised in the revaluation reserve	(161 694)	172 111
Currency translation differences on subsidiaries	7 643	(11 472)
Other increases/decreases of shareholder's equity	(1 010 827)	3 770
Total shareholders' equity	8 831 774	8 858 152

CONSOLIDATED OFF-BALANCE SHEET ITEMS OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP		
	As at 31.12.2005	As at 31.12.2004
Off-balance sheet contingent liabilities granted and received	15 589 417	11 756 983
Contingent liabilities granted:	10 268 549	6 398 063
financial	8 792 299	5 659 586
guarantees	1 476 250	738 477
Contingent liabilities received:	5 320 868	5 358 920
financial	570 767	758 291
guarantees	4 750 101	4 600 629
Liabilities arising from the purchase/sale transactions	279 032 415	170 084 929
Other, of which:	14 541 035	14 085 131
irrevocable liabilities	8 519 940	9 504 826
received collaterals	6 021 095	4 580 305
Total off-balance sheet items	309 162 867	195 927 043



CONDENSED STATEMENT OF CASH FLOWS OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP		
	Period from 01.01.2005 to 31.12.2005	Period from 01.01.2004 to 31.12.2004
Net cash flow from operating activities	(3 088 920)	(1 904 810)
Net cash flow from investing activities	1 629 105	5 779 671
Net cash flow from financing activities	(1 086 721)	81 713
Total net cash flow	(2 546 536)	3 956 574
Cash and cash equivalents at the beginning of the period	13 813 344	9 856 770
Cash and cash equivalents at the end of the period	11 266 808	13 813 344
Components of cash and cash equivalents	11 266 808	13 813 344
Cash on hand	1 267 008	1 238 461
Amounts due from central banks	2 628 325	2 286 868
Current receivables from financial institutions	7 368 996	10 285 104
Cash of the Brokerage House in the Stock Exchange Guarantee Fund	2 479	2 911



BALANCE SHEET OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA		
ASSETS	As at 31.12.2005	As at 31.12.2004
Cash and amounts due from the Central Bank	3 832 695	3 490 505
Amounts due from banks	12 631 446	13 146 115
Financial assets held for trading	841 914	346 131
Derivative financial instruments	1 332 924	1 362 379
Other financial instruments at fair value through profit or loss	20 034 160	-
Loans and advances to customers	46 061 165	39 577 723
Investment securities	1 857 578	23 498 314
Available for sale	1 857 578	21 605 297
Held to maturity	-	1 893 017
Investments in subsidiaries, associates and jointly controlled entities	872 387	764 865
Intangible assets	523 451	384 045
Tangible fixed assets	2 201 175	2 218 233
Other assets	339 289	323 286
TOTAL ASSETS	90 528 184	85 111 596

LIABILITIES	As at 31.12.2005	As at 31.12.2004
Amounts due to the Central Bank	766	144
Amounts due to other banks	1 945 278	800 403
Derivative financial instruments	1 453 081	793 739
Amounts due to customers	75 483 663	72 576 273
Liabilities arising from securities issued	-	-
Other liabilities	2 542 177	1 243 404
Deferred tax liability	32 242	583 353
Provisions	288 833	207 033
TOTAL LIABILITIES	81 746 040	76 204 349
Share capital	1 000 000	1 000 000
Other capital and reserves	5 675 653	5 900 933
Retained earnings	430 976	558 264
Net profit for the period	1 675 515	1 448 050
Total equity	8 782 144	8 907 247
TOTAL LIABILITIES AND EQUITY	90 528 184	85 111 596

Capital adequacy ratio	14.07	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%.



PROFIT AND LOSS ACCOUNT OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA				
	4th quarter from 01.10.2005 to 31.12.2005	4 quarters from 01.01.2005 to 31.12.2005	4th quarter from 01.10.2004 to 31.12.2004	4 quarters from 01.01. 2004 to 31.12.2004
Interest income	1 368 397	5 559 511	1 390 744	5 244 964
Interest expense	(484 589)	(2 042 058)	(520 641)	(1 773 017)
Net interest income	883 808	3 517 453	870 103	3 471 947
Fees and commission income	408 580	1 502 668	522 604	1 865 208
Fees and commission expense	(96 600)	(332 829)	(87 678)	(284 153)
Net fees and commission income	311 980	1 169 839	434 926	1 581 055
Dividend income	-	28 881	144	22 291
Result from financial instruments at fair value	(115 930)	(13 045)	(59 026)	(45 976)
Result from investment securities	29 994	287 888	17 238	(21 028)
Foreign exchange result	133 380	613 715	147 051	434 934
Other operating income	105 398	258 692	69 290	242 837
Other operating expense	(29 155)	(96 387)	(35 235)	(109 170)
Net other operating income	76 243	162 305	34 055	133 667
Impairment losses	56 498	(53 748)	(131 000)	(133 274)
Overhead costs	(978 126)	(3 637 385)	(978 622)	(3 645 236)
Operating (loss) profit	397 847	2 075 903	334 869	1 798 380
Share of profit of associates and jointly controlled entities	-	-	-	-
Profit (loss) before income tax	397 847	2 075 903	334 869	1 798 380
Income tax expense	(53 009)	(400 388)	(52 926)	(350 330)
Current	(49 519)	(830 940)	26 030	(303 972)
Deferred	(3 490)	430 552	(78 956)	(46 358)
Net profit (loss)	344 838	1 675 515	281 943	1 448 050
Net profit per ordinary share				
- net profit per ordinary share for the period	0.45	1,68	0.32	1,45
- diluted net profit per ordinary share for the period	0.45	1,68	0.32	1,45



STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA		
	Period from 01.01.2005 to 31.12.2005	Period from 01.01.2004 to 31.12.2004
EQUITY		
Share capital	1 000 000	1 000 000
Retained earnings, of which:	2 106 491	2 006 314
Retained earnings from previous years	430 976	558 264
Net profit for the period	1 675 515	1 448 050
Other capital and reserves, of which:	5 675 653	5 900 933
Reserve capital	3 297 080	2 789 765
Revaluation reserve	(1 427)	241 205
<i>Fair value adjustments to available-for-sale financial assets</i>	<i>(1 427)</i>	<i>241 205</i>
<i>Currency translation differences on subsidiaries</i>	-	-
<i>Differences arising on valuation of fixed assets</i>	-	-
Other reserves	1 380 000	1 370 000
General banking risk fund	1 000 000	1 499 963
Total equity	8 782 144	8 907 247
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	921 823
- adjustments associated with implementation of IFRS/IAS	534 335	921 823
- adjustments associated with implementation of effective interest rate	(336 002)	-
Equity as at the beginning of the period, restated	8 268 867	7 320 958
Changes in shareholders' equity		
Net profit (loss) of the Bank	1 675 515	1 448 050
Fair value adjustments to available-for-sale financial assets recognised in the revaluation reserve	(162 038)	172 006
Other increases/decreases of shareholders' equity	(1 000 200)	(33 767)
Total shareholders' equity	8 782 144	8 907 247

CONDENSED STATEMENT OF CASH FLOWS OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA		
	Period from 01.01.2005 to 31.12.2005	Period from 01.01.2004 to 31.12.2004
Net cash flow from operating activities	(3 491 580)	(2 023 895)
Net cash flow from investing activities	1 747 257	5 874 480
Net cash flow from financing activities	(952 237)	70 688
Total net cash flow	(2 696 560)	3 921 273
Cash and cash equivalents at the beginning of the period	13 778 001	9 856 728
Cash and cash equivalents at the end of the period	11 081 441	13 778 001
Components of cash and cash equivalents	11 081 441	13 778 001
Cash on hand	1 204 370	1 203 637
Amounts due from central banks	2 628 325	2 286 868
Current receivables from financial institutions	7 246 267	10 284 585
Cash of the Brokerage House in the Stock Exchange Guarantee Fund	2 479	2 911



OFF-BALANCE SHEET ITEMS OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA		
	As at 31.12.2005	As at 31.12.2004
Off-balance sheet contingent liabilities granted and received	15 199 268	12 292 273
Contingent liabilities granted:	10 533 845	7 148 458
financial	9 025 801	6 290 493
guarantees	1 508 044	857 965
Contingent liabilities received:	4 665 423	5 143 815
financial	447 742	714 887
guarantees	4 217 681	4 428 928
Liabilities arising from the purchase/sale transactions	279 032 789	170 088 351
Other, of which:	11 422 181	12 368 143
irrevocable liabilities	8 519 942	9 504 544
received collaterals	2 902 239	2 863 599
Total off-balance sheet items	305 654 238	194 748 767



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 31 December 2004

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

	PAS 01.01. - 31.12.2004	IAS 01.01. - 31.12.2004	Difference IAS - PAS
Interest income	5 311 743	5 312 766	1 023 ^{1),2),3)}
Interest expense	(1 679 909)	(1 798 047)	(118 138) ^{2),3)}
Net interest income	3 631 834	3 514 719	(117 115)
Fees and commission income	1 869 054	1 861 392	(7 662) ^{1),3)}
Fees and commission expense	(278 378)	(278 378)	-
Net fees and commission income	1 590 676	1 583 014	(7 662)
Dividend income	3 396	3 396	-
Result from financial instruments at fair value	(47 529)	(45 675)	1 854 ^{2),3)}
Result from investment securities	(138 159)	(20 651)	117 508 ^{1),2),3)}
Foreign exchange result	473 436	473 436	-
Other operating income	404 406	648 827	244 421 ^{1),2),3)}
Other operating expense	(233 552)	(196 583)	36 969 ^{1),2),3)}
Net other operating income	170 855	452 244	281 390
Impairment losses	(86 405)	(169 030)	(82 625) ^{2),3)}
Overhead costs	(3 743 750)	(3 943 563)	(199 813) ^{1),3)}
Operating profit (loss)	1 854 353	1 847 890	(6 463)
Share in the profits (losses) of associates and jointly controlled entities	20 720	21 925	1 205 ¹⁾
Profit (loss) before income tax	1 875 073	1 869 815	(5 258)
Income tax expense	(363 960)	(361 523)	2 437 ^{1),2),3)}
Net profit (loss) for the period (including minority interest)	1 511 113	1 508 292	(2 821)
(Profit) loss attributable to the minority shareholders	48	1 587	1 539 ^{1),3)}
Net profit (loss)	1 511 065	1 506 705	(4 360)

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

²⁾ change of presentation in the parent company and subsidiaries consolidated using the full method

³⁾ inclusion in the consolidation the financial statements of the subsidiary prepared in accordance with IAS, adjustment of goodwill, reversal of goodwill amortisation

Reconciliation of the differences between IAS and PAS in net profit for 2004 (reconciliation of earlier published PAS financial data and comparative data restated to IAS)

<i>(12-month period ended 31 December 2004)</i>	
Net profit according to PAS	1 511 065
Reversal of goodwill amortisation	21 537
Adjustment to goodwill impairment	(21 820)
Inclusion in the consolidation the financial statements of the subsidiary prepared in accordance with IAS	(4 077)
Net profit according to IAS	1 506 705



PROFIT AND LOSS ACCOUNT OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA

	PAS 01.01. - 31.12.2004	IAS 01.01. - 31.12.2004	Difference IAS - PAS
Interest income	5 244 964	5 244 964	-
Interest expense	(1 654 658)	(1 773 017)	(118 359) ¹⁾
Net interest income	3 590 306	3 471 947	(118 359) ¹⁾
Fees and commission income	1 865 208	1 865 208	-
Fees and commission expense	(284 153)	(284 153)	-
Net fees and commission income	1 581 055	1 581 055	-
Dividend income	3 396	22 291	18 896 ²⁾
Result from financial instruments at fair value	(47 830)	(45 976)	1 854 ¹⁾
Result from investment securities	(137 533)	(21 028)	116 505 ¹⁾
Foreign exchange result	434 934	434 934	-
Other operating income	243 714	242 837	(877) ³⁾
Other operating expense	(145 677)	(109 170)	36 507 ³⁾
Net other operating income	98 037	133 667	35 630
Impairment losses	(74 180)	(133 274)	(59 094) ^{3) 4)}
Overhead costs	(3 645 236)	(3 645 236)	-
Operating profit (loss)	1 802 949	1 798 380	(4 569)
Profit (loss) before income tax	1 802 949	1 798 380	(4 569)
Income tax expense	(350 330)	(350 330)	-
Share in profit (loss) of subsidiaries	58 446	-	(58 446) ^{2), 4)}
Net profit (loss)	1 511 065	1 448 050	(63 015)

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

Reconciliation of the differences between IAS and PAS in the Bank's net profit for 2004 (reconciliation of earlier published PAS financial data and comparative data restated to IAS)

<i>(12-month period ended 31 December 2004)</i>	
Net profit according to PAS	1 511 065
Valuation of investments in subsidiaries – at cost less impairment instead of using the equity pick – up method	(63 015)
Net profit according to IAS	1 448 050



4. IMPAIRMENT OF ASSETS OF THE BANK

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

	31.12.2005	31.12.2004
Impairment allowances against loans and advances, guarantees and deposits	2 869 302	2 446 600*
Impairment allowances against tangible fixed assets and intangible assets	50 334	35 783
Impairment allowances against financial assets	106 475	55 101
Impairment allowances against other assets	66 512	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 through profit and loss account

	01.01 – 31.12.2005	01.01 – 31.12.2004
Increases	(909 242)	(1 204 185)
of which:		
- impairment losses on loans and advances	(829 497)	(984 758)
- impairment losses on off-balance sheet liabilities	(51 815)	(35 045)
- impairment losses on securities and financial assets	110	(144 703)
- impairment losses on other receivables and tangible fixed assets	(28 040)	(39 679)
Decreases	855 494	1 070 911
of which:		
- impairment losses on loans and advances	792 502	895 574
- impairment losses on off-balance sheet liabilities	50 766	40 409
- impairment losses on securities and financial assets	10 500	120 880
- impairment losses on other receivables and tangible fixed assets	1 726	14 048
Balance at the end of the period	(53 748)	(133 274)

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

	31.12.2005	31.12.2004
Deferred tax liability	533 483	855 568
Deferred tax asset	501 241	272 215
Provision for off-balance sheet liabilities	78 069	22 920
Provision for future liabilities to employees	210 764	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 SA	205 786	100.00	Full method
3	PKO Inwestycje Sp. z o.o.	153 403*	100.00	Full method
4	Centrum Finansowe Puławska Sp. z o.o.	128 288	100.00	Full method
5	KREDOBANK S.A. (former Kredyt Bank (Ukraine) S.A.)	111 970	69.018	Full method
6	Inteligo Financial Services SA	59 602	100.00	Full method
7	Centrum Elektronicznych Usług Płatniczych eService SA	55 500	100.00	Full method
8	Bankowy Fundusz Leasingowy SA	30 000	100.00	Full method
9	Bankowe Towarzystwo Kapitałowe SA	18 566	100.00	Full method
Entities indirectly controlled by the Bank (indirect subsidiaries)				
Direct subsidiaries of PKO Inwestycje Sp. z o.o.				
10	Wilanów Investments Sp. z o.o.	82 981	100.00	Full method
11	Fort Mokotów Sp. z o.o.	32 130	51.00	Full method
12	POMERANKA Sp. z o.o.	19 000	100.00	Full method
13	UKRPOLINWESTYCJE Sp. z o.o.	182	55.00	Full method
Direct subsidiary of PTE BANKOWY SA				
14	Finanse Agent Transferowy Sp. z o.o.	1 861	100.00	Full method

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



Table 2. Other entities included in the consolidated financial statements

No.	Name of the entity	Value of investment at cost	% of share capital	Method of consolidation / valuation
		PLN thousands	%	
Jointly controlled entities				
1	Centrum Obsługi Biznesu Sp. z o.o.	17 498	41.44	Equity method
2	PKO/CREDIT SUISSE Towarzystwo Funduszy Inwestycyjnych SA	14 000	50.00	Equity method
3	WAWEL Hotel Development Sp. z o.o.	13 865	35.40	Equity method
Associates				
4	Bank Pocztowy SA	146 500	25.0001	Equity method
5	Kolej Gondolowa Jaworzyna Krynicka SA	15 531	37.83	Equity method
6	Ekogips SA – in bankruptcy	5 400	60.26	Equity method
7	Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.	1 500	33.33	Equity method
8	Hotel Jan III Sobieski Sp. z o.o.	522	32.50	Equity method
9	Agencja Inwestycyjna CORP S.A	29	22.31	Equity method
Associate of Bankowe Towarzystwo Kapitałowe SA				
10	FINDER Sp. z o.o.	5 555	42.31	Equity method

Due to immaterial amounts, the following entities were never 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 SA).

6.2. CHANGES IN THE ORGANISATION OF RELATED ENTITIES IN THE 4TH QUARTER OF 2005

The events that affected the structure of the PKO BP SA Group in the 4th quarter of 2005 were as follows:

- Acquisition of KREDOBANK S.A. (former Kredyt Bank (Ukraine) S.A.) shares from minority shareholders.

PKO BP SA, acting through “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 KREDOBANK S.A. As a result, the Bank acquired 339,763,026 shares accounting for 2.376 % of share capital. The cost of the shares together with additional fees and commissions amounted to 2,439,350 PLN.

As a result of the transaction, the Bank’s shareholding increased to 69.018%, which constitutes the right to exercise 69.018% of votes at the General Shareholders Meeting. The remaining part of shares is in possession of EBRD.

- Acquisition of Wilanów Investments Sp. z o.o. shares

On 3 November 2005 the Bank’s subsidiary – PKO Inwestycje Sp. z o.o. acquired from Prokom Investments SA, through a sale agreement 1,960 shares of Wilanów Investments Sp. z o.o. with nominal value of PLN 1,960 thousand, constituting 49% of the company’s share capital. The purchase price for the shares amounted to PLN 66 million.

PKO Inwestycje Sp. z o.o. owns 100% shares in this company and maintains 100% voting rights at the shareholders’ meeting.



- Acquisition of FINDER Sp. z o.o. shares

On 9 December 2005 the Bank's subsidiary - Bankowe Towarzystwo Kapitałowe SA acquired from an individual through a sale agreement 1,930 shares of FINDER Sp. z o.o. with nominal value of PLN 965 thousand. The purchase price including additional fees for the shares amounted to PLN 5,555 thousand.

As a result of the transaction, the Bankowe Towarzystwo Kapitałowe SA shareholding amounted to 42.31% of shareholders' capital and 42.31% of voting rights at the General Shareholders' Meeting (for additional information regarding the company see point 12 of this commentary "Significant post balance sheet events.....").

- Capital injection payment (dopłata) to PKO Inwestycje Sp. z o.o.

In November 2005, PKO BP SA made an additional capital injection payment (dopłata) to PKO Inwestycje Sp. z o.o. amounting to PLN 68,000 thousand, committed to the investment projects and received PLN 1,020 thousand in return as a settlement of an investment project.

- Change of the name of Kredyt Bank (Ukraine) S.A.

On 17 November 2005 the Company's General Shareholders' Meeting of Kredyt Bank (Ukraine) S.A. took a motion to change the name of the company to „KREDOBANK” S.A. and to change the company's logo.

On 23 December 2005 National Bank of Ukraine registered the change in the statute introducing the new Company's name.

Other transactions concerning other PKO BP SA investments:

- sale of Łódzka Agencja Rozwoju Regionalnego SA shares

On 30 November 2005 PKO BP SA sold Województwo Łódzkie 5 shares of Łódzka Agencja Rozwoju Regionalnego SA (ŁARR SA). The transaction value amounted to PLN 50 thousand. The disposed investment constituted 2.42% of voting rights at the company's general shareholders' meeting.

- sale of Wschodni Bank Cukrownictwa SA shares

On 12 December 2005 PKO BP SA sold to Getin Holding S.A 50,312,200 shares of Wschodni Bank Cukrownictwa SA (WBC SA) with nominal value PLN 1 each. The transaction value amounted to PLN 52,827,810. The shares constituted 25.1321% of share capital and 25.1441% of votes at general shareholders' meeting. PKO BP SA acquired WBC SA shares in 2003 as a result of WBC SA restructuring program's realisation.

6.3. RELATED PARTY TRANSACTIONS

In the 4th quarter of 2005, PKO BP SA provided the following services to related entities:

- keeping bank accounts,
- accepting deposits,
- granting loans,
- issuing debt securities,
- granting guarantees and foreign exchange spot 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 4TH QUARTER OF 2005

7.1. GENERAL INFORMATION

Table 3. General operating data as at 31 December 2005

Details	30.12.2005	30.09.2005	31.12.2004	Change from:	
				30.09.2005	31.12.2004
Total number of branches	1 251	1 257	1 266	-6	-15
- in the Retail Market Area:	1 168	1 174	1 183	-6	-15
Regional Retail Branches	12	12	12	0	0
Independent branches	537	538	537	-1	0
Subordinated branches	619	624	634	-5	-15
- 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	1 862	1 863	1 785	-1	77
Number of employees (FTE)	33 479	34 081	35 386	-602	-1 907

7.2. BANKING ACTIVITIES

- As at 31 December 2005, the **Bank's deposits** amounted to PLN 78.0 billion, and since the beginning of the year they have increased by PLN 4.8 billion.

In the 4th quarter of 2005, a decrease by PLN 1.1 billion was observed in the volume of deposits, which was mainly due to the decrease in the volume of corporate market deposits by PLN 1.3 billion. The decrease was mainly caused by the closing 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:	31.12.2005	30.09.2005	31.12.2004	Change from:	
				30.09.2005	31.12.2004
- retail banking	53 506.1	53 733.4	52 932.6	-227.3	573.5
- housing	8 834.5	8 442.7	7 327.8	391.8	1 506.7
- corporate*)	13 658.9	14 923.8	12 106.3	-1 264.9	1 552.6
- other (treasury operations, capital investments, BDM)	2 050.2	2 063.3	894.6	-13.1	1 155.6
Total deposits	78 049.7	79 163.2	73 261.4	-1 113.5	4 788.3

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

- As at 31 December 2005, the **gross value of loans and advances** granted by PKO BP SA amounted to PLN 48.7 billion and since the beginning of the year 2005 their balance has increased by PLN 7.6 billion, of which in the 4th quarter of 2005 – by PLN 1.7 billion, mainly due to high growth in housing loans.

In the 4th quarter of 2005, PKO BP SA sold housing loans with a total value of PLN 2.1 billion. The value of sale of housing loans in the 4th quarter of 2005 increased by 38% compared to the end of 2004. In 2005, the total value of “new portfolio” of housing loans granted by PKO BP SA amounted to PLN 7.5 billion and increased by 42% compared to 2004.

The significant increase of the housing loans resulted from the promotional campaign of mortgage loans called WŁASNY KĄT Hipoteczny, which took place since 19 September 2005 until the end of the 4th quarter.

In the 4th quarter of 2005, PKO BP SA launched a program to speed up the sale of mortgage loans through designated agencies dedicated especially to clients interested in mortgage loans.



On 3rd October 2005, a new product was introduced – an overdraft limit (“Szybki Limit Kredytowy”) available to individuals running their own businesses 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.

Grace period for credit card holders was increased from 52 to 55 days, the minimal amount of repayment of credit card facility was lowered from 5% to 4% and a *balance transfer* mechanism (related to transferring of credit card debt from other banks) was developed.

In the 4th quarter of 2005, PKO BP SA offered an insurance of „Szybki serwis kredytowy”, which represents collateral of a loan in case of unemployment, death of insured, and permanent or temporary disability.

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

Loans (gross)	31.12.2005	30.09.2005	31.12.2004	Change from:	
				30.09.2005	31.12.2004
- retail banking	11,357.9	11,012.2	9,527.4	345.7	1,830.5
- housing market (new portfolio)	16,820.1	15,781.1	13,324.1	1,039.0	3,496.0
- housing loans	2,959.4	2,995.2	3,085.2	-35.8	-125.8
- corporate *)	17,585.6	17,223.3	15,172.1	362.3	2,413.5
Total loans and credits	48,723.1	47,011.7	41,108.8	1,711.4	7,614.3

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

In 2005, the number of savings accounts (ROR) and Inteligo accounts increased by a total of 391 thousand, and amounted to 5,903 thousand as at 31 December 2005. As at the end of December 2005, the total number of Inteligo accounts amounted to 554 thousand and increased by 5.54% in comparison to the 3rd quarter of 2005.

During the 4th quarter of 2005, the number of agreements for **electronic banking services** increased by approximately 220 thousand and amounted to 847 thousand as at 31 December 2005.

In November 2005, the Bank enriched its’ electronic banking services with the function of on-line credit application within “Szybki Limit Kredytowy”.

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

- In 2005, the **number of banking cards** issued by PKO BP SA increased by 633 thousand, of which 200 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 4th quarter of 2005, the Bank issued 140 thousand banking cards. At the end of 2005 the number of banking cards issued by the Bank amounted to 6,076 thousand.

PKO BP SA implemented a new ATM’s functionality enabling users to verify credit card balances.

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

Details	31.12.2005	30.09.2005	31.12.2004	Change from:	
				30.09.2005	31.12.2004
Total number of accounts, of which:	5,903	5,891	5,512	12	391
- savings accounts(ROR)	5,349	5,366	5,148	-17	201
- Inteligo accounts	554	525	364	29	190
Number of banking cards, of which:	6,076	5,936	5,443	140	633
credit cards	525	489	327	36	198

In the 4th quarter of 2005, the **activities** of PKO BP SA **on the money market** were concentrated on the effective management of the Bank’s liquidity, interest rate, currency and operating risks in terms of intrabanking market and clients.

The most important activities undertaken in this period involved:

- taking positions in instruments with shorter term of revaluation,
- securing currency funds for financing of PKO BP SA’s credit operations,
- expanding collaboration with PKO BP SA’s clients; in the 4th quarter PKO BP SA expanded product portfolio dedicated to the Bank’s corporate clients with currency options.



- As far as the structural financing is concerned, in the 4th quarter of 2005 the Bank:
 - signed a syndicated loan agreement with a PKO BP SA client; where eleven banks would grant a syndicated loan comprising of tranche A of EUR 250 million and tranche B of EUR 750 million. The share of PKO BP SA amounts to EUR 22.7 million and EUR 68.2 million, respectively. Total exposure of the Bank towards the client as at the date of the agreement amounted to PLN 868.97 million;
 - signed a syndicated investment and overdraft loan agreement with the construction company, which amounted to EUR 71.5 million and EUR 15.5 million, respectively (PKO BP SA share amounted to EUR 24.2 million and EUR 5.2 million, respectively),
 - joined a syndicated loan agreement signed with a PKO BP SA's client from the telecommunications industry, by acquiring a share in the loan amounting to EUR 15 million and in the guarantee amounting to EUR 10 million;
 - signed fifteen agreements for the issuance of municipal bonds, for the total amount of PLN 140.3 million, among others for the following municipalities: Rzeszów (PLN 29.4 million), Kalisz (PLN 25 million);
 - signed three agreements for the issuance of commercial papers, i.e. two agreements for the issuance of corporate bonds (PLN 160 million), an agreement for the issuance of PKO BP SA's commercial papers for an entity from energy industry (PLN 300 million) – with the guarantee to close the issue.

7.3. BROKERAGE ACTIVITIES

In the 4th quarter of 2005, Bankowy Dom Maklerski PKO BP SA:

- achieved PLN 4.2 billion turnover on the shares' market, which was more than 1.6 billion higher compared to the same period in the prior year, which ranked BDM the 6th on the market;
- was a market-maker on the shares' market – value of BDM's turnover in 4th quarter of 2005 amounted to PLN 1.6 billion, which constitutes a 36.4% increase in comparison to 4th quarter of 2004; during 2005 the value of BDM's turnover amounted to PLN 5.5 billion;
- maintained the leading position on the bonds' market, turnover amounted to PLN 490 million; total BDM's turnover at bonds' market for the 2005 amounted to PLN 1,903.2 million, which constitutes a 37.6 % market share;
- settled 144.7 thousand forward agreements, which constitutes an increase by 44% in comparison to 2004.

At the end of December 2005, BDM PKO BP SA maintained 411.1 thousand investment and registered accounts i.e. 13% increase compared to the prior year.

In 2005 BDM PKO BP SA was awarded three prestigious awards by the President of the Management Board of Warsaw Stock Exchange.

7.4. OTHER ACTIVITIES

- New investment funds products were introduced to the Bank's offer:
 - PKO/Credit Suisse Akcji Nowa Europa. The Fund is directed to clients with tendency to long-term savings, who diversify their funds on currencies and markets. The Fund invests its capital in Polish companies and in companies originated from new member countries of European Union.
 - PKO/Credit Suisse Światowy Fundusz Walutowy. The Fund is directed to owners of currency deposits, who would like to take advantage of opportunity to acquire higher rate of return than the one on deposits. Funds are invested on international bonds and stock exchange markets.
- As part of the Integrated IT System (ZSI) project, in the 4th quarter of 2005 a Pilot Branch was launched. The branch serves c.a. 1800 clients.



- Awards and distinctions granted during the 4th quarter of 2005:
 - Arts & Business Awards 2005 of the Commitment to Europe arts & business foundation. PKO BP SA was awarded in Sponsor arts & business category; the Bank's long term relationship with Willa Decjusza was recognised as Partnership of the year, as an outstanding example of beneficial long-term relationship of a commercial company with a cultural institution (November 2005).
 - Prizewinner in Bank Dostępny competition, organised by "Otwarte Drzwi" Foundation and Narodowy Bank Polski, in two categories – Clients prize – for PKO BP SA for Inteligo account and in - Big Bank category for – I Oddział PKO BP SA at Lwówek Śląski (December 2005).
- Moreover during the 4th quarter of 2005, the sponsoring and charity work of the Bank were directed to support the Polish culture, life and health.

8. SUMMARY OF MAJOR ACHIEVEMENTS OF SUBSIDIARIES IN THE 4TH QUARTER OF 2005

Powszechne Towarzystwo Emerytalne BANKOWY SA

In the 4th quarter of 2005, the value of assets held by Bankowy OFE increased by PLN 132 million compared to the 3rd quarter of 2005. At the end of the 4th quarter of 2005, the value of Bankowy OFE assets amounted to PLN 2,749 million, which helped the Fund to maintain 8th place on the open pension funds market.

The number of accounts kept increased by 2,465 compared to the 3rd quarter of 2005. With the number of accounts amounting to 455,941 at the end of 4th quarter of 2005 Bankowy OFE like in the end of 3rd quarter of 2005 maintained 8th place on the open pension funds market.

Centrum Elektronicznych Usług Płatniczych eService SA

At the end of the 4th quarter of 2005, transactions with a value of PLN 8,057 million were generated in the terminals of eService SA, which constituted a 46.73% increase compared to the 3rd quarter of 2005. Cash disbursement transactions concluded at the PKO BP SA agencies accounted for 38% of total transactions.

The number of terminals installed at the end of the 4th quarter of 2005 amounted to 29,557, which indicates a 9.57% increase compared to the end of the 3rd quarter of 2005.

The company's share in the payment cards market, in terms of number of terminals at the end of the 4th quarter of 2005, amounted to 30%. The company's market share at the end of the 4th quarter of 2005 in terms of value of payments by terminals is assessed by the Company to be 25%.

Inteligo Financial Services SA

As at the end of the 4th quarter of 2005, the Company was servicing over 460 thousand clients with accounts, which converts into the increase in the number of accounts by 24 thousand in comparison to the 3rd quarter of 2005.

The total value of Inteligo clients' deposits at the end of the 4th quarter of 2005 amounted to PLN 1,523 million. This means that the value of deposits increased by PLN 133 million compared to the 3rd quarter of 2005.

PKO Inwestycje Sp. z o.o.

In the 4th quarter of 2005, PKO Inwestycje Sp. z o.o. continued through subsidiaries the realization of the following investment projects: "Marina Mokotów", "Nowy Wilanów" in Warsaw, "Neptun Park" in Gdańsk and "Trzy Gracie" project in Sopot.

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 timely pays its liabilities to subcontractors and the Banking Consortium in respect of the repayment of loan and interests. The project is realized according to the schedule. On the basis of tripartite agreement signed on 20 December 2005 by Fort Mokotów, PKO BP SA and Miasto Stołeczne Warszawa, the Company acceded to debt and accepted guarantee of PLN 2 million on behalf of Szkoła Podstawowa nr 205 in Warsaw. The obligation was prescribed in the signed agreement between the PKO BP SA and Miasto Stołeczne Warszawa regarding the sale of the property and buildings, dated 14 December 1998 and the agreement signed between the PKO BP SA and Fort Mokotów Sp. z o.o. dated 6 August 2003.



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 100% of shares in the share capital of this company. The company timely pays its liabilities to subcontractors and to the lender in respect of the repayment of loan and interests. The project is realized according to the schedule.

The project in Gdańsk - “Neptun Park” 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. Since December the company has carried out the works relating to the first stage of the project (5 buildings) in accordance with the schedule. On 20th December 2005 signed a credit agreement with Banking Consortium (PKO BP SA and Nordea Bank Polska) for financing the project.

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

Bankowy Fundusz Leasingowy SA

In the 4th quarter of 2005, the Company entered into lease contracts with a total value amounting to PLN 146.8 million, which constitutes a 47.6% increase compared to the end of the 3rd quarter of 2005.

Following the first four quarters of 2005, the total value of the contracts concluded by the company amounted to PLN 455.5 million.

Centrum Finansowe Puławska Sp. z o.o.

In the 4th quarter of 2005, the level of rented office and commercial space in Centrum Finansowe Puławska amounted to 99% of total leased space.

Current financial results of the Company for the year 2005 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. The abovementioned currency risk is covered by space rental contracts denominated in USD. According to the current accounting principles, the Company is not obliged to separate currency derivative instruments from the host contracts, because the contracts were signed in a common currency.

Bankowe Towarzystwo Kapitałowe SA

In the 4th quarter of 2005, as part of the investment activity the Company purchased 1,930 FINDER Sp. z o.o. shares, which account for 42.31% of share capital, and 42.31% of voting rights at the General Shareholders' Meeting. FINDER Sp. z o.o. is a car fleet management and monitoring company.

KREDOBANK S.A. (former Kredyt Bank (Ukraine) S.A.)

On 23 December 2005 National Bank of Ukraine registered the change in the statute introducing the new Company's name. Current statutory name is KREDOBANK S.A.

In the 4th quarter of 2005, KREDOBANK 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 KREDOBANK S.A. increased during the 4th quarter of 2005 by UAH 268 million (i.e. 15.23% in comparison to 4th quarter of 2005).

In the 4th quarter of 2004 PKO BP SA granted a loan to KREDOBANK S.A. amounting to USD 7.5 million for a period of 8 years. The loan was accounted for as part of KREDOBANK S.A. own funds following the permission granted by the National Bank of Ukraine.

As a result of the purchase of shares held by the minority shareholders of KREDOBANK S.A. in the 4th quarter of 2005 the total number of share capital and voting rights at the General Shareholders' Meeting held by PKO BP SA increased from 66.651% to 69.018%.



9. FACTORS AND EVENTS WITH SIGNIFICANT IMPACT ON FINANCIAL PERFORMANCE

9.1. FINANCIAL PERFORMANCE OF THE PKO BP SA GROUP IN THE 4TH 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 31 December 2005, the value of total assets of PKO BP SA amounted to 98.5% of the total assets of the Group.

As at 31 December 2005, total assets of the Group amounted to PLN 91,865 million and increased by PLN 5,911 million¹ (i.e. 6.9%) as compared to the end of 2004.

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

	31.12.2005	30.09.2005	31.12.2004	Change from:	
				30.09.2005	31.12.2004
1	2	3	4	5	6
ASSETS					
Cash and amounts due from the Central Bank	3 895 333	3 499 316	3 525 329	11.3%	10.5%
Amounts due from banks	12 662 688	13 492 310	13 231 886	-6.1%	-4.3%
Financial assets held for trading	851 003	605 590	369 517	40.5%	130.3%
Derivative financial instruments	1 332 924	1 379 952	1 362 379	-3.4%	-2.2%
Other financial instruments at fair value through profit or loss	20 059 683	22 821 154	0	-12.1%	x
Loans and advances to customers	46 883 947	44 745 891	40 037 265	4.8%	17.1%
Investment securities	1 881 378	1 773 482	23 457 928	6.1%	-92.0%
Tangible fixed assets	2 642 736	2 453 660	2 651 824	7.7%	-0.3%
Other assets	1 655 586	1 649 498	1 318 237	0.4%	25.6%
TOTAL ASSETS	91 865 278	92 420 853	85 954 365	-0.6%	6.9%
LIABILITIES					
Liabilities, including:	83 033 504	83 962 526	77 096 213	-1.1%	7.7%
Amounts due to the Central Bank	766	1 381	144	-44.5%	431.9%
Amounts due to other banks	2 084 985	1 603 293	998 718	30.0%	108.8%
Derivative financial instruments	1 453 081	1 384 574	793 739	4.9%	83.1%
Amounts due to customers	76 344 346	78 470 751	73 091 874	-2.7%	4.4%
Other liabilities	3 150 326	2 502 527	2 211 738	25.9%	42.4%
Total equity	8 831 774	8 458 327	8 858 152	4.4%	-0.3%
TOTAL EQUITY AND LIABILITIES	91 865 278	92 420 853	85 954 365	-0.6%	6.9%

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 recognition of the ALPL² portfolio and a 17.1% increase of the "Loans and advances to customers" balance as a result of the credit activities development.

In comparison to 30 September 2005, with respect to the structure of liabilities there was a decrease of "Amounts due to customers" balance resulting from the closing of a conditional settlements account by one of the Bank's clients connected with the share issue of this client. It was accompanied by a comparable decrease in the amount of assets in line item "Other financial instruments at fair value through profit or loss".

9.1.2 Off-balance sheet items

As at 31 December 2005, the total off-balance sheet liabilities of the PKO BP Group amounted to PLN 309,163 million and increased by 57.8% 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.



The main item of the off-balance sheet liabilities (90.3%) were liabilities related to off-balance sheet transactions (spot and forward) amounting to PLN 279,032 million. Due to the high dynamics as compared to the end of the year 2004, the share of this balance in total off-balance sheet liabilities increased by 3.5 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 year 2005, the PKO BP SA Group recorded a gross pre - tax profit amounting to PLN 2,192 million. After deducting income tax charges and the profit (loss) attributable to minority shareholders, the resulting net profit amounted to PLN 1,759 million. Compared to the corresponding period of 2004, the gross pre - tax profit and the net profit were 17.3% and 16.7% higher, respectively.

In the 4th quarter of 2005, the PKO BP SA Group recorded a gross pre - tax profit amounting to PLN 460 million, which was 26.5% higher compared to the balance in the 4th quarter of 2004. The net profit realized in that period amounted to PLN 386 million and was 25.6% higher compared to the balance in the 4th quarter of 2004.

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

	2005		2004		Dynamics	
	Total	4th quarter	Total	4th quarter	2005/2004	4 quarters of 2005 / 4 quarters 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	3 586 995	906 325	3 514 719	894 322	102,1%	101,3%
2. Net fees and commission income	1 217 882	321 660	1 583 014	440 581	76,9%	73,0%
3. Dividend income	16 112	0	3 396	145	474,4%	0,0%
4. Result from financial instruments at fair value	-11 918	-115 542	-45 675	-58 989	26,1%	195,9%
5. Result from investment securities	288 020	30 384	-20 651	17 036	x	178,4%
6. Foreign exchange result	612 101	137 213	473 436	176 913	129,3%	77,6%
7. Net other operating income	691 435	257 364	452 244	173 557	152,9%	148,3%
8. Total income items	6 400 627	1 537 404	5 960 483	1 643 565	107,4%	93,5%
9. Impairment losses	-86 189	54 547	-169 030	-155 949	51,0%	X
10. Overhead costs	-4 144 611	-1 136 792	-3 943 563	-1 132 587	105,1%	100,4%
11. Share in the profits (losses) of associates and jointly controlled entities	22 636	4 504	21 925	8 349	103,2%	53,9%
12. Profit before taxation	2 192 463	459 663	1 869 815	363 378	117,3%	126,5%
13. Income tax expense	-415 583	-60 857	-361 523	-55 998	115,0%	108,7%
14. Profit (loss) of minority shareholders	17 985	12 687	1 587	-122	1133,2%	X
15. Net profit	1 758 895	386 119	1 506 705	307 502	116,7%	125,6%

In the year 2005, the aggregated income items of the PKO BP SA Group amounted to PLN 6,401 million and were PLN 440 million i.e. 7.4% higher compared to the year 2004, including:

- Net interest income amounted to PLN 3,587 million and was PLN 72 million, i.e. 2.1% higher compared to the year 2004; this consisted of interest income amounting to PLN 5,705 million and interest expenses amounting to PLN 2,118 million, i.e. 7.4% and 17.8% higher compared to the corresponding period of the previous year, respectively. Higher interest costs dynamics was connected with the increase of the deposits volume and improvement of the Bank's competitive position related to deposits' interest.
- Net fees and commissions income amounted to PLN 1,218 million and was 23.1% lower compared to the corresponding period of 2004; income amounted to PLN 1,538 million and was 17.4% lower compared to the previous year, and expenses amounted to PLN 320 million and were 14.8% 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 (-)12 million and was PLN 34 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 result from investment securities amounted to PLN 288 million and was PLN 309 million higher compared to the previous year. The increase of the result was due to an increase in the activities of the Group's holding company on the WSE, especially in the 3rd quarter of 2005, associated with good market conditions in that period;
- Foreign exchange result amounted to PLN 612 million and was 29.3% higher compared to the year 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 currency liquidity resulting amongst others from the mortgage loans denominated in foreign currencies.
- Net other operating income amounted to PLN 691 million, i.e. 152.9% increase; and consisted of operating income amounting to PLN 874 million and operating costs amounting to PLN 183 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 in 2005 amounted to PLN (-)86 million and were 83 million lower compared to the year 2004. The above result was mainly impacted by an improvement of credit portfolio quality and sale of non-performing retail loan portfolio in the 4th quarter of 2005 and subsequent release of the provisions created for the above portfolio.

During the year 2005, the overhead costs of the Group amounted to PLN 4,145 million and were 5.1% higher compared to the previous year. In the same period, the overhead costs of PKO BP SA decreased by 0.2%. 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 as 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".

The following performance indicators were calculated based on the financial results of the PKO BP SA Group in 2005:

Ratio	2005	2004
<i>I</i>	<i>2</i>	<i>3</i>
1. Gross profit (loss)/average assets (ROA ³ _{gross})	2.47%	n/a ⁴
2. Net profit (loss)/ average assets (ROA _{net})	1.98%	n/a
3. Gross profit (loss)/ average equity (ROE ⁵ _{gross})	24.79%	n/a
4. Net profit (loss)/ average equity (ROE _{netto})	19.89%	n/a
5. Ratio of administrative expenses to total income items (C/I)	64.75%	66.16%

9.1.4 Shareholders' equity

As at 31 December 2005, the shareholders' equity of the PKO BP SA Group amounted to PLN 8,832 million and was PLN 26 million i.e. 0.3% lower compared to the end of 2004. The decrease in shareholders' equity compared to the balance as at 31 December 2004, despite the relatively high result for the current period resulted from many factors; the most important of which were the appropriation of PLN 1 billion from the 2004 profit to dividends, adjustments resulting from IAS 39 implementation and a decrease of the revaluation fund (see commentary regarding the capital adequacy ratio).

³ ROA gross and ROA net computed as proportion of gross and net profit (loss) for the 12 month period to the arithmetic average of assets at the beginning and at the end of the period, respectively.

⁴ ROA and ROE for the year 2004 can not be computed as comparable to the year 2005 because of lack of data about assets and equity on 31.12.2003 according to IFRS.

⁵ ROE gross and ROE net computed as proportion of gross and net profit (loss) for the 12 month period to the arithmetic average of equity (including retained earnings and profit for the year) at the beginning and at the end of the period, respectively.



Table 9. Shareholders' equity (in PLN thousands)

Specification	As at 31.12.2005	As at 30.09.2005	As at 31.12.2004	Change from:	
				30.09.2005	31.12.2004
1	2	3	3	5	6
Share capital	1 000 000	1 000 000	1 000 000	0.0%	0.0%
Other capital and reserves	5 853 997	5 851 395	6 027 024	0.0%	-2.9%
Currency translation differences on foreign operations	-3 829	-4 283	-11 472	-10.6%	-66.6%
Retained earnings	149 517	162 472	270 046	-8.0%	-44.6%
Current period result	1 758 895	1 372 776	1 506 705	28.1%	16.7%
Equity attributable to the parent company's shareholders	8 758 580	8 382 360	8 792 303	4.5%	-0.4%
Minority interest	73 194	75 967	65 849	-3.7%	11.2%
Total shareholders' equity	8 831 774	8 458 327	8 858 152	4.4%	-0.3%
Capital adequacy ratio	14.07	14.86	18.44	-0.79 pp.	-4.37 pp.

The capital adequacy ratio as at 31 December 2005 amounted to 14.07% and decreased by 4.37 p.p. in comparison to the end of 2004. The decrease was mainly caused by:

- the decrease of own funds used to calculate the capital adequacy ratio – mainly due to decrease of the revaluation reserve (due to sale of the shares from the investment portfolio and transfer of the result from the revaluation reserve to the profit and loss account),
- the increase of the capital requirement, due to increase of the loan portfolio.

9.2. FINANCIAL PERFORMANCE OF PKO BP SA IN THE 4TH QUARTER OF 2005

In 2005, PKO BP SA recorded the gross pre-tax profit amounting to PLN 2,076 million. After deducting income tax charges, the net profit amounted to PLN 1,676 million. Compared to the corresponding period of 2004, the gross pre - tax profit and the net profit were 15.4% and 15.7% higher, respectively.

The gross pre - tax profit recorded in the 4th quarter of 2005 amounted to PLN 398 million, which was 18.8% higher compared to the balance in the 4th quarter of 2004. The net profit amounted to PLN 345 million and was 22.3% higher compared to the 4th quarter of 2004.

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

	2005		2004		Dynamics	
	Total	4th quarter	Total	4th quarter	2005/2004	4 quarters of 2005 / 4 quarters of 2004
1	2	3	4	5	2/4	3/5
1. Net interest income	3 517 453	883 808	3 471 947	870 103	101.3%	101.6%
2. Net fees and commission income	1 169 839	311 980	1 581 055	434 926	74.0%	71.7%
3. Dividend income	28 881	0	22 291	144	129.6%	0.0%
4. Result from financial instruments at fair value	-13 045	-115 930	-45 976	-59 026	28.4%	196.4%
5. Result from investment securities	287 888	29 994	-21 028	17 238	X	174.0%
6. Foreign exchange result	613 715	133 380	434 934	147 051	141.1%	90.7%
7. Net other operating income	162 305	76 243	133 667	34 055	121.4%	223.9%
8. Total income items	5 767 036	1 319 475	5 576 890	1 444 491	103.4%	91.3%
9. Impairment losses	-53 748	56 498	-133 274	-131 000	40.3%	X
10. Overhead costs	-3 637 385	-978 126	-3 645 236	-978 622	99.8%	99.9%
11. Profit (loss) before income tax	2 075 903	397 847	1 798 380	334 869	115.4%	118.8%
12. Income tax expense	-400 388	-53 009	-350 330	-52 926	114.3%	100.2%
13. Net profit	1 675 515	344 838	1 448 050	281 943	115.7%	122.3%



In the year 2005, total income in the profit and loss account amounted to PLN 5,767 million and was PLN 190 million i.e. 3.4% higher compared to the year 2004. Out of this total amount:

- PLN 3,517 million referred to net interest income, which was PLN 46 million i.e. 1.3% higher compared to the corresponding period of 2004. The balance of net interest income comprised of interest income amounting to PLN 5,560 million and interest expenses amounting to PLN 2,042 million, which were 6.0% and 15.2% higher compared to the corresponding period of 2004, respectively. Higher dynamics of the interest costs was connected with the increase of the deposits volume and improvement of the Bank's competitive position related to deposits' interest;
- PLN 1,170 million referred to net fees and commission income, which was 26% lower compared to corresponding period of 2004. This balance comprised of fees and commission income amounting to PLN 1,503 million (which was 19.4% lower than in 2004), and costs amounted to PLN 333 million (which was 17.1% higher than in 2004). The decrease in fees and commission income mainly resulted from the recognition of income on loans and advances using the effective interest rate method – if comparable data would be used, the fee and commission income dynamics would amount to approximately 111%;
- PLN 275 million referred to the result from financial instruments at fair value through profit or loss and result from investment securities, which was PLN 342 million higher compared to the previous year (this item is discussed in the section on the results of the PKO BP SA Group),
- PLN 614 million referred to foreign exchange result which was 41.1% higher compared to the year 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 162 million referred to the net result on other operating income and expenses, which represented a 21.4% increase. It comprised of other operating income amounting to PLN 259 million and other operating expenses amounting to PLN 96 million.

The impairment losses for the year 2005 amounted to PLN (-) 54 million and were PLN 80 million lower compared to the year 2004. The above result was mainly impacted by an improvement of credit portfolio quality and sale of non-performing retail loan portfolio in the 4th quarter of 2005 and subsequent release of the provisions created for the above portfolio.

In the year 2005, the Bank's overhead costs amounted to PLN 3,637 million and were 0.2% lower compared to the corresponding period of 2004.

The following performance indicators were calculated based on the financial results of the PKO BP SA in the year 2005:

Ratio	2005	2004
<i>I</i>	<i>2</i>	<i>3</i>
1. Gross profit (loss)/average assets (ROA ⁶ _{gross})	2.36%	n/a ⁷
2. Net profit (loss)/ average assets (ROA _{net})	1.91%	n/a
3. Gross profit (loss)/ average equity (ROE ⁸ _{gross})	23.47%	n/a
4. Net profit (loss)/ average equity (ROE _{netto})	18.94%	n/a
5. Ratio of administrative expenses to total income items (C/I)	63.07%	65.36%

9.3. FACTORS AFFECTING FINANCIAL PERFORMANCE OF PKO BP SA IN 2005

9.3.1 Macroeconomic factors

- In the 4th quarter of 2005, 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 continuing economic revival in the 4th quarter of 2005;

⁶ ROA gross computed as proportion of gross profit (loss) for the 12 month period to the arithmetic average of assets at the beginning and at the end of the period, respectively.

⁷ ROA and ROE for the year 2004 can not be computed in similar as for the year 2005 because of lack of data about assets and equity on 31.12.2003 according to IFRS.

⁸ ROE gross computed as proportion of net profit (loss) for the 12 month period to the arithmetic average of equity (including profits brought forward and profit for the year) at the beginning and at the end of the period, respectively..



- In the last quarter of 2005 a slight seasonal increase of unemployment rate to the level of 17.6% in December was noted. At the same time, the number of workers employed in enterprises increased;
- At the end of 4th quarter of 2005 a decrease was noted of the inflation rate, to the level of 0.7% as compared to 1.8% year to year in the end of 3rd quarter 2005. The decrease in the inflation rate was mainly due to a decrease in fuel prices on the world markets, as well as an decrease in food prices as a result of suspension of export to Russia since November;
- Annualized upward trend in households' deposits slowed down and at the end of December and amounted to 3.5% comparing to 4.5% at the end of September. The slowdown resulted from the higher benchmark, because the monthly increases were similar to the ones recorded in the previous quarter. The increase in household's deposits was supported by the increase of real income of households in the 4th quarter. In the 4th quarter corporate deposits' rapid increase slowed down and at the end of December, the corporate deposits increased by 16.8% y/y comparing to 21.5% y/y at the end of September 2005;
- The demand for bank loans continued to grow, the y/y acceleration of credits to households increased propelled by very high demand on mortgage loans. In addition, there was a small increase in corporate loans as well;
- Between October and December the Monetary Policy Council did not change the monetary policy parameters, reference rate of Polish Central Bank remained at the level of 4.5%.

9.3.2 Regulatory factors

In the 4th quarter of 2005 a new factor influenced business operations of PKO BP SA Group – Acts forming the new capital market law i.e.: on capital market supervision, on financial instruments trading, on public offering and conditions of financial instruments introduction on organized trading system and on public companies, which were introduced on 24 October 2005 together with accompanying regulations. These Acts create conditions for future liberalization of the capital market and increase of competitiveness, among others by creating possibilities of concluding transactions with securities by brokers without intermediation of Warsaw Stock Exchange, increased rights of KPWiG (Securities and Exchange Commission) to protect rights of investors, changed obligations of issuers of securities traded on the Warsaw Stock Exchange concerning information, extended possibilities to set up the brokerage activities, resolution of tax issues in umbrella investments funds, which should accelerate their development. Despite the fact that the new regulations entered into force in the 4th quarter of 2005, they will have the main effect on PKO BP SA Group business operations in the future.

The Group's activities in the 4th quarter of 2005 were also affected by:

- obligatory to the banks operating in Ukraine regulations concerning creation of specific provisions by 1 October 2005,
- preparation for implementation of New Capital Accord (Basel II).

9.3.3 Financial markets

- In the 4th quarter of 2005, the profitability of treasury bonds increased by 23 basis points (one year treasury bonds) and by 38 basis points (long-term bonds). The increase in profitability was a result of rising uncertainty about future political situation after September parliamentary and October presidential elections, after which the governmental coalition enjoying parliamentary majority, expected by the investors was not created. Additionally, the depreciation of Polish debt securities was caused by decreasing investors' expectations as to decrease of interest rates by RPP (Monetary Policy Council).
- In the 4th quarter of 2005, the Polish Zloty appreciated in relation to Euro by almost 1.5% (to 3.86 PLN/EUR at the end of December) and depreciated by 0.1% in relation to US Dollar (to 3.26 PLN/USD at the end of December). The depreciation of PLN in relation to USD was on one hand a result of appreciation of USD on international markets and on the other hand a result of temporary political uncertainty caused by the results of parliamentary elections in Poland. Since the beginning of November an upward trend of zloty's value has began and lasted till the end of the year. The appreciation was supported by the Ministry of Finance which run transactions of buying zloty with the money coming from issuing bonds in foreign currencies as well as market's expectations for another transactions of such kind in the future.



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 SA raises additional capital through the issuance of securities. In the 4th quarter of 2005 the Company:

- repaid on time 7,500 commercial papers with value of PLN 75 million,
- issued 7,000 commercial papers amounting to PLN 70 million with the maturity date falling on 14 June 2006. The commercial papers of the new issue were sold on the secondary market.

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

- From 1 January 2006 PKO BP SA introduced new fees and commissions schemes. The changes are a result of the market conditions and significant enrichment of the Bank's offer.
- On 9 January 2006 the company Bankowe Towarzystwo Kapitałowe SA – Bank's subsidiary – took over 351 shares in the increased capital of FINDER Sp. z o.o. The purchase price amounted to PLN 1 million. As the result of the transaction the share of Bankowe Towarzystwo Kapitałowe SA in the share capital and voting rights on Shareholders' Meeting of FINDER Sp. z o.o. increased from 42.31% to 46.43%. The capital increase is subject to a registration in KRS (National Court Register).
- On 24 January 2006 PKO BP SA concluded with Credit Suisse Asset Management Holding Europe (Luxembourg) SA a conditional sale agreement on 45,000 registered privileged shares of PKO/CREDIT SUISSE Towarzystwo Funduszy Inwestycyjnych SA. The Bank will purchase the shares after meeting all the conditions prescribed in the agreement. The predicted ownership transfer will be finalized till the end of 1st quarter of 2006. The shares represent 25% of votes on the General Shareholders' Meeting. As the result of the purchase transaction PKO BP SA will be an owner of 75% of shares representing 75% share in the share capital and votes on the General Shareholders' Meeting. The price for the acquired shares amounted to PLN 55 million.
- On 25 January 2006 the Bank concluded an agreement on granting guarantee with a customer of PKO BP SA. The subject of the agreement is granting, on the customer's request, a guarantee for Customs Office to cover excise duty amounting to PLN 309 million. The guarantee is valid from 1 February 2006 till 31 January 2007 plus 90 days of responsibility period. Total agreements' amount signed between the customer and the Bank on the day of signing the agreement amounted to PLN 1,104.9 million.
- On 27 January 2006 PKO BP SA signed an associate agreement with Sopot Municipality and NDI SA, through Centrum Haffner Sp. z o.o., on investment project implementation, the main purpose of which is to carry out reconstruction of buildings of the very tourist centre of Sopot. The Bank's involvement will be through acquisition of 49.4% of shares in the Centrum Haffnera Sp. z o.o. and loan financing. The Bank will enter into the investment after fulfilment of the above agreement's conditions.

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 interim report for the 3rd quarter of 2005 was submitted to the Securities and Exchange Commission (KPWiG) on 14 November 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.

From the beginning of the period of making shares available to legitimate individuals, i.e. from 6 April 2005 till 31 December 2005, State Treasury vested free of charge to the legitimate employees and their successors 103,763,142 shares of the Bank representing 10.38% of PKO BP SA shares which give 103,763,142 votes, i.e. 10.38% of the total votes number on General Shareholders' Meeting.

Moreover, State Treasury vested (till 5 December 2005) to the legitimate investors 3,525,412 of premium shares of the Bank representing 0.35% of the total number of PKO BP SA shares, giving rights to 3,525,412 votes, i.e. 0.35% of the total votes on General Shareholders' Meeting.

Considering the above, as at 31 December 2005 the direct share of the State Treasury in the share capital of the Bank amounted to 515,711,446 shares.

Table 11. *Shares still in the possession of State Treasury as at 31 December 2005*

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	51.96 %	519,590,097	-0.39 pp.	51.57 %	515,711,446

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 16 February 2006:

Table 12. *Shares held by the Management of the Bank*

Lp.	Name	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
I.	Management Board				
1.	Andrzej Podsiadło, President of the Management Board	429	21*	----- ----- --	450
2.	Kazimierz Małecki, Vie-President and Deputy President of the Management Board	2,502	125*	----- ----- --	2,627
3.	Sławomir Skrzypek, Vie-President of the Management Board	-----	-----	----- ----- --	-----
4.	Danuta Demianiuk, Vie-President of the Management Board	----- -	-----	----- -----	-----



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5.	Piotr Kamiński, Member of the Management Board	-----	-----	----- ----- --	-----
6.	Jacek Obłəkowski, Member of the Management Board	488	24*	----- ----- --	512
7.	Krystyna Szewczyk, Member of the Management Board	-----	-----	----- ----- --	-----
II.	Supervisory Bard				
1.	Bazyl Samojlik, President of the Supervisory Board	----- -	-----	----- ----- --	-----
2.	Urszula Pałaszek, Vice-President of the Supervisory Board	----- -	-----	----- ----- --	-----
3.	Krzysztof Zdanowski, Secretary of the Supervisory Board	-----	----- -	----- ----- --	-----
4.	Andrzej Giryn, Member of the Supervisory Board	-----	-----	----- ----- --	-----
5.	Stanisław Kasiewicz, Member of the Supervisory Board	101	5*	----- ----- --	106
6.	Ryszard Kokoszczyński, Member of the Supervisory Board	-----	----- -	----- ----- --	-----
7.	Jerzy Osiatyński, Member of the Supervisory Board	-----	-----	----- ----- --	-----
8.	Czesława Siwek, Member of the Supervisory Board	4,000	----- -	----- ----- --	4,000

* Acquisition took place by allocation of the Premium Shares according to the rules prescribed in the Chapter III point 2.8.6.1.3 and point 2.8.6.2.3 of the PKO BP SA Prorpectus.

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 SA, 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 4th quarter of 2005 PKO BP SA made total payments to this company amounting to PLN 26.4 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 4th 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 No. 1 to 28), in the 4th quarter of 2005 PKO BP SA made total payments to this company amounting to PLN 14.8 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 few quarters' perspective, 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 will have big influence on Group's operations.

Additionally, the activities of the Group in the next reporting periods will be affected by the following regulatory changes (described in point 9.2.2) related to the capital markets coming into effect on 24 October 2005:

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

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 4th 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 31 December 2005, the total value of court proceedings against PKO BP SA amounted to PLN 453,788,163.71, while the total value of proceedings initiated by the Bank amounted to PLN 63,016,848.12.

No court proceedings with the participation of PKO BP SA are in progress, the value of which amounts to 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 amounts 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 7 October 2005, PKO BP SA signed an agreement on sale of part of retail loans classified as loss. The cash inflow on the bank account, resulting from the transaction's settlement, occurred on 20 October 2005.



- On 22 November 2005, PKO BP SA signed, with one of the clients, four credit agreements for the amount exceeding PLN 1,110 million. The detailed information concerning this transaction is disclosed in the Current Report no 45/2005 from 23 November 2005.
- On 22 December 2005, the Bank informed Securities and Exchange Commission (KPWiG) about the intention to purchase from Credit Suisse Asset Management Holding Europe (Luxembourg) SA 45,000 of registered privileged shares of PKO/CREDIT SUISSE Towarzystwo Funduszy Inwestycyjnych SA with registered office in Warsaw ("the company"), representing 25% of votes on Shareholders' Meeting of the company. As a result of the transaction, PKO BP SA will possess 135,000 shares representing 75% of the share capital of the company and 75% of votes on the General Shareholders' Meeting.
- On 8 December 2005, the Supervisory Board of PKO BP SA on the basis of paragraph 15th no. 1 item 8 of the Bank's Statute elected Mr. Sławomir Skrzypek for the position of Vice-President of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna. As a result of the decision, Sławomir Skrzypek was obliged from 20 December 2005 to assume his duties in PKO BP SA for the joint Management Board term, which started on 19 May 2005. The detailed information about Sławomir Skrzypek was published in the Current Report no 46/2005 from 8 December 2005.

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 amounts to 10% or more of the total external and internal revenue of all segments, or,
- segment result, whether profit or loss, amounts to 10% or more of the aggregated result of all segments in profit or loss, whichever greater in absolute value, or,
- segment assets amounts to 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 12 months ended 31 December 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.



The tables below present segment revenues and segment profits for the period of 12 months ended 31 December 2005 and 31 December 2004, as well as selected segment assets and segment liabilities as at 31 December 2005 and 31 December 2004.

	Continued activities					
For the year ended 31 December 2005	Corporate Segment	Retail Segment	Treasury Segment	Investments Segment	Housing Segment	All activities
Revenue						
External customer-related revenues	1 154 574	3 290 227	2 017 196	446 675	1 339 828	8 248 500
Inter-segment sales	-	42 207	-	285	-	42 492
Total segment revenue	1 154 574	3 332 434	2 017 196	446 960	1 339 828	8 290 992
Result						
Segment result	149 463	787 913	270 913	325 922	27 339	1 561 550
Unallocated result together with the result of non-separated segments	-	-	-	-	-	240 244
Difference between FX Swap and CIRS results (swap points)	-	-	-	-	-	368 033
Result from continued activities before taxation	-	-	-	-	-	2 169 827
Share in the results of associates and jointly controlled entities	-	-	-	-	-	22 636
Result before taxation and minority interest	-	-	-	-	-	2 192 463
Income tax (tax expense)	-	-	-	-	-	(415 583)
Profit/ (loss) of minority shareholders	-	-	-	-	-	(17 985)
Net profit for the year	-	-	-	-	-	1 758 895
Assets and equity and liabilities as at 31 December 2005						
Segment assets	14 517 929	13 503 141	33 710 060	1 621 688	19 395 940	82 748 758
Investments in associates and jointly controlled entities	-	-	-	183 344	-	183 344
Unallocated assets	-	-	-	-	-	8 933 176
Total assets						91 865 278
Segment liabilities and equity	9 092 918	59 381 919	2 177 388	469 689	8 863 733	79 985 647
Unallocated liabilities and equity	-	-	-	-	-	11 879 631
Total liabilities and equity						91 865 278
Other segment information						
Impairment allowances*	10 271	62 812	0	0	(23 000)	50 083
Investments in intangible and tangible fixed assets	-	-	-	-	-	-
Depreciation of intangible and tangible fixed assets	-	-	-	-	-	468 264
Other non-cash expenditures	-	-	-	-	-	-

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

Considering the fact, that the restatement of 2004 financial data for the comparability purposes with 2005 financial data (division into Corporate and Retail Segments) is not practicable, the following tables present amounts relating to 2005, which are restated to 2004 financial data.



For the year ended 31 December 2005	Continued activities					
	Corporate Segment	Retail Segment	Treasury Segment	Investments Segment	Housing Segment	All activities
Revenue						
External customer-related revenues	1 689 571	2 755 230	2 017 196	446 675	1 339 828	8 248 500
Inter-segment sales	-	42 207	-	285	-	42 492
Total segment revenue	1 689 571	2 797 437	2 017 196	446 960	1 339 828	8 290 992
Result						
Segment result	(139 256)	1 076 632	270 913	325 922	27 339	1 561 550
Unallocated result together with the result of non-separated segments	-	-	-	-	-	240 244
Difference between FX Swap and CIRS results (swap points)	-	-	-	-	-	368 033
Result from continued activities before taxation	-	-	-	-	-	2 169 827
Share in the results of associates and jointly controlled entities	-	-	-	-	-	22 636
Result before taxation and minority interest	-	-	-	-	-	2 192 463
Income tax (tax expense)	-	-	-	-	-	(415 583)
Profit/ (loss) of minority shareholders	-	-	-	-	-	(17 985)
Net profit for the year	-	-	-	-	-	1 758 895
Assets and equity and liabilities as at 31 December 2005						
Segment assets	17 429 805	10 591 265	33 710 060	1 621 688	19 395 940	82 748 758
Investments in associates and jointly controlled entities	-	-	-	183 344	-	183 344
Unallocated assets	-	-	-	-	-	8 933 176
Total assets	-	-	-	-	-	91 865 278
Segment liabilities and equity	13 529 086	54 945 751	2 177 388	469 689	8 863 733	79 985 647
Unallocated liabilities and equity	-	-	-	-	-	11 879 631
Total liabilities and equity	-	-	-	-	-	91 865 278
Other segment information						
Impairment allowances*	(6 463)	79 546	-	-	(23 000)	50 083
Investments in intangible and tangible fixed assets	-	-	-	-	-	600 596
Depreciation of intangible and tangible fixed assets	-	-	-	-	-	468 264
Other non-cash expenditures	-	-	-	-	-	-

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



	Continued activities					
For the year ended 31 December 2004	Corporate Segment	Retail Segment	Treasury Segment	Investments Segment	Housing Segment	All activities
Revenue						
External customer-related revenue	1 885 217	2 637 430	2 216 863	282 829	1 431 395	8 453 734
Inter-segment sales	-	449	-	-	-	449
Total segment revenue	1 885 217	2 637 879	2 216 863	282 829	1 431 395	8 454 183
Result						
Segment result	65 159	822 994	189 816	68 059	308 192	1 454 220
Unallocated result together with the result of non-separated segments	-	-	-	-	-	184 322
Difference between FX Swap and CIRS results (swap points)	-	-	-	-	-	209 348
Result from continued activities before taxation	-	-	-	-	-	1 847 890
Share in the results of associates and jointly controlled entities	-	-	-	-	-	21 925
Result before taxation and minority interest	-	-	-	-	-	1 869 815
Income tax (tax expense)	-	-	-	-	-	(361 523)
Profit/ (loss) of minority shareholders	-	-	-	-	-	(1 587)
Net profit for the year	-	-	-	-	-	1 506 705
Assets and equity and liabilities as at 31 December 2004						
Segment assets	14 961 394	8 605 283	35 893 554	1 385 508	16 127 584	76 973 323
Investments in associates and jointly controlled entities	-	-	-	156 815	-	156 815
Unallocated assets	-	-	-	-	-	8 824 227
Total assets	-	-	-	-	-	85 954 365
Segment liabilities and equity	12 179 440	54 175 322	882 943	269 569	7 639 057	75 146 331
Unallocated liabilities and equity	-	-	-	-	-	10 808 034
Total liabilities and equity	-	-	-	-	-	85 954 365
Other segment information						
Impairment allowances*	(119 198)	34 867	7 450	42 107	(6 491)	(41 265)
Investments in intangible and tangible fixed assets	-	-	-	-	-	534 797
Depreciation of intangible and tangible fixed assets	-	-	-	-	-	517 506
Other non-cash expenditure	-	-	-	-	-	-



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 SA Group, which cover all business segments, are concentrated on the activities in Poland through Bank PKO BP SA and related entities.

Except for Poland, the Group carries out its activities in Ukraine – through KREDOBANK 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 12-month periods ended 31 December 2005 and 31 December 2004.

For the year ended 31 December 2005	Poland	Ukraine*	Total
Revenues			
Total segment revenues	8 290 992	176 940	8 467 932
Other segment information			
Segment assets	90 446 716	1 235 218	91 681 934
Unallocated assets	-	-	-
Investments in associates	183 344	-	183 344
Total assets	90 630 060	1 235 218	91 865 278
Investments in tangible and intangible fixed assets	587 893	12 703	600 596

For the year ended 31 December 2004	Poland	Ukraine*	Total
Revenues			
Total segment revenues	8 454 183	49 368	8 503 551
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
Investments in tangible and intangible fixed assets	525 321	9 476	534 797

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

Warsaw, 16th February 2006

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

Krystyna Szewczyk