



**PKO BANK POLSKI
SPÓŁKA AKCYJNA**

**INTERIM FINANCIAL STATEMENTS
OF THE PKO BANK POLSKI SA GROUP
FOR THE FIRST QUARTER OF 2006**

Prepared in accordance with
International Financial Reporting Standards



Table of contents

1. Summary	3
2. Accounting Policies	3
3. Financial Statements	4
4. Impairment of assets of the Bank	12
5. Adjustments due to provisions, deferred tax asset and deferred tax liability	12
6. Description of the PKO BP SA Group	13
6.1 Entities included in the consolidated financial statements	13
6.2 Changes in the organisation of subordinated entities in the 1st quarter of 2006	14
6.3 Related party transactions	15
7. Major achievements of PKO BP SA in the 1st quarter of 2006	16
7.1 General information	16
7.2 Banking activities	16
7.3 Brokerage activities	19
7.4 Other achievements	19
8. Major achievements of subsidiaries in the 1st quarter of 2006	19
9. Factors and events with significant impact on financial statements	21
9.1 Financial performance of the PKO BP SA Group in the 1st quarter of 2006	21
9.2 Financial performance of PKO BP SA in the 1 st quarter of 2006	24
9.3 Factors affecting financial performance of PKO BP SA	25
10. Seasonality or Cyclical Nature of activities in the reporting period	26
11. Issuance, redemption and repayment of debt and equity instruments	26
12. Significant events that occurred after the date of the preparation of the report that may affect future financial results	26
13. The position of the Management Board regarding the possibility of achieving previously published forecasts	27
14. Information on dividend paid or declared	27
15. Shareholders holding, directly or indirectly, at least 5% of votes at the issuer's General Meeting	27
16. Changes in the number of issuer's shares held by the Management and Supervisory Board members	28
17. Transactions concluded by the issuer or its subsidiary with other Group entities, with a value exceeding the PLN equivalent of EUR 500 000 euro	29
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	29
19. Factors which may affect future financial performance within at least the next quarter	29
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	29
21. Proceedings pending before a court, arbitration tribunal or public administrative authority	30
22. Other disclosures significant for evaluation of the issuer's human resources, financial situation, financial performance and any changes therein	30
23. Segmentation of activities of the PKO BP SA Group	30
24. Credit risk and market risk of PKO BP SA Group	34



1. SUMMARY

- As at 31 March 2006:
 - total assets of the PKO BP SA Group amounted to PLN 94.039 million and were PLN 2.425 million i.e. 2.60% higher compared to the end of 2005,
 - the Group's total equity was PLN 9.274 million and was PLN 499 million i.e. 5.7% higher compared to the end of 2005.
- In the 1st quarter of 2006, the PKO BP SA Group earned a pre-tax profit of PLN 612 million. After deductions resulting from tax charges and minority interest, the net profit amounted to PLN 482 million. Compared to 2005, the pre-tax profit and net profit were higher by 12.7%, and 15.9%, respectively.

2. ACCOUNTING POLICIES

In preparing this consolidated quarterly Report, the Bank adopted accounting policies resulting from International Financial Reporting Standards, effective from the beginning of 2005, issued by the International Accounting Standards Board (IASB) and 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 financial 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 1st quarter of 2006 are consistent with those applied in 2005. These policies were described in detail in the consolidated annual report for 2005.



3. FINANCIAL STATEMENTS

Consolidated quarterly report 1/2006

For first quarter of 2006, covering period from 01-01-2006 to 31-03-2006

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)
(22) 521-71-12	521-71-11	
(telephone)	(fax)	(e-mail)
525-000-77-38	016298263	www.pkobp.pl
(NIP)	(REGON)	(www)

Data derived from consolidated condensed financial statements	PLN thousands		EUR thousands	
	Period from 01.01.2006 to 31.03.2006	Period from 01.01.2005 to 31.03.2005	Period from 01.01.2006 to 31.03.2006	Period from 01.01.2005 to 31.03.2005
SELECTED FINANCIAL DATA				
Net interest income	904 530	859 273	235 212	214 000
Net fees and commission income	406 281	279 055	105 648	69 498
Operating profit	620 371	552 527	161 320	137 605
Net profit (loss) for the current year (including minority interest)	491 998	415 500	127 938	103 479
Net profit (loss)	481 945	415 801	125 324	103 554
Shareholders' equity attributable to the parent company's	9 220 076	8 544 723	2 342 678	2 092 397
Total shareholders' equity	9 273 501	8 606 646	2 356 252	2 107 561
Net cash flow from operating activities	(218 726)	1 750 012	(56 877)	435 836
Net cash flow from investing activities	239 135	817 776	62 184	203 665
Net cash flow from financing activities	(263)	(56 268)	(68)	(14 013)
Total net cash flows	20 146	2 511 520	5 239	625 488
Net profit per ordinary share for the period	0,48	0,42	0,13	0,10
Diluted net profit per ordinary share for the period	0,48	0,42	0,13	0,10
Data derived from condensed financial statements	PLN thousands		EUR thousands	
	Period from 01.01.2006 to 31.03.2006	Period from 01.01.2005 to 31.03.2005	Period from 01.01.2006 to 31.03.2006	Period from 01.01.2005 to 31.03.2005
SELECTED FINANCIAL DATA				
Net interest income	879 803	843 335	228 782	210 030
Net fees and commission income	394 745	269 010	102 648	66 996
Operating profit	564 393	535 174	146 763	133 284
Gross profit	564 393	535 174	146 763	133 284
Net profit	453 406	410 674	117 903	102 277
Total shareholders' equity	9 240 880	8 652 329	2 347 964	2 118 747
Net cash flow from operating activities	(241 040)	1 551 433	(62 679)	386 380
Net cash flow from investing activities	255 464	819 636	66 430	204 128
Net cash flow from financing activities	-	(88)	-	(22)
Total net cash flows	14 424	2 370 981	3 751	590 487
Net profit per ordinary share for the period	0,45	0,41	0,12	0,10
Diluted net profit per ordinary share for the period	0,45	0,41	0,12	0,10



BALANCE SHEET OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP		
ASSETS	As at 31.03.2006	As at 31.12.2005
Cash and amounts due from the Central Bank	3 857 605	3 895 331
Amounts due from banks	12 193 052	12 663 295
Financial assets held for trading	605 428	851 003
Derivative financial instruments	970 040	1 137 227
Other financial instruments at fair value through profit or loss	20 327 168	20 059 683
Loans and advances to customers	50 135 257	46 874 629
Investment securities	1 676 830	1 881 378
1. Available for sale	1 676 830	1 881 378
2. Held to maturity	-	-
Investments in associates and jointly controlled entities	176 836	184 345
Intangible assets	674 904	688 770
Tangible fixed assets	2 588 497	2 643 551
Amounts due from current tax	18	87
Deferred tax asset	90 076	29 101
Other assets	742 870	704 781
TOTAL ASSETS	94 038 581	91 613 181
LIABILITIES AND EQUITY	As at 31.03.2006	As at 31.12.2005
Liabilities		
Amounts due to the Central Bank	508	766
Amounts due to other banks	2 572 136	2 083 346
Derivative financial instruments	1 376 530	1 257 384
Amounts due to customers	78 552 792	76 747 563
Liabilities arising from securities issued	59 354	68 470
Other liabilities	1 694 547	1 862 480
Current tax liability	155 540	436 766
Deferred tax liability	15 418	41 519
Provisions	338 255	339 897
TOTAL LIABILITIES	84 765 080	82 838 191
Equity		
Share capital	1 000 000	1 000 000
Other capital and reserves	5 857 008	5 850 063
Currency translation differences from foreign operations	(4 102)	(4 082)
Retained earnings	1 885 225	150 405
Net profit for the period	481 945	1 734 820
Equity attributable to the parent company's shareholders	9 220 076	8 731 206
Minority capital	53 425	43 784
Total equity	9 273 501	8 774 990
TOTAL LIABILITIES AND EQUITY	94 038 581	91 613 181
Capital adequacy ratio	14.84	13.90



PROFIT AND LOSS ACCOUNT OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP				
	I Quarter from 01.01.2006 to 31.03.2006	1 Quarter from 01.01.2006 to 31.03.2006	I Quarter from 01.01.2005 to 31.03.2005	1 Quarter from 01.01.2005 to 31.03.2005
Interest income	1 342 800	1 342 800	1 454 145	1 454 145
Interest expense	(438 270)	(438 270)	(594 872)	(594 872)
Net interest income	904 530	904 530	859 273	859 273
Fees and commission income	490 778	490 778	347 450	347 450
Fees and commission expense	(84 497)	(84 497)	(68 395)	(68 395)
Net fees and commission income	406 281	406 281	279 055	279 055
Dividend income	-	-	-	-
Result from financial instruments at fair value	(7 298)	(7 298)	64 739	64 739
Result from investment securities	427	427	31 011	31 011
Foreign exchange result	147 494	147 494	173 052	173 052
Other operating income	297 530	297 530	152 777	152 777
Other operating expense	(101 175)	(101 175)	(21 516)	(21 516)
Net other operating income and expense	196 355	196 355	131 261	131 261
Impairment losses	(26 138)	(26 138)	(29 832)	(29 832)
General administrative expenses	(1 001 280)	(1 001 280)	(956 032)	(956 032)
Operating profit (loss)	620 371	620 371	552 527	552 527
Share in the profits (losses) of associates and jointly controlled entities	(8 508)	(8 508)	(9 769)	(9 769)
Profit (loss) before income tax	611 863	611 863	542 758	542 758
Income tax expense	(119 865)	(119 865)	(127 258)	(127 258)
Net profit (loss) for the period (including minority interest)	491 998	491 998	415 500	415 500
(Profit) loss attributable to minority shareholders	10 053	10 053	(301)	(301)
Net profit (loss)	481 945	481 945	415 801	415 801
Net profit per ordinary share				
–net profit per ordinary share for the period	0,48	0,48	0,42	0,42
–diluted net profit per ordinary share for the period	0,48	0,48	0,42	0,42



STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDER'S EQUITY OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP		
	Period from 01.01.2006 to 31.03.2006	Period from 01.01.2005 to 31.03.2005
EQUITY		
Share capital	1 000 000	1 000 000
Other capital and reserves, of which:	5 857 008	5 419 455
Reserve capital	3 297 614	2 790 299
Revaluation reserve	2 891	133 661
<i>Fair value adjustments to available-for-sale financial assets</i>	<i>2 891</i>	<i>133 661</i>
Other reserves	1 556 503	1 495 495
General banking risk fund	1 000 000	1 000 000
Foreign exchange differences on foreign operations	(4 102)	(9 261)
Retained earnings	1 885 225	1 718 728
Net profit for the period	481 945	415 801
Equity attributable to the parent company's shareholders	9 220 076	8 544 723
Minority capital	53 425	61 923
<i>Including the result for the period</i>	<i>10 053</i>	<i>(301)</i>
Total equity	9 273 501	8 606 646
Sources of changes in equity		
Equity as at the end of the previous period	8 774 990	8 070 534
Adjustments due to changes in accounting policies	-	149 038
recognition of minority interest	-	65 849
adjustments associated with implementation of IFRS/IAS	-	83 189
Equity as at the beginning of the period, restated	8 774 990	8 219 572
Changes in shareholders' equity		
Net profit (loss) for the period attributable to the parent company's shareholders	481 945	415 801
Profits (losses) of the minority shareholders	10 053	(301)
Fair value adjustments to available-for-sale financial assets recognised in the revaluation reserve	6 945	(27 012)
Currency translation differences on subsidiaries	(20)	2 211
Other increases/decreases of shareholder's equity	(412)	(3 625)
Total shareholders' equity	9 273 501	8 606 646

OFF-BALANCE SHEET ITEMS OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA GROUP		
	As at 31.03.2006	As at 31.12.2005
Off-balance sheet contingent liabilities granted:	12 870 659	10 268 549
1. financial	10 876 400	8 792 299
2. guarantees	1 994 259	1 476 250
Liabilities arising from the purchase/sale transactions	235 246 125	279 032 415
Other, of which:	15 446 241	14 571 039
- irrevocable liabilities	8 969 031	8 519 942
- received collaterals	6 477 210	6 051 097
Total off-balance sheet items	263 563 025	303 872 003



CONDENSED STATEMENT OF CASHFLOWS OF THE POWSZECHNA KASA OSZCZEDNOSCI BANK POLSKI SA GROUP		
	Period from 01.01.2006 to 31.03.2006	Period from 01.01.2005 to 31.03.2005
Net cash flow from operating activities	(218 726)	1 750 012
Net cash flow from investing activities	239 135	817 776
Net cash flow from financing activities	(263)	(56 268)
Total net cash flow	20 146	2 511 520
Cash and cash equivalents at the beginning of the period	11 390 608	13 936 221
Cash and cash equivalents at the end of the period	11 410 754	16 447 741
Components of cash and cash equivalents	11 410 754	16 447 741
Cash on hand	1 133 699	1 015 782
Amounts due from central banks	2 723 906	3 533 672
Current receivables from financial institutions	7 537 337	11 896 213
Cash of the Brokerage House in the Stock Exchange Guarantee Fund	15 812	2 074



BALANCE SHEET OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA		
ASSETS	As at 31.03.2006	As at 31.12.2005
Cash and amounts due from the Central Bank	3 815 075	3 832 695
Amounts due from banks	12 142 761	12 631 446
Financial assets held for trading	604 017	841 914
Derivative financial instruments	970 040	1 137 227
Other financial instruments at fair value through profit or loss	20 301 795	20 034 160
Loans and advances to customers	49 256 054	46 051 847
Investment securities	1 632 780	1 857 578
1. Available for sale	1 632 780	1 857 578
2. Held to maturity	-	-
Investments in subsidiaries, associates and jointly controlled entities	899 932	899 932
Intangible assets	511 500	525 306
Tangible fixed assets	2 144 056	2 201 163
Amount due from current tax	-	-
Deferred tax asset	60 556	-
Other assets	402 511	314 248
TOTAL ASSETS	92 741 077	90 327 516

Liabilities and Equity	As at 31.03.2006	As at 31.12.2005
Liabilities		
Amounts due to the Central Bank	508	766
Amounts due to other banks	2 390 279	1 943 035
Derivative financial instruments	1 376 530	1 257 384
Amounts due to customers	77 712 703	75 886 880
Liabilities arising from securities issued	-	-
Other liabilities	1 544 620	1 666 180
Amount due from current tax	153 759	436 494
Deferred tax liability	-	31 351
Provisions	321 798	325 032
TOTAL LIABILITIES	83 500 197	81 547 122
Equity		
Share capital	1 000 000	1 000 000
Other capital and reserves	5 679 700	5 672 620
Retained earnings	2 107 774	430 976
Net profit for the period	453 406	1 676 798
Total equity	9 240 880	8 780 394
TOTAL LIABILITIES AND EQUITY	92 741 077	90 327 516
Capital adequacy ratio	14,79	14,06



PROFIT AND LOSS ACCOUNT OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA				
	I Quarter from 01.01.2006 to 31.03.2006	I Quarter from 01.01.2006 to 31.03.2006	I Quarter from 01.01.2005 to 31.03.2005	I Quarter from 01.01.2005 to 31.03.2005
Interest income	1 295 991	1 295 991	1 420 768	1 420 768
Interest expense	(416 188)	(416 188)	(577 433)	(577 433)
Net interest income	879 803	879 803	843 335	843 335
Fees and commission income	482 523	482 523	339 692	339 692
Fees and commission expense	(87 778)	(87 778)	(70 682)	(70 682)
Net fees and commission income	394 745	394 745	269 010	269 010
Dividend income	-	-	-	-
Result from financial instruments at fair value	(7 467)	(7 467)	64 739	64 739
Result from investment securities	641	641	31 011	31 011
Foreign exchange result	145 709	145 709	177 378	177 378
Other operating income	52 070	52 070	42 292	42 292
Other operating expense	(14 572)	(14 572)	(7 577)	(7 577)
Net other operating income and expense	37 498	37 498	34 715	34 715
Impairment losses	(21 476)	(21 476)	(35 675)	(35 675)
General administrative expenses	(865 060)	(865 060)	(849 339)	(849 339)
Operating (loss) profit	564 393	564 393	535 174	535 174
Profit (loss) before income tax	564 393	564 393	535 174	535 174
Income tax	(110 987)	(110 987)	(124 500)	(124 500)
Net profit (loss)	453 406	453 406	410 674	410 674

Net profit per ordinary share				
–net profit per ordinary share for the period	0,45	0,45	0,41	0,41
–diluted net profit per ordinary share for the period	0,45	0,45	0,41	0,41



STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI S.A.		
	Period from 01.01.2006 to 31.03.2006	Period from 01.01.2005 to 31.03.2005
EQUITY		
Share capital	1 000 000	1 000 000
Retained earnings, of which:	5 679 700	5 293 364
Reserve capital	3 297 080	2 789 765
Revaluation reserve	2 620	133 599
<i>Differences arising on valuation of fixed assets</i>	2 620	133 599
Other reserves	1 380 000	1 370 000
General banking risk fund	1 000 000	1 000 000
Retained earnings from previous years	2 107 774	1 948 291
Net profit for the period	453 406	410 674
Total equity	9 240 880	8 652 329
Sources of changes in equity		
Equity as at the end of the previous period	8 780 394	8 070 534
Adjustments due to changes in accounting policies	-	198 133
Adjustments associated with implementation of IFRS/IAS	-	198 133
Equity as at the beginning of the period, restated	8 780 394	8 268 667
Changes in shareholders' equity		
Net profit (loss) of the Bank	453 406	410 674
Fair value adjustments to available-for-sale financial assets recognised in the revaluation reserve	7 080	(27 012)
Other increases/decreases of shareholders' equity	-	-
Total shareholders' equity	9 240 880	8 652 329
OFF-BALANCE SHEET ITEMS OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SA		
	As at 31.03.2006	As at 31.12.2005
Off-balance sheet contingent liabilities granted	13 054 236	10 533 845
1. financial	11 016 492	9 025 801
2. guarantees	2 037 744	1 508 044
Liabilities arising from the purchase/sale transactions	235 248 273	279 032 527
Other, of which:	11 950 130	11 422 181
- irrevocable liabilities	8 969 031	8 519 942
- received collaterals	2 981 099	2 902 239
Total off-balance sheet items	260 252 639	300 988 553



The Polish original should be referred to in matters of interpretation.

CONDENSED STATEMENT OF CASH FLOW OF POWSZECHNA KASA OSZCZĘDNOŚCI BANKI POLSKI SA		
	Period from 01.01.2006 to 31.03.2006	Period from 01.01.2005 to 31.03.2005
Net cash flow from operating activities	(241 040)	1 551 433
Net cash flow from investing activities	255 464	819 636
Net cash flow from financing activities	-	(88)
Total net cash flow	14 424	2 370 981
Cash and cash equivalents at the beginning of the period	11 204 636	13 819 675
Cash and cash equivalents at the end of the period	11 219 060	16 190 656
Components of cash and cash equivalents	11 219 060	16 190 656
Cash on hand	1 091 169	968 153
Amounts due from central banks	2 723 906	3 533 672
Current receivables from financial institutions	7 388 173	11 686 757
Cash of the Brokerage House in the Stock Exchange Guarantee Fund	15 812	2 074

4. IMPAIRMENT OF ASSETS OF THE BANK

The value of impairment of assets of the Bank at the balance sheet date:

	31.03.2006	31.12.2005
Impairment allowances against loans and advances, guarantees and deposits	2 862 407	2 869 302
Impairment allowances against tangible fixed assets and intangible assets	50 337	50 334
Impairment allowances against financial assets	79 080	79 930
Impairment allowances against other assets	79 801	66 511

Impairment recognized in profit and loss account of the Bank:

	Period from 01.01.2006 to 31.03.2006	Period from 01.01.2005 to 31.03.2005
Increases, of which:	(194 813)	(192 517)
impairment losses on loans and advances	(188 266)	(168 096)
impairment losses on off-balance sheet liabilities	(6 332)	(14 669)
impairment losses on securities and financial assets	-	(7 827)
impairment losses on other receivables and tangible fixed assets	(215)	(1 925)
Decreases, of which:	173 337	156 842
impairment losses on loans and advances	162 830	136 338
impairment losses on off-balance sheet liabilities	9 639	16 183
impairment losses on securities and financial assets	850	4 062
impairment losses on other receivables and tangible fixed assets	18	259
Balance at the end of the period	(21 476)	(35 675)

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

	31.03.2006	31.12.2005
Deferred tax liability	497 672	531 341
Deferred tax asset	558 228	499 990
Provision for off-balance sheet liabilities	18 932	22 241
Provision for future liabilities to employees	210 764	210 764
Provision for other future liabilities	92 102	92 027



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 parent 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 of the PKO BP SA Group

No.	Entity name	Value of investment at cost	% of share capital	Method of consolidation
		PLN thousands	%	
Parent company				
1	Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna			
Entities directly controlled by the Bank (direct subsidiaries)				
2	Powszechne Towarzystwo Emerytalne BANKOWY S.A.	205 786	100.00	Full method
3	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.	111 970	69.018	Full method
6	Inteligo Financial Services S.A.	59 602	100.00	Full method
7	Centrum Elektronicznych Usług Płatniczych eService S.A.	55 500	100.00	Full method
8	Bankowy Fundusz Leasingowy S.A.	30 000	100.00	Full method
9	Bankowe Towarzystwo Kapitałowe S.A.	18 566	100.00	Full method
Entities indirectly controlled by the Bank (indirect subsidiaries)				
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
14	Finanse Agent Transferowy Sp. z o.o.	2 861**	100.00	Full method

*inclusive of a specific capital injection of PLN 5.5 million

** inclusive of a specific capital injection of PLN 1 million



Table 2. Other subordinated entities included in the consolidated financial statements

No.	Entity name	Value of investment at cost	% of share capital	Method of consolidation
		PLN thousands	%	
Jointly controlled entities				
1	Centrum Obsługi Biznesu Sp. z o.o.	17 498	41.44	Equity method
2	PKO Towarzystwo Funduszy Inwestycyjnych S.A. (formerly PKO/Credit Suisse TFI S.A.)	14 000	50.00	Equity method
3	WAWEL Hotel Development Sp. z o.o.	13 865	35.40	Equity method
Associates				
4	Bank Pocztowy S.A.	146 500	25.0001	Equity method
5	Kolej Gondolowa Jaworzyna Krynicka S.A.	15 531	37.83	Equity method
6	Ekogips S.A. – 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 S.A.				
10	FINDER Sp. z o.o.	6 555	46.43	Equity method

Due to immaterial amounts, the following entities have never been consolidated:

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

6.2 CHANGES IN THE ORGANISATION OF SUBORDINATED ENTITIES IN THE 1ST QUARTER OF 2006

The events that affected the structure of the PKO BP SA Group in the 1st quarter of 2006 were as follows:

- Taking up shares in the increased share capital of FINDER Sp. z o.o.
On 9 January 2006, Bankowe Towarzystwo Kapitałowe S.A. – the Bank’s subsidiary – took up 351 shares in the increased share capital of FINDER Sp. z o.o. Currently, the share of Bankowe Towarzystwo Kapitałowe S.A. in the share capital and in the votes at the shareholders’ meeting of FINDER Sp. z o.o. amounts to 46.43%.

The increase in the share capital was registered in the National Court Register on 20 February 2006.

- Agreement for the purchase of 25% of shares of PKO Towarzystwo Funduszy Inwestycyjnych S.A. (formerly PKO/Credit Suisse Towarzystwo Funduszy Inwestycyjnych S.A.)

On 24 January 2006, PKO BP SA concluded with Credit Suisse Asset Management Holding Europe (Luxembourg) S.A. a conditional purchase-sale agreement concerning 45,000 registered (inscribed) preference shares representing 25% of the total votes at the general shareholders’ meeting of PKO Towarzystwo Funduszy Inwestycyjnych S.A. (formerly PKO/Credit Suisse Towarzystwo Funduszy Inwestycyjnych S.A.).

On 6 April 2006, after fulfilling the conditions of that Agreement (including obtaining a permission of the President of the Office of Competition and Consumer Protection for share concentration consisting in taking over the control over the company by PKO BP SA), a transfer of share ownership right to PKO BP SA was made.

Share acquisition cost amounted to PLN 55 million. Total acquisition cost, including additional costs, amounted to PLN 55,055 thousand.



The Polish original should be referred to in matters of interpretation.

Following the above acquisition, PKO BP SA became the owner of 75% shares of the share capital and votes at the general shareholders' meeting of this company.

The company will be consolidated, using the full method, for the first time in the 2nd quarter of 2006.

- Partnership Agreement for the realization of an investment project consisting in the enhancement and re-vitalization of buildings in the tourist centre of Sopot.

On 27 January 2006, PKO BP SA entered into a Partnership Agreement with City Council of Sopot and NDI S.A., and Centrum Haffnera Sp. z o.o. as another member of this partnership, for the realization of an investment project consisting in the enhancement and re-vitalization of buildings in the tourist centre of Sopot.

The Bank's role as the financing party will consist in its share in the share capital (the Bank is to take up approx. 49.4% shares of Centrum Haffnera Sp. z o.o.) and crediting.

The Bank's share in the investment project will take place after a number of conditions set forth in the Partnership Agreement have been fulfilled.

- Change of the name of PKO Towarzystwo Funduszy Inwestycyjnych S.A.

On 20 March 2006, a change of the name of Towarzystwo Funduszy Inwestycyjny S.A. – formerly PKO/Credit Suisse Towarzystwo Funduszy Inwestycyjnych S.A. - was registered in the National Court Register.

Included in other events relating to companies with shares owned by PKO BP SA that affected their organizational structure is: completion of liquidation proceedings at Centrum Zaufania i Certyfikacji CENTRAST S.A. The Bank owned 2.58% of shares and votes at the general shareholders' meeting of this company.

6.3 RELATED PARTY TRANSACTIONS

In the 1st quarter of 2006, the Bank provided the following services to related companies (subordinated entities):

- keeping bank accounts,
- accepting deposits,
- extending loans and credits,
- issuing debt securities,
- issuing guarantees and conducting spot forex transactions.

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

All related party transactions of PKO BP SA with a value exceeding EUR 500 thousand, which are not associated with the Bank's current operations, have been presented in point 17 of this Report.



7. MAJOR ACHIEVEMENTS OF PKO BP SA IN THE 1ST QUARTER OF 2006

7.1 GENERAL INFORMATION

Table 3. Basic operating data as at 31 March 2006

Item	31.03.2006	31.12.2005	31.03.2005	Change from:	
				31.12.2005	31.03.2005
Total number of branches	1 249	1 251	1 264	-2	-15
- in the Retail Market Area	1 166	1 168	1 181	-2	-15
Regional Retail Branches	12	12	12	0	0
Independent branches	574	537	537	37	37
Subordinated branches	580	619	632	-39	-52
- 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	1 859	1 862	1 861	-3	-2
Number of full-time employees (FTE)	33 091	33 479	35 100	-388	-2 009

7.2 BANKING ACTIVITIES

- As at 31 March 2006, the Bank's **deposits** amounted to PLN 80.1 billion and since the beginning of the year increased by PLN 2.1 billion i.e. by 2.7%, mainly as a result of increase in the volume of retail banking deposits and inter-bank placements by PLN 1.5 billion and PLN 0.7 billion, respectively.

In the period from 14 March 2006 to 13 April 2006, the Bank carried out a subscription for 12M investment-insurance deposits, which split the funds into a deposit and an investment part designated for the purchase of insurance units of the capital funds.

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

Deposits	31.03.2006	31.12.2005	31.03.2005	Change from:	
				31.12.2005	31.03.2005
- retail banking*	55 029.0	53 506.1	54 145.8	1 522.8	883.2
- SMEs	4 399.6	4 722.0	3 676.2	-322.4	723.4
- housing	8 825.3	8 834.5	7 556.8	-9.2	1 268.5
- corporate	9 120.5	8 936.9	9 767.4	183.6	-646.9
- other	2 751.8	2 050.2	1 281.9	701.5	1 469.9
Total deposits	80 126.1	78 049.7	76 428.1	2 076.4	3 698.0

Source: according to the Bank's management information

* inclusive of private banking

- As at 31 March 2006, the **gross value of loans granted by** PKO BP SA amounted to PLN 51.9 billion and since the beginning of the year their balance has increased by PLN 3.2 billion i.e. by 6.6%, mainly due to increase in the balance of housing and corporate loans.

In the 1st quarter of 2006:

- the Bank extended its offer to include a credit with a balancing function facility. This offer is directed to the WŁASNY KĄT borrowers in PLN and consists in tying up borrower credit account with his deposit savings account, the so called balancing account. Loan interest is calculated for the difference between the outstanding loan balance and the balancing account balance. Client benefits: this solution allows client to re-use the overpaid amounts without any additional formalities and to increase the flexibility of managing own funds.
- The Bank adjusted the price terms of its product "Szybki Serwis Kredytowy" to the requirements of the act dated 7 July 2005 on the amendments to the Civil Code and to certain other acts (Journal of Laws No. 157, item 1316) by specifying the maximum amount of interest as the amount that shall not exceed four times



The Polish original should be referred to in matters of interpretation.

the value of the NBP lombard rate and the total amount of charges, commissions and other costs of consumer loan i.e. 5% of the value of loan granted.

- In the area of SMEs, the primary target group of “Szybki Limit Kredytowy” product (self-employed persons) was extended to include entrepreneurs conducting business in the form of civil, registered and professional partnerships.
- A new product offer i.e. credit secured by shares of Z.CH. Police S.A. was launched. This offer is valid in the period from 1 March to 31 December 2006 only.
- Also, a promotional campaign for WŁASNY KĄT mortgage housing loan and WIOSNA 2006 consolidated loan was launched. This promotional campaign is to close at the end of June 2006.

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

Loans and advances	31.03.2006	31.12.2005	31.03.2005	Change from:	
				31.12.2005	31.03.2005
- retail banking**	11 592.6	11 357.9	9 658.7	234.7	1 933.9
- SMEs	3 558.3	3 212.6	2 864.6	345.7	693.8
- housing loans (new portfolio)	17 902.8	16 820.1	13 918.0	1 082.7	3 984.8
- housing loan debt	2 880.9	2 959.4	3 163.6	-78.5	-282.7
- corporate	15 989.7	14 373.0	13 673.1	1 616.7	2 316.6
Total loans and credits	51 924.4	48 723.1	43 278.0	3 201.3	8 646.4

Source: according to the Bank's management information

* without interest due and not due

**inclusive of private banking

- Compared to the end of 2005, **the number of savings (ROR) accounts and Inteligo accounts** increased by a total of 21 thousand new accounts and as at 31 March 2006 was 5,924 thousand, of which the number of ROR savings accounts decreased by 10 thousand accounts, while the number of Inteligo accounts increased by 31 thousand new accounts. The decrease in the number of ROR accounts is the result of the following processes at the Bank:
 - clearing databases of the so-called „dormant accounts” in connection with the preparations for the implementation of an integrated IT system, and
 - verification of the age of Superkonto Student and Superkonto Graffiti account holders against the requirements of product parameters (upper age limit for those products is 26 and 18 years of age, respectively).

Compared to the balance at the end of March 2005, the total number of ROR and Inteligo accounts increased by a total of 234 thousand accounts.

- In the 1st quarter of 2006, the number of **PKO Inteligo service users** increased by 205 thousand and as at 31 March 2006 exceeded 1,050 thousand. Together with Inteligo account holders (585 thousands), the number of individuals using **electronic banking services** was at the end of the 1st quarter of 2006 1,635 thousand individuals.

In January 2006, corporate clients were granted access to their accounts via Internet PKO Inteligo banking.

- Since the beginning of 2006, **the number of banking cards** issued by PKO BP SA increased by 403 thousand and at the end of March 2006 was 6,479 thousand pieces. In the same period, the number of credit cards increased by 102 thousand pieces to the level of 627 thousand.

Compared to the corresponding prior year period, the number of banking cards increased by 880 thousand pieces, including credit cards by 239 thousand.

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

Items	31.03.2006	31.12.2005	31.03.2005	Change from:	
				31.12.2005	31.03.2005
Total number of accounts, of which:	5 924	5 903	5 690	21	234
- ROR accounts	5 339	5 349	5 208	-10	131
- Inteligo accounts	585	554	482	31	103
Number of banking cards, of which:	6 479	6 076	5 599	403	880
Credit cards	627	525	388	102	239



- In the 1st quarter of 2006, **the activities of the Bank on money market** were concentrated on the following three areas:
 - (i) managing the bank's investment portfolio, which – in majority – is composed of Polish treasury securities, and keeping revenues from managing investment portfolio closely related to the current situation on the treasury securities market. The financial market situation has been described in point 9.3.3. of this Report.
 - (ii) managing the financial risk, which consisted in active management of liquidity, currency and interest rate risk generated in all areas of the Bank's activities. Due to the continued development of credit activities and the accompanying increased demand for long-term loans and credits, in the 1st quarter of 2006, the Bank increased its medium- and long-term financing from inter-bank market in CHF.
 - (iii) trading activities on own account and with retail and corporate clients. This type of activity is conducted via a network of corporate and retail banking advisors, and is characterized by a flexible approach to client needs and high quality of services.

The Bank is one of the main *market makers* on the market of interest rate and interest rate derivatives, and is one of the main participants of the inter-bank currency market. A significant growth in the volume of transactions in all segments of inter-bank market was noted in the 1st quarter of 2006. Trading activities on the currency option market were extended, except for transactions closing items embedded in deposit products of the Bank, and trading in options on own account commenced.

- As far as **structural financing is concerned**, in the 1st quarter of 2006 PKO BP SA:
 - signed a syndicated loan agreement for a working capital loan granted to a client operating in the mass media industry; the share of PKO BP SA in this transaction amounts to EUR 10 million,
 - signed a syndicated loan agreement for an investment loan granted to a client operating in the telecommunications industry; the share of PKO BP SA in this transaction amounts to PLN 110 million,
 - signed a syndicated loan agreement for a working capital loan and banking guarantee to a client operating in the water supply and sewage systems industry; the Bank's share in this transaction amounted to PLN 43.2 million and PLN 180.2 million, respectively,
 - committed to grant an investment loan of EUR 74.5 million to an entity operating in the construction industry;
 - signed four agreements for the issuance of municipal bonds for a total amount of PLN 19.5 million, among others to the Świnoujście Municipality (PLN 10 million),
 - signed an agreement for the issuance of corporate bonds for an entity operating in the property development industry for the amount of PLN 30 million,
 - signed two ISDA agreements with foreign banks.
- Apart from the above, in the 1st quarter of 2006 the Bank:
 - implemented a new tariff for bank commissions and charges valid as of 1 January 2006; the changes resulted from market requirements and a significant increase in the Bank's product offer, and related primarily to servicing ROR accounts, banking and credit cards,
 - commenced sale of participation units of PKO Towarzystwo Funduszy Inwestycyjnych S.A. via corporate clients dedicated network,
 - extended its product offer to include *Cash Management package*, which comprises a number of modern products classified into the following groups: settlement-deposit services, liquidity management, servicing cash flows and electronic transaction- information channels. This package is offered to corporate clients who are interested in rationalizing cash management process, optimization of revenues and interest costs incurred in connection with servicing of finance, and aiming at limiting risks relating to keeping cash on premises for periods longer than required by their current activities.



7.3 BROKERAGE ACTIVITIES

In the 1st quarter of 2006, Bankowy Dom Maklerski PKO BP SA:

- recorded PLN 5.8 billion turnover on the shares' market, which was nearly double the amount recorded in the similar period of 2005, which ranked BDM PKO BP SA 6th on the share market (with 7.7% share in the turnover on the shares' market),
- maintained a leading position on the bonds' market with a total turnover of PLN 0.6 billion (which accounts for 43% in the total turnover on the bonds' market),
- undertook to stimulate the market of options for WIG20; compared to the 1st quarter of 2005, the BDM's turnover on the options' market increased nearly 3.5 times reaching the level of 16.9 thousand pieces (which accounted for 10% of the options' market share at the end of March),
- as part of its primary market participant activities, started to cooperate with eCard S.A., Qumak-Sekom S.A., Lubawa S.A., Pamapol S.A. to carry out public offerings,
- as part of the sponsor activities, serviced the process of free-of-charge offering of shares of ZC POLICE to authorized persons.

At the end of March 2006, BDM PKO BP SA maintained 405.9 thousand investment and registered accounts i.e. 30 thousand accounts more than in the prior year.

7.4 OTHER ACHIEVEMENTS

- In the 1st quarter of 2006, the Bank was awarded the following awards and distinctions:
 - Promotional emblems for 14 branches and special awards, "Platinum Statuettes", for 4 branches of the Bank in the competition „Entrepreneur Friendly Bank” organized by Polish Economic Chamber, Polish - American Advisory Foundation for Small Enterprises and Warsaw Banking Institute (January 2006),
 - Award for the central reporting system, SIZ-RAJD, in the competition organized by „Gazeta Bankowa” for „The Best IT Product” in banks and financial institutions (January 2006),
 - Prize called „ALICJA 2005” for the Electronic Money Instrument in the competition organized by the TWÓJ STYL monthly magazine; award granted for the most innovative and user-friendly financial service (February 2006),
 - Employer of the Year 2005 – title awarded in the students' ranking AIESEC; the Bank was ranked the highest among financial institutions (March 2006),
 - European Medal – granted for the Electronic Money Instrument in the 12th edition of a prestigious competition organized by *Business Centre Club* and the Office of the Committee For European Integration (March 2006).

In the 1st quarter of 2006, the sponsoring and charity work of the Bank was directed to support Polish culture, sport, life and health safety and widely understood education. This work was carried out as part of the following programs: PKO Bank Polski Kulturze Narodowej, PKO Bank Polski Reprezentacji Olimpijskiej and PKO Bank Polski Blisko Ciebie.

8. MAJOR ACHIEVEMENTS OF SUBSIDIARIES IN THE 1ST QUARTER OF 2006

Powszechne Towarzystwo Emerytalne BANKOWY S.A.

In the 1st quarter of 2006, the value of assets held by Bankowy OFE, managed by PTE BANKOWY S.A., increased by PLN 250 million compared to the balance at the end of 2005 and was PLN 2,999 million.

At the end of the 1st quarter of 2006, Bankowy OFE was ranked 8th among open-end pension funds both for the value of assets and the number of accounts maintained (459,067 accounts maintained).

Centrum Elektronicznych Usług Płatniczych eService S.A.

In the 1st quarter of 2006, the value of transactions generated in the eService S.A. terminals was PLN 2,422 million. Considering the value of transactions made with the use of cards, the Company assessed that its share in the market at the end of the 1st quarter of 2006, just like at the end of 2005, was 25%.

The number of terminals installed at the end of the 1st quarter of 2006 amounted to 30,370 pieces, which indicates a 2.8% increase compared to the end of 2005. Considering the number of terminals in use, the Company assessed that its share in the market was 30%.



Inteligo Financial Services S.A.

At the end of the 1st quarter of 2006, the Company serviced over 482 thousand clients, which indicates an increase by 22 thousand compared to the end of 2005. In the 1st quarter of 2006, the value of Inteligo client's deposits was PLN 1,546 million and increased, compared to the end of 2005, by PLN 23 million.

PKO Inwestycje Sp. z o.o.

In the 1st quarter of 2006, PKO Inwestycje Sp. z o.o. continued - through special purpose vehicles (SPV) - the realization of the following investment projects: „Marina Mokotów” and „Nowy Wilanów” in Warsaw, „Neptun Park” in Gdańsk and „Trzy Gracie” in Sopot.

FORT Mokotów Sp. z o.o. is an SPV carrying out the „Marina Mokotów” project. PKO Inwestycje Sp. z o.o. owns 51% shares of this company. The company discharges its liabilities towards subcontractors on time. On 28 February 2006, the company made an earlier repayment of the loan. The investment project is carried out in accordance with the construction timetable.

Wilanów Investments Sp. z o.o. is another SPV carrying out the „Nowy Wilanów” investment project. PKO Inwestycje Sp. z o.o. holds 100% shares in this company. The company discharges its liabilities towards subcontractors and its loan (principal and interest) liabilities on time. The investment project is carried out in accordance with construction schedule. No delays are anticipated.

POMERANKA Sp. z o.o. is an SPV set up to carry out the „Neptun Park” investment project. PKO Inwestycje Sp. z o.o. owns 100% shares in this company. The company commenced work under Task I i.e. construction of 5 buildings with 119 flats. The company discharges its liabilities towards subcontractors on time.

UKRPOLINWESTYCJE Sp. z o.o. - PKO Inwestycje Sp. z o.o. holds 55% of shares in this company. The purpose of the company is to carry out property development projects in Ukraine. The company commenced its business activities on 28 September 2005. It carries out research of the Ukrainian property development market.

Bankowy Fundusz Leasingowy S.A.

In the 1st quarter of 2006, the company leased out assets with a value of PLN 110 million. The total balance sheet value of leased assets was at the end of the 1st quarter of 2006 PLN 622 million and increased, compared to the end of 2005, by 5%. As a result, the company was ranked 11th among lease companies (source: Rzeczpospolita daily, issue dated 12 April 2006).

Centrum Finansowe Puławska Sp. z o.o.

In the 1st quarter of 2006, the company leased out 98.95% of office and commercial space in the own-managed building in Centrum Finansowe Puławska.

Compared to the end of 2005, the amount of leased office and commercial space did not change.

Bankowe Towarzystwo Kapitałowe S.A.

In January 2006, the company continued to realize its earlier investment projects and took up additional shares in FINDER Sp. z o.o. for the amount of PLN 1 million, thus increasing its share in the share capital of FINDER to 46.43% (FINDER Sp. z o.o. deals with car fleet management and car location using the GPS and GSM mobile telephony systems).

At the end of the 1st quarter of 2006, the value of investment portfolio of BTK was PLN 6.5 million.

KREDOBANK S.A.

KREDOBANK S.A. with its assets of UAH 2,196 million at the end of the 1st quarter of 2006 is ranked 23rd among all Ukrainian banks.

During the 1st quarter of 2006, total assets of KREDOBANK S.A. increased by UAH 167.5 million i.e. by 8.3%.

Since the beginning of 2006, the bank's gross credit portfolio has increased by UAH 130.4 million i.e. by 8.1% and at the end of the 1st quarter was UAH 1,743.7 million.

During the 1st quarter of 2006, the value of client term deposits increased by UAH 21.9 million i.e. by 2.1% and was UAH 1,072 million as at 31 March 2006.

On 9 March 2006, the Extraordinary General Shareholders' Meeting of KREDOBANK S.A. decided to increase the share capital of KREDOBANK S.A. by UAH 75,750,000 through the issuance of additional 7,575,000,000 shares with a nominal value of UAH 0.01 each. The planned date for taking up shares of this issue was set at 26 October 2006.



9. FACTORS AND EVENTS WITH SIGNIFICANT IMPACT ON FINANCIAL STATEMENTS

9.1 FINANCIAL PERFORMANCE OF THE PKO BP SA GROUP IN THE 1ST QUARTER OF 2006

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 assets and liabilities of the Group. As at 31 March 2006, the ratio of total assets of PKO BP SA to total assets of the Group was 98.6%.

As at 31 March 2006, total assets of the Group amounted to PLN 94,039 million and was PLN 2,425 million¹, i.e. by 2.6% higher compared to the end of 2005.

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

Items	31.03.2006	31.12.2005	Change
1	2	3	4
ASSETS			
Cash and amounts due from the Central Bank	3 857 605	3 895 331	-1.0%
Amounts due from other banks	12 193 052	12 663 295	-3.7%
Financial assets held for trading	605 428	851 003	-28.9%
Derivative financial instruments	970 040	1 137 227	-14.7%
Other financial instruments at fair value through profit or loss	20 327 168	20 059 683	1.3%
Loans and advances to customers	50 135 257	46 874 629	7.0%
Investment securities	1 676 830	1 881 378	-10.9%
Tangible fixed assets	2 588 497	2 643 551	-2.1%
Other assets	1 684 704	1 607 084	4.8%
TOTAL ASSETS	94 038 581	91 613 181	2.6%
LIABILITIES AND EQUITY			
Liabilities, of which:	84 728 577	82 838 191	2.3%
Amounts due to the Central Bank	508	766	-33.7%
Amounts due to other banks	2 572 136	2 083 346	23.5%
Derivative financial instruments	1 376 530	1 257 384	9.5%
Amounts due to customers	78 552 792	76 747 563	2.4%
Other liabilities	2 263 114	2 749 132	-17.7%
Total equity	9 273 501	8 774 990	5.7%
TOTAL LIABILITIES AND EQUITY	94 038 581	91 613 181	2.6%

Compared to the balance as at 31 December 2005, there were no significant changes in the balance sheet structure of PKO BP SA Group.

9.1.2. Off-balance sheet items

As at 31 March 2006, the total of off-balance sheet items of the PKO BP SA Group amounted to PLN 263,563 million and decreased compared to the balance as at the end of 2005 by 13.3%.

The main item of the balance sheet items (89.3%) were liabilities relating to purchase/ sale transactions amounting to PLN 235,246 million. Compared to the balance at the end of 2005, the share of this item in the total of off-balance sheet liabilities decreased by 2.5 pp. The balance comprised mainly derivative transactions and forward exchange transactions carried out by PKO BP SA to regulate the Bank's currency liquidity, as well as for speculation and arbitrage purposes.

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



9.1.3. Financial result and performance indicators

In the 1st quarter of 2006, the PKO BP SA Group recorded a pre-tax profit of PLN 612 million. After deducting income tax charge and the profit/ (loss) attributable to minority shareholders, the resulting net profit amounted to PLN 482 million. Compared to the corresponding period of 2005, the pre-tax profit and the net profit were 12.7% and 15.9% higher, respectively.

The ratio of costs to income (C/I) in the 1st quarter of 2006 was 60.77% and was 1.4 pp. higher compared to the corresponding period of 2005.

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

Item	I Quarter 2006	I Quarter 2005	Dynamics
1	2	3	4
1. Net interest income	904 530	859 273	105.3%
2. Net fees and commission income	406 281	279 055	145.6%
3. Dividend income	-	-	X
4. Result from financial instruments at fair value through profit or loss	(7 298)	64 739	X
5. Result from investment securities	427	31 011	1.4%
6. Foreign exchange result	147 494	173 052	85.2%
7. Net other operating income	196 355	131 261	149.6%
8. Total income items	1 647 789	1 538 391	107.1%
9. Impairment losses	(26 138)	(29 832)	87.6%
10. General administrative expenses	(1 001 280)	(956 032)	104.7%
11. Share in the profits/ (losses) of subordinated entities	(8 508)	(9 769)	87.1%
12. Profit before income tax	611 863	542 758	112.7%
13. Income tax expense	(119 865)	(127 258)	94.2%
14. Profit/ (loss) of minority shareholders	10 053	(301)	X
15. Net profit	481 945	415 801	115.9%
General administrative expenses to Total income items (C/I)	60.77%	62.14%	

In the period January – March 2006, the aggregated income items of the PKO BP SA Group amounted to PLN 1,648 million and were PLN 109 million i.e. 7.1% higher compared to the corresponding period of 2005.

- Net interest income amounted to PLN 905 million and was PLN 45 million i.e. 5.3% higher compared to the corresponding period of 2005. The above amount comprised interest income of PLN 1,343 million and interest expenses of PLN 438 million, which were 7.7% and 26.3% lower than in the corresponding period of 2005. The increase in the net interest income resulted from a significantly lower level of interest rates for Polish zloty (in the 1st quarter of 2006, the average 1M WIBOR rate was approximately 220 base points lower than in the corresponding period of 2005) following efforts made to move the interest result from the deposit to credit side.
- Net fees and commission income was PLN 406 million and was 45.6% higher than in the 1st quarter of 2005. Of this amount, fees and commission income amounted to PLN 491 million (and was 41.3% higher than in the prior year), and costs - PLN 84 million (i.e. 23.5% higher). Almost all increase in commission income was realized by PKO BP SA and is the result, among others, of:
 - a) changes in commission and charges and introduction of new items to the Tariff of banking commissions and charges of PKO BP SA (see point 7.2),
 - b) increase in the number of banking cards and the number of transactions made with their use,
 - c) launch of new investment products, which bring additional commission income.
- The result from financial instruments at fair value through profit or loss was negative and amounted to PLN (-)7 million and was PLN 72 million lower compared to the result achieved in the corresponding period of 2005. The above result was caused by:
 - a) relatively high prior year base, following re-classification (made in the first quarter of 2005 in accordance with IAS 39) of a significant part of debt securities to the ALPL² portfolio from the available for sale portfolio (AFS), and by high positive result from such valuation. The Bank conducted this operation in order to increase the transparency of the result from valuation of debt securities i.e. to present the result of valuation of the hedged items and hedging instruments under the same item of the profit and loss account,

² Assets and liabilities at fair value through profit or loss



The Polish original should be referred to in matters of interpretation.

- b) increase in uncertainty and interest rates in the EUR- zone and thus increase in the volatility of interest rates on the Polish market.
- The result from investment securities amounted to PLN 0.4 million and was PLN 31 million lower compared to the 1st quarter of 2005. Decrease of the result was due to a decrease in the balance of investment securities portfolio after the sale, mainly in the 2nd half of 2005, of the portfolio of shares listed on the Stock Exchange in Warsaw,
 - Foreign exchange result amounted to PLN 148 million and was 14.8% lower than in the corresponding period of 2005; FX SWAP and CIRS (the result from these transactions is of an interest type) and foreign exchange result accounted for the majority of the above figure. Decrease in the Foreign exchange result was the effect of narrowing *spreads* between Polish and foreign interest rates after successive decreases of Polish interest rates with simultaneous increases in interest rates abroad,
 - Net other operating income amounted to PLN 196 million (with dynamics of 149.6%) and consisted of operating income of PLN 298 million and operating expenses of PLN 101 million. The increase in net other operating income was due to the increase in revenues of consolidated entities of the PKO Inwestycje Group as a result of further development of property developer activities (for investment projects, see point 8).

The impairment losses in the 1st quarter of 2006 amounted to PLN (-)26 million and were PLN 4 million higher than in the corresponding period of 2005.

In the 1st quarter of 2006, general administrative expenses of the PKO BP SA Group amounted to PLN 1,001 million and were 4.7% higher compared to the previous year. In the same period, general administrative expenses of PKO BP SA, as the parent company, increased by 1.9%. The increase in the general administrative expenses was due to the increase in the costs of investment projects of the PKO Inwestycje Group as part of the property development projects. The increase in administrative expenses of the Group was compensated by the increase in income of the PKO Inwestycje Group, presented in „Other operating income”.

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

Ratio	31.03.2006	31.03.2005
1	2	3
1. Gross profit (loss)/ average assets (ROA ³ _{gross})	2.45%	2.19%
2. Net profit (loss)/ average assets (ROA _{net})	1.97%	1.76%
3. Gross profit (loss)/ average equity (ROE ⁴ _{gross})	25.01%	23.75%
4. Net profit (loss)/ average equity (ROE _{net})	20.14%	19.16%

9.1.4. Shareholders' equity

As at 31 March 2006, the shareholders' equity of the PKO BP SA Group amounted to PLN 9,274 million and was PLN 499 million i.e. 5.7% higher than at the end of 2005.

Table 9. Shareholders' equity of the PKO BP SA Group (in PLN thousands)

Item	31.03.2006	31.12.2005	Change
1	2	3	4
Share capital	1 000 000	1 000 000	0.0%
Other capital and reserves	5 857 008	5 850 063	0.1%
Currency translation differences on foreign operations	(4 102)	(4 082)	0.5%
Retained earnings	1 885 225	150 405	x12
Current period result	481 945	1 734 820	-72.2%
Equity attributable to the parent company's shareholders	9 220 076	8 731 206	5.6%
Minority interest	53 425	43 784	22.0%
Total shareholders' equity	9 273 501	8 774 990	5.7%
Capital adequacy ratio (%)	14.84	13.90	0.94 pp.

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

⁴ ROE gross and ROE net computed as proportion of gross and net profit (loss) for the period to the arithmetic average of equity (including retained earnings and profit for the year/ period) at the beginning and at the end of the period, respectively.



9.2 FINANCIAL PERFORMANCE OF PKO BP SA IN THE 1ST QUARTER OF 2006

In the period from January 2006 to March 2006, PKO BP SA recorded a pre-tax profit of PLN 564 million. After deducting income tax charge, the net profit amounted to PLN 453 million. Compared to the year 2005, the pre-tax profit and net profit was 5.5% and 10.4% higher, respectively.

The costs to income (C/I) ratio for the 1st quarter of 2006 was 59.62% and was 0.18 pp. lower than in the corresponding period of 2005.

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

Item	1st quarter of 2006	1st quarter of 2005	Dynamics
1	2	3	2/3
1. Net interest income	879 803	843 335	104.3%
2. Net fees and commission income	394 745	269 010	146.7%
3. Dividend income	-	-	x
4. Result from financial instruments at fair value through profit or loss	(7 467)	64 739	x
5. Result from investment securities	641	31 011	2.1%
6. Foreign exchange result	145 709	177 378	82.1%
7. Net other operating income	37 498	34 715	108.0%
8. Total income items	1 450 929	1 420 188	102.2%
9. Impairment losses	(21 476)	(35 675)	60.2%
10. General administrative expenses	(865 060)	(849 339)	101.9%
11. Profit before income tax	564 393	535 174	105.5%
12. Income tax expenses	(110 987)	(124 500)	89.1%
13. Net profit	453 406	410 674	110.4%
General administrative expenses to Total income items (C/I)	59.62%	59.80%	

In the 1st quarter of 2006, the total of income items amounted to PLN 1,451 million and was PLN 31 million i.e. 2.2% higher than in the corresponding period of 2005. Out of this total amount:

- Net interest income amounted to PLN 880 million and was PLN 36 million i.e. 4.3% higher compared to the corresponding period of 2005. The balance of net interest income comprised interest income of PLN 1,296 million and interest expense of PLN 416 million, which were 8.8% and 27.9% lower than in 2005, respectively.
- Net fees and commission income amounted to PLN 395 million and was 46.7% higher than in 2005. Fees and commission income amounted to PLN 483 million and was 42.0% higher than in 2005, while fees and commission costs amounted to PLN 88 million and were 24.2% higher than in the prior year.
- The total of Result from financial instruments and fair value through profit or loss and Result from investment securities amounted to PLN (-)7 million and was PLN 103 million lower than in the prior year.
- Foreign exchange result amounted to PLN 146 million and was 17.9% lower than in the 1st quarter of 2005.
- Net other operating income amounted to PLN 37 million (increase by 8.0%) and comprised other operating income of PLN 52 million and other operating expenses of PLN 15 million.

Comments to individual income items presented in the description of the results of the PKO BP SA Group (point 9.1.3) refer also to PKO BP SA, the parent company.

The impairment losses for the 1st quarter of 2006 amounted to PLN (-)21 million and were PLN 14 million lower than in the corresponding period of the prior year.

In the 1st quarter of 2006, general administrative expenses 865 million and were 1.9% higher than in the 1st quarter of 2005.

The following main financial ratios were calculated based on the financial results of the PKO BP SA:



The Polish original should be referred to in matters of interpretation.

Ratios	31.03.2006	31.03.2005
1	2	3
1. Gross profit (loss)/ average assets (ROA ⁵ _{gross})	2.32%	2.12%
2. Net profit (loss)/ average assets (ROA _{net})	1.90%	1.71%
3. Gross profit (loss)/ average equity (ROE ⁶ _{gross})	23.50%	22.99%
4. Net profit (loss)/ average equity (ROE _{net})	19.22%	18.52%

9.3 FACTORS AFFECTING FINANCIAL PERFORMANCE OF PKO BP SA

9.3.1. Macroeconomic factors

In the 1st quarter of 2006, growth in industry production and retail sales increased compared to the 4th quarter of 2005, which proved that the economic revival seen at the end of 2005 continued and was further stimulated by an increased domestic demand and favorable trends in exchange with abroad.

Following seasonal growth of unemployment rate in January 2006, in February 2006 the unemployment rate stabilized at the level of 18.0%. At the same time, the 1st quarter of 2006 saw an increase in the number of employees of the enterprise sector compared to the corresponding period of the prior year.

At the end of the 1st quarter of 2006, the inflation rate fell to 0.4%, year to year, from 0.7% y/y at the end of 2005, which was mainly due to a decrease in fuel and food prices.

During the first three months of 2006, the annualized upward trend of household deposits slightly slowed down and at the end of March the value of deposits increased by 3.1% y/y compared to a 3.6% y/y increase recorded at the end of December 2005. The increase in household deposits resulted from higher household income, while the slowdown – from the outflow of cash to other than bank deposits forms of savings. During the 1st quarter of 2006, an increase in annual corporate deposits was recorded: at the end of March corporate deposits increased by 17.6% y/y compared to 16.8% y/y increase at the end of December 2005.

In the 1st quarter of 2006, the upward trend of annual dynamics of household loans and credit continued, stimulated mainly by high demand for housing loans. A gradual increase in the demand for corporate loans was also observed.

Between January 2006 and March 2006, the Monetary Policy Council reduced the NBP interest rates twice (in January and February), by a total of 50 base points. As a result, at the end of the 1st quarter of 2006 the reference rate of the Polish Central Bank (NBP) was 4.0%.

9.3.2. Regulatory factors

The following regulatory factors affected business operations of the PKO BP SA Group:

- changes in the policies concerning calculation of interest on obligatory reserve which resulted in an increase in income from obligatory reserve with NBP – as of 1 January 2006, 50% of interest income calculated on obligatory reserve represents bank's income, while in 2005 – only 40%,
- increased (as of 1 January 2006) percentage rate determining the amount of the guarantee fund, which is an obligatory fund for all banks,
- implementation (as of 1 January 2006) of the amendments to International Financial Reporting Standards binding all EU Member States, including IAS 1 *Presentation of financial statements* (as regards income and costs recognized directly in equity), IAS 21 *The Effects of Changes in Foreign Exchange Rates* (as regards forex differences concerning cash flows within capital groups) and IAS 39 *Financial Instruments: Recognition and Measurement* (as regards financial guarantees granted, application of the fair value option and use of hedge accounting for intra-group transactions),
- the anti-usury regulations effective as of 20 February 2006 (the Act dated 7 July 2005 on amendments to the Civil Code and certain other acts (Journal of Laws No. 157, item 1316)), which limited interest rates for loans and credits to four times the amount of the NBP lombard rate, bank charges, commissions and other banking costs - to 5% the amount of consumer loans, and specified additional information requirements for banks,

⁵ ROA gross and ROA net computed as proportion of gross and net profit (loss) for the period to the arithmetic average of assets at the beginning and at the end of the period.

⁶ ROE gross and ROE net computed as proportion of gross and net profit (loss) for the period to the arithmetic average of equity (including retained earnings and profit for the year/ period) at the beginning and at the end of the period, respectively.



The Polish original should be referred to in matters of interpretation.

- reduction as of 1 March 2006 of the fees for entering property to the mortgage register (lump-sum fee of PLN 200 instead of the fee calculated based on the property value), which resulted in an increased competition for customers interested in taking out loans to re-finance their housing loans,
- the Recommendation „S” of the Commission for Banking Supervision issued on 23 March 2006 concerning good practices in the area of credit exposures secured by mortgage. The announcement to issue such Recommendation contributed to an increase in the competition on the market of currency housing loans in the 1st quarter of 2006. Despite the fact that the Commission requested that its 20 recommendations are implemented by 1 July 2006 the latest, the banks already commenced appropriate preparations at the end of the 1st quarter of 2006. To this end, one may expect that changes in banking internal regulations, organizational changes and changes to IT systems will take place in the 2nd quarter of 2006. Additionally, banks will be preparing to monitor changes on the real estate market, which will require creation of additional databases.

The financial situation of the PKO BP SA Group was also affected by amended legal solutions binding the Ukrainian banks, including - binding as of 1 February 2006 - changes in the method of accounting for tangible and intangible fixed assets.

9.3.3. Financial markets

In the 1st quarter of 2006, the profitability of treasury bonds with long-term maturity increased by 10 base points, while that of one year treasury bonds – by almost 40 base points. Climate for investments was diverse with the first two months favorable for treasury securities, followed by a correction in March. At the beginning of the 1st quarter of 2006, the factors that stimulated the upward trend of the treasury securities market were a decrease in the inflation rate and the decision of the Monetary Policy Council to reduce the basic interest rates twice, in January and February. The correction in March resulted from an increase in interest rates on basic markets in the USA and in the EUR-zone. Growing interest rates abroad caused that investors started to perceive the public debt of Poland and other emerging countries as less attractive. This led to an increase in the profitability on the whole length of the yield curve and decrease in the value of securities.

In the 1st quarter of 2006, Polish zloty depreciated against EUR by almost 2% (to 3.94 PLN/EUR at the end of March) and appreciated by 0.4% against USD (to 3.25 PLN/USD at the end of March). The first two months of the quarter saw a strong appreciation of Polish zloty, however, in the last month of the quarter Polish zloty rapidly depreciated, mainly due to an increased political uncertainty and smaller demand for Eastern-European currencies. The appreciation against USD (despite nominal depreciation of the effective rate) was the result of the US dollar depreciation on global markets. Favorable trends and perspectives concerning macroeconomic foundations of Polish economy had an overall positive effect on the Polish zloty exchange rate throughout the whole period.

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

PKO BP SA is a universal bank, providing services on the whole territory of Poland 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 INSTRUMENTS

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

Among other entities of the Group, only Bankowy Fundusz Leasingowy S.A. raises additional capital through the issuance of debt securities. In the 1st quarter of 2006, this company redeemed on time 1,000 pieces of corporate bonds with a total value of PLN 10 million.

12. SIGNIFICANT EVENTS THAT OCCURED AFTER THE DATE OF THE PREPARATION OF THE REPORT THAT MAY AFFECT FUTURE FINANCIAL RESULTS

- As part of the work relating to a block sale of “lost” loans (amounts due from corporate entities and physical persons), on 4 April 2006 a tender winner was selected during oral auction. Subject to sale proceedings are 1,045 “debt items” (both balance sheet and off-balance sheet) with a total value of approx. PLN 735 million. Signing factoring agreement is planned for the first half of July.
- In preparing the second round of a block sale of retail loans, on 7 April an announcement was made for the tender for the sale of “lost” loans (both balance sheet and off-balance sheet). According to the assumptions of the sale plan, the whole portfolio of approx. 75 thousand pieces of “debt items” is to be sold to one securitization fund.
- On 18 April 2006, an Ordinary General Shareholders’ Meeting of Powszechna Kasa Oszczędności Bank Polski SA, took place, which:



The Polish original should be referred to in matters of interpretation.

- made changes to the composition of the Supervisory Board of PKO BP SA by dismissing seven of nine members of the Supervisory Board of the Bank and appointing five new members. As a result the number of the members of the Supervisory Board decreased to seven persons: (i) The following persons were dismissed as Supervisory Board Members: Mr Bazył Samojlik, Mr Krzysztof Zdanowski, Mr Andrzej Giryń, Mr Ryszard Kokoszczyński, Mr Władysław Szymański, Mr Stanisław Kasiewicz and Ms Czesława Siwek, (ii) appointing the following persons as Supervisory Board Members: Mr Marek Głuchowski, Mr Jerzy Michałowski, Mr Tomasz Siemiątkowski, Mr Adam Skowroński and Ms Agnieszka Winnik-Kalemba; Ms Urszula Pałaszek and Mr Jerzy Osiatyński remained as Board Members. As The President of the Supervisory Board of PKO BP SA was elected Mr Marek Głuchowski.
 - approved: (i) the 2005 Directors' Report of PKO BP SA, (ii) the 2005 financial statements of PKO BP SA, (iii) the 2005 separate financial statements of the PKO BP SA Group, (iv) the 2005 consolidated financial statements of the PKO BP SA Group,
 - approved the fulfillment of duties by the members of the Bank's Management and Supervisory Board,
 - appropriated the 2005 net profit of PKO BP SA of PLN 1,676,798 thousand in the following manner: (i) shareholders' dividend - PLN 800,000 thousand, (ii) reserve capital - PLN 801,548 thousand, (iii) other reserves – PLN 5,000 thousand, (iv) general banking risk reserve – PLN 70,000 thousand, (v) the Bank's Social Fund – PLN 250 thousand; and appropriated accumulated profits of PLN 430,976 thousand to reserve capital,
 - made changes to the Statutes of PKO BP SA,
 - agreed to dispose of organized parts of the Bank in the form of resort-training centers.
- The resolutions were published in the Current Report No. 22/2006 dated 18 April 2006.
- On 4 May 2006, the Bank, after fulfilling all conditions of the Partnership Agreement, issued a statement on its becoming a partner of Centrum Haffnera Sp. z o.o. and taking up shares in the increased share capital of the above company. The cost of the acquisition of shares was PLN 44,370,500.

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

PKO BP SA did not publish any projections of the results for the year 2006.

14. INFORMATION ON DIVIDEND PAID OR DECLARED

In accordance with Resolution No. 7/2006 of the General Shareholders' Meeting of PKO BP SA dated 18 April 2006 regarding the 2005 dividend payment, the Bank paid a dividend for 2005 amounting to a total of PLN 800,000 i.e. PLN 0,80 gross per share. The list of shareholders legitimate to dividend payment for 2005 will be set on the day of 10 July 2006 and the payment will be on 1 August 2006.

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

The interim report for the 4th quarter of 2005 was submitted to the Securities and Exchange Commission (KPWiG) on 16 February 2006.

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 March 2006, State Treasury vested to the legitimate employees and their successors 104,386,475 shares of the Bank representing 10.44% of PKO BP SA shares which give 104,386,475 votes, i.e. 10.44% of the total votes number on General Shareholders' Meeting.

Considering the above, as at 31 March 2006 the direct share of the State Treasury in the share capital of the Bank amounted to 515,087,146 shares.



Table 11. Shares still in the possession of State Treasury as at 31 March 2006

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	51.57%	515,711,446	-0.06 pp.	51.51%	515,087,146

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 12 May 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	450	-----	-----	450
2.	Kazimierz Małecki, Vice-President and Deputy President of the Management Board	2627	-----	-----	2627
3.	Danuta Demianiuk, Vice-President of the Management Board	-----	-----	-----	-----
4.	Sławomir Skrzypek, Vice-President of the Management Board	-----	-----	-----	-----
5.	Jacek Obłękowski, Member of the Management Board	512	-----	-----	512
6.	Krystyna Szewczyk, Member of the Management Board	-----	-----	-----	-----
II. Supervisory Board					
1.	Marek Głuchowski, President of the Supervisory Board	-----	-----	-----	-----
2.	Urszula Pałaszczek, Vice-President of the Supervisory Board	-----	-----	-----	-----
3.	Jerzy Michałowski, Member of the Supervisory Board	-----	-----	-----	-----
4.	Jerzy Osiałyński, Member of the Supervisory Board	-----	-----	-----	-----
5.	Tomasz Siemiątkowski, Member of the Supervisory Board	-----	-----	-----	-----
6.	Adam Skowroński, Member of the Supervisory Board	-----	-----	-----	-----
7.	Agnieszka Winnik-Kalemba, Member of the Supervisory Board	-----	-----	-----	-----



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

- 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 1st quarter of 2006 PKO BP SA made total payments to this company amounting to PLN 15.4 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 1st quarter of 2006 related to the following:

- fees for services rendered by the company as part of its day to day operating activities,
- maintenance, service and sharing by the company infrastructure necessary for 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 29), in the 1st quarter of 2006 PKO BP SA made total payments to this company amounting to PLN 12.2 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 Bank and 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 the Bank's and Group's operations.

Additionally, the activities of the Bank and PKO BP SA Group in the next reporting periods may be affected by performed activities regarding sale of loan portfolios described in paragraph 12 of this commentary.

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 1st quarter of 2006, 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 March 2006, the total value of court proceedings against PKO BP SA amounted to PLN 300,470,873.88, while the total value of proceedings initiated by the Bank amounted to PLN 67,188,672.74.

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 25 January, 14 and 23 March 2006, PKO BP SA signed, with one of the clients, three agreements on granting a bank guarantee for the total amount of PLN 345 million. There were two guarantees granted for Customs Office to cover excise duty and one for Miejski Zakład Komunikacji in Zielona Góra concerning the appropriate execution of the agreement. The detailed information about agreements mentioned above was published in the Current Report no 3/2006, 9/2006 and 12/2006 from 26 January, 15 March and 24 March 2006.
- On 8 March 2006 The Supervisory Board of the Bank made a resolution concerning the resignation of Mr Piotr Kamiński from the position of Member of the PKO BP SA Board of Directors as at 9 March 2006, i.e. the day of appointing Mr Piotr Kamiński to the post of Vice-president of the Board of Directors of Bank Pocztowy S.A.
- In the first quarter of 2006 the loan exposure towards one of the bank's clients increased by PLN 565.5 million, which is related among others to the syndicated loan agreement granted to this client (agreement signed on 22 December 2005 amounting to EUR 90,9 million, i.e. PLN 354 million – current report No. 51/2005, dated 23 December 2005) and signed loan agreements in the first quarter of 2006 amounting to PLN 345.1 million. As at 31 March 2006 the total exposure of the Bank towards this client amounts to PLN 1.131 million.

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
- Retail Segment includes transactions of the holding company with private individuals and 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.



The Polish original should be referred to in matters of interpretation.

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.

	Continued activities					
For the 3-month period ended 31 March 2006	Corporate Segment	Retail Segment	Treasury Segment	Investments Segment	Housing Segment	All activities
Revenue						
External customer-related revenues	277 930	855 312	405 600	39 521	350 705	1 929 068
Inter-segment sales	-	13 476	-	-	-	13 476
Total segment revenue	277 930	868 788	405 600	39 521	350 705	1 942 544
Result						
Segment result	58 105	224 325	38 168	12 477	90 308	423 383
Unallocated result together with the result of non-separated segments	-	-	-	-	-	132 752
Difference between FX Swap and CIRS results (swap points)	-	-	-	-	-	64 236
Result from continued activities before taxation	-	-	-	-	-	620 371
Share in the results of associates and jointly controlled entities	-	-	-	-	-	(8 508)
Result before taxation and minority interest	-	-	-	-	-	611 863
Income tax (tax expense)	-	-	-	-	-	(119 865)
Profit/ (loss) of minority shareholders	-	-	-	-	-	(10 053)
Net profit for the year	-	-	-	-	-	481 945
Assets and equity and liabilities as at 31 March 2006						
Segment assets	16 609 382	13 760 024	32 747 561	1 481 773	20487152	85 085 892
and jointly controlled entities	-	-	-	176 836	-	176 836
Unallocated assets	-	-	-	-	-	8 755 853
Total assets	-	-	-	-	-	94 038 581
Segment liabilities and equity	9 222 502	59 991 826	2 073 717	190 147	8 920 138	80 398 330
Unallocated liabilities and equity	-	-	-	-	-	13 640 251
Total liabilities and equity	-	-	-	-	-	94 038 581
Other segment information						
Impairment allowances*	11 030	(25 157)	-	850	(3 962)	(17 239)

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



The Polish original should be referred to in matters of interpretation.

	Continued activities					
For the 3-month period ended 31 March 2005	Corporate Segment	Retail Segment	Treasury Segment	Investments Segment	Housing Segment	All activities
Revenue						
External customer-related revenues	312 037	746 804	588 860	56 556	340 072	2 044 329
Inter-segment sales	-	4 654	-	16	-	4 670
Total segment revenue	312 037	751 458	588 860	56 572	340 072	2 048 999
Result						
Segment result	38 244	257 832	91 916	28 177	11 448	427 617
Unallocated result together with the result of non-separated segments	-	-	-	-	-	5 257
Difference between FX Swap and CIRS results (swap points)	-	-	-	-	-	119 653
Result from continued activities before taxation	-	-	-	-	-	552 527
Share in the results of associates and jointly controlled entities	-	-	-	-	-	(9 769)
Result before taxation and minority interest	-	-	-	-	-	542 758
Income tax (tax expense)	-	-	-	-	-	(127 258)
Profit/ (loss) of minority shareholders	-	-	-	-	-	301
Net profit for the year	-	-	-	-	-	415 801
Assets and equity and liabilities as at 31 March 2005						
Segment assets	14 517 929	13 503 141	33 710 060	1 989 377	19 395 940	83 116 447
Investments in associates and jointly controlled entities	-	-	-	184 345	-	184 345
Unallocated assets	-	-	-	-	-	8 312 389
Total assets	-	-	-	-	-	91 613 181
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	-	-	-	-	-	11 627 534
Total liabilities and equity	-	-	-	-	-	91 613 181
Other segment information						
Impairment allowances*	5 866	(26 649)	-	(1 182)	(8 551)	(30 516)

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

Segmentation by geographical region

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

The operating activities of the PKO BP 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 Kredyt Bank (Ukraine) S.A.

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



The Polish original should be referred to in matters of interpretation.

The tables below present data relating to revenues of the individual geographical segments for the 3-month period ended 31 March 2006 and 31 March 2005 and certain types of the assets as at 31 March 2006 and 31 March 2005.

For the 3-month period ended 31 March 2006	Poland	Ukraine	Total
Revenues			
Total segment revenues	1 942 544	51 013	1 993 557
Other segment information			
Segment assets	92 527 786	1 333 959	93 861 745
Unallocated assets	-	-	-
Investments in associates	176 836	-	176 836
Total assets	92 704 622	1 333 959	94 038 581

For the 3-month period ended 31 March 2005	Poland	Ukraine	Total
Revenues			
Total segment revenues	2 048 999	34 977	2 083 976
Other segment information			
Segment assets	90 193 618	1 235 218	91 428 836
Unallocated assets	-	-	-
Investments in associates	184 345	-	184 345
Total assets	90 377 963	1 235 218	91 613 181



24. CREDIT RISK AND MARKET RISK OF PKO BP SA GROUP

• As at 31 March 2006

Balance sheet instruments		
	Carrying amount	Risk weighted value
Banking portfolio	92 080 261	44 106 242
Trading portfolio	1 958 320	735 259
Total balance sheet instruments	94 038 581	44 841 501

Off-balance-sheet instruments			
Instrument type	Replacement cost	Credit equivalent	Risk weighted value
Derivatives	148 943 225	2 061 337	413 670
Banking portfolio	30 703 335	872 708	174 775
Trading portfolio	118 239 890	1 188 629	238 895
Other off-balance instruments	25 582 332	3 866 581	2933161
Banking portfolio	24 903 156	3 379 047	2 445 627
Trading portfolio	679 176	487 534	487 534
Total off-balance-sheet instruments	174 525 557	5 927 918	3 346 831

	Carrying amount and off-balance-sheet value	Risk weighted value	Capital requirement
Total banking portfolio (credit risk)	147 686 752	46 726 644	3 738 132

Capital requirements for trading portfolio (market risk)	Capital requirement
Market risk:	92 007
Currency risk	-
Commodity price risk	-
Securities price risk	219
Debt instruments specific risk	56 934
Interest rate general risk	34 854
Others:	15 978
Settlement risk - delivery and contractor	15 978
Underwriting risk	-
Otjer	-

Total capital requirement (credit and market risk)	3 846 117
---	------------------

The credit and market risk was calculated based on the Resolution No. 4/2004 of the Commission for Banking Supervision dated 8 September 2004.

• As at 31 December 2005

Balance sheet instruments		
	Carrying amount	Risk weighted value
Banking portfolio	89 283 614	41 837 739
Trading portfolio	2 329 567	857 758
Total balance sheet instruments	91 613 181	42 695 497



The Polish original should be referred to in matters of interpretation.

Off-balance-sheet instruments			
Instrument type	Replacement cost	Credit equivalent	Risk weighted value
Derivatives	139 779 905	2 099 078	420 980
Banking portfolio	33 068 551	1 019 986	204 380
Trading portfolio	106 711 354	1 079 092	216 600
Other off-balance instruments	21 694 810	3 492 744	2 113 900
Banking portfolio	21 029 940	3 008 396	1 629 552
Trading portfolio	664 870	484 348	484 348
Total off-balance-sheet instruments	161 474 715	5 591 822	2 534 880

	Carrying amount and off-balance-sheet value	Risk weighted value	Capital requirement
Total banking portfolio (credit risk)	143 382 105	43 671 671	3 493 734
Capital requirements for trading portfolio (market risk)			Capital requirement
Market risk:			108 522
Currency risk			-
Commodity price risk			-
Securities price risk			249
Debt instruments specific risk			66 863
Interest rate general risk			41 410
Others:			15 474
Settlement risk - delivery and contractor			15 474
Underwriting risk			-
Other			-
Total capital requirement (credit and market risk)			3 617 730

The credit and market risk was calculated based on the Resolution No. 4/2004 of the Commission for Banking Supervision dated 8 September 2004.

Warsaw, 2006-05-12

Member of the Board of Directors/Chief Accountant

Krystyna Szewczyk